

VIA CFTC PORTAL

01 March 2019

Mr Christopher Kirkpatrick  
Commodity Futures Trading Commission  
115 21<sup>st</sup> Street NW  
Three Lafayette Centre  
Washington DC 20581

**LCH Limited Self-Certification: MXN Swaps fee holiday**

Dear Mr Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (the "CFTC") Regulation §40.6(a), LCH Limited ("LCH"), a derivatives clearing organization registered with the CFTC, is submitting for self-certification a fee holiday proposed for the clearing of Mexican TIIE (MXN) Swaps.

**Part I: Explanation and Analysis**

LCH launched MXN clearing in October 2016 – this is the only Latin American (LATAM) currency currently cleared within the SwapClear Service. As part of SwapClear's second phase of non-deliverable swaps (NDS) clearing (scheduled go-live 11<sup>th</sup> March 2019), three new LATAM currencies will be made available for clearing: BRL, CLP and COP. There will be a fee holiday for these currencies until 30<sup>th</sup> September 2019 to encourage adoption through minimising connectivity, on-boarding and Legal/Compliance costs for clients who are yet to on-board for these currencies.

LCH is proposing to extend this regional fee holiday to include MXN. This is designed to provide economies of scale across clients' LATAM portfolios during the initial months post NDS phase II go-live, so they can benefit from LCH's margin offsets and efficiencies.

The fee holiday will be effective on March 18<sup>th</sup> 2019 until September 30<sup>th</sup> 2019.

**Part II: Description of Rule Changes**

There are no changes to the LCH Rulebook, however LCH will make changes to its website to highlight the new fee holiday and update its members via a member circular as shown in **Appendix I and II**.

**Part III: Core Principle Compliance**

LCH has reviewed the changes against the requirements of the Core Principles and finds that they will continue to comply with all the requirements and standards therein.

**Part IV: Public Information**

LCH has posted a notice of pending certification 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 or market participants that were not incorporated into the change.

**Certification**

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

Should you have any questions please contact me at [julian.oliver@lch.com](mailto:julian.oliver@lch.com).

Yours sincerely



Julian Oliver  
Chief Compliance Officer  
LCH Limited

**Appendix I**

Website changes (Fees webpage)

<https://www.lch.com/services/swapclear/fees>

## Member Fees

### SwapClear Self-Clearing Fees

#### Clearing Fees - Notes

A "Member Group" means a SwapClear Clearing Member or an FCM Clearing Member, its direct and indirect subsidiaries and its direct and indirect holding companies and every direct and indirect subsidiary of each such holding company, from time to time. For the purposes of this definition: (i) 'subsidiary' means a company in which an entity holds more than 50% of the voting rights; and (ii) 'holding company' means a company that holds more than 50% of the voting rights in another entity.

An "Affiliated Firm" in relation to a Member Group means a firm that satisfies both of the following tests:

- A SwapClear Clearing Member or a FCM Clearing Member (or any other member of its Member Group) holds 50% or more of the voting rights in the firm; and
- One or more SwapClear Clearing Members or FCM Clearing Members (or any other member of their Member Group) together hold more than 50% of the voting rights in the firm.

"Voting rights" means the rights conferred on shareholders in respect of their shares or, in the case of a company not having a share capital, on members, to vote at general meetings of the company on all, or substantially all, matters.

Changes in an entity's corporate ownership may lead to changes in the tariff that applies to it.

Terms used herein are as defined in the rulebook of LCH.

All clearing fees are payable in GBP.

If you would like to discuss LCH tariffs please contact your relationship manager for further details.

[The fees for MXN-TIIE swaps are also subject to a fee holiday as outlined in circular No. 4011](#)

### SwapClear Compression Fees

#### Scheduled Compression

#### Fee tariff for scheduled compression runs (per trade)

Fee Schedule	LCH Compression	ACSP Compression
<b>Trades</b>	<b>£</b>	<b>£</b>
0 - 35,000	14.00	9.00
35,001 - 70,000	10.00	7.50
70,000+	7.00	6.00
• <b>Fee Cap</b>	• <b>£1,400,000</b>	

- Risk replacement trades resulting from a compression run will not attract a registration fee (where applicable).
- Any ACSP provider fees are payable in addition to the LCH fees.

### **Ad-hoc Compression requests**

In response to a request from one or more SwapClear Clearing Members, LCH may operate compression on an ad-hoc basis. The fixed-fee arrangement for ad-hoc compression is as follows:

- Fees for ad-hoc compression are not included in the fee charged by LCH for scheduled compression cycles, as set out above, and the resulting compressed trades will not form part of any cumulative trade count totals.
- Ad-hoc compression is subject to a processing fee of £15 per trade with a minimum charge of £100,000 per cycle per SwapClear Clearing Member.

NDIRS Compression is subject to a fee holiday in the following currencies, as described in circular **No 3996**: BRL, CLP and COP.

[MXN-TIIE Compression is also subject to a fee holiday as outlined in circular No. 4011](#)

### **SwapClear Portfolio Transfer Fees**

- A fee is payable by a SwapClear Clearing Member which receives a Portfolio Transfer.
- A Member Group is entitled to 500 Portfolio Transfer trades in a calendar year free of charge.
- Each Portfolio Transfer is charged at £12.50 per Contract that is transferred.
- Fees for portfolio Transfers are capped at £300k per Member Group in any calendar year.
- NDIRS Portfolio Transfers are subject to a fee holiday in the following currencies, as described in circular **No. 3996**: BRL, CLP and COP.
- [MXN-TIIE Portfolio Transfers are also subject to a fee holiday as outlined in circular No. 4011](#)

For the purposes of this section a “Portfolio Transfer” means:

- The transfer of SwapClear Contracts or FCM SwapClear Contracts registered to the Proprietary Account of one SwapClear Clearing Member to the Proprietary Account of another SwapClear Clearing Member.
- The transfer of SwapClear Contracts registered in a SwapClear Clearing Member’s Proprietary Account from one SCM Branch to another SCM Branch or one SwapClear Dealer to another SwapClear Dealer.

### **Compression and Portfolio Transfer Fees - Notes**

- Fees will be charged on a ‘per group’ basis in line with LCHs Membership Fee Policy.
- Fees will be collected monthly in arrears.
- The fee structure is independent of any fees clearing members may be charged by an ACSP for their compression services.
- Ad-hoc compression runs will be carried out in LCH’s sole discretion.
- For the purposes of the above, a ‘trade’ means a SwapClear Contract or FCM SwapClear Contract, as applicable. References to SwapClear Clearing Members shall include FCM clearing Members, as applicable.
- Terms used above and not defined above have the meaning assigned to them in the Rulebook or FCM Rulebook of LCH, as applicable.

## Client Clearing Fees

### Standard Pricing Plan

The Standard Pricing Plan has an up-front booking fee and an ongoing maintenance fee.

#### Booking fee

New trades are charged on a per-million notional basis in the currency of the trade as set out in the table below. The booking fee is incurred at the time that the trade is cleared and collected monthly in arrears.

Booking fee

Transaction Maturity	Interest Rate Swaps	Non-Deliverable Interest Rate Swaps	Inflation Swaps
0 - 1 year	0.9	0.9	1.4
1 year+ to 3 year	2.25	2.25	3.4
3 year+ to 5 year	4.05	4.05	6.1
5 year+ to 7 year	5.4	5.4	8.1
7 year+ to 10 year	7.2	7.2	10.8
10 year+ to 12 year	8.1	8.1	12.2
12 year+ to 15 year	9	9	13.5
15 year+ to 20 year	13.5	13.5	20.3
20 year+ to 25 year	16.2	16.2	24.3
25 year + to 51 year	18	18	27

The fees for the clearing of non-deliverable interest rate swaps (NDIRS) are payable in USD.

NDIRS clearing is subject to a fee holiday in the following currencies, as described in circular *No. 3996*: BRL, CLP, COP. **The fees for MXN-THE swaps are also subject to a fee holiday as outlined in circular No. 4011**

#### Maintenance fee

The maintenance fee is incurred annually on the anniversary date of the registration of each trade, collected monthly in arrears and is not payable for trades terminated before their anniversary date. The fee is charged on a per-million notional basis in the currency of the trade as follows:

- Interest rate swaps and NDIRS: 3 per-million of notional (e.g. \$30 for \$10 million notional)
- Inflation swaps: 12 per-million of notional (e.g €60 for €5 million of notional)

The maintenance fee is reduced to 4.5 per-million of notional in perpetuity for all inflation swaps cleared or backloaded within one year of service go-live.

The fees for the clearing of NDIRS are payable in USD.

## High Turnover Plan

The High Turnover Plan incurs an up-front booking fee and an on-going "risk consumption" maintenance fee.

### Booking fee

The booking fee is incurred upon trade registration and payable monthly in arrears as follows:

- Interest rate swaps and NDIRS: USD \$25 per ticket booking fee for each newly registered and backloaded trade, charged upfront
- Inflation swaps: USD \$37.5 for each newly registered and backloaded trade

NDIRS clearing is subject to a fee holiday in the following currencies, as described in circular *No. 3996*: BRL, CLP and COP. **The fees for MXN-TIIE swaps are also subject to a fee holiday as outlined in circular No. 4011**

### Maintenance fee

The ongoing "risk consumption fee" is calculated at 10 basis points annualized on the client's initial margin (IM) requirement (regardless of type of collateral used to cover IM). It is calculated daily and paid monthly in arrears – equivalent to \$1,000 per \$1 million (annualized) of IM (e.g. an average IM of \$50 million equals an annual risk consumption fee of \$50,000).

## Blended Rate and Multilateral Compression Fee Schedule for SwapClear clients

For each trade terminated from blended rate compression or multilateral compression, the following fees apply:

- Per trade terminated = (a) Registration replacement fee + (b) Processing fee
- Registration replacement fee is a charge for booking a notional offsetting position based on the client's current fee plan at the point of compression (eg \$25 for High Turnover plan and the published schedule for Standard Pricing Plan)
- Processing fee will be discounted based on the aggregate monthly sum of: cleared trades and trades compressed using blended rate, standard, and multilateral compression. The following processing fees will apply by compression type:
- Blended rate and multilateral compression fee schedule

Band	Blended Rate	Multilateral
Activity greater or equal to 750	\$25	\$50
Activity greater or equal to 250 but fewer than 750	\$50	\$75
All other activity	\$75	\$100

The applicable band will be assessed on a quarterly basis based on the preceding quarter's activity. Replacement swaps (i.e. those that are the result of the blending activity or multilateral compression activity) are not charged a blended rate or multilateral compression fee.

NDIRS Compression is subject to a fee holiday in the following currencies, as described in circular *No. 3996*: BRL, CLP and COP. **MXN-TIIE Compression is also subject to a fee holiday as outlined in circular No. 4011**

## EMIR account structures

There is more information on account structure fees under [EMIR](#).

*SwapClear charges all fees to clearing members; members individually make pricing arrangements with clients and confidentially notify SwapClear of the pricing plan for each client. Clients can switch pricing plans quarterly, and must give SwapClear reasonable advance notice to make the operational changes necessary to effectuate such a change, i.e. no fewer than fifteen (15) days prior to a calendar quarter.*

**Appendix II**  
Member Circular

# SwapClear MXN swaps fee holiday

**Summary**

Circular No.                      **LCH Circular No 4011**

Date:                                      01 March 2019

To:                                      All LCH Limited SwapClear Clearing Members

Dear SwapClear Member,

In accordance with the second phase of clearing for SwapClear Contracts that are non-deliverable interest rate swaps ("NDIRS"), LCH Limited hereby informs SwapClear Clearing Members of the fee holiday that will apply to cleared MXN TIE swaps, subject to regulatory non-objection. Please note, fee tariffs and related fee terms set forth below compliment the NDIRS Fee Tariffs as detailed in circular No. 3996, dated 14 December 2018.

**Clearing Member – All Tariffs**

A SwapClear Clearing Member or Member Group that has elected the Bronze Tariff, the Silver Tariff, Gold Tariff or Platinum Tariff, shall have the following MXN fee holiday applied effective from 18<sup>th</sup> March 2019-30<sup>th</sup> September 2019:

- o Platinum and Gold Member Tariffs: Fee holiday for Compression and Portfolio Transfer fees
- o Silver and Bronze Member Tariffs: Fee holiday for Registration, Compression and Portfolio Transfer fees

**SwapClear Client Clearing Fees\***

MXN fee holiday for Registration and Compression fees

*The Clearing House charges all fees to Clearing Members. Clearing Members individually make pricing arrangements with Clients.*

Kind regards,

LCH Relationship Management

Terms used in this circular have the meaning assigned to them in either the Rulebook or FCM Rulebook (as applicable), available at [www.lch.com](http://www.lch.com). The terms 'SwapClear Clearing Member' and 'SwapClear Contract' include an 'FCM Clearing Member' and an 'FCM SwapClear Contract'.



*\*For technical reasons, maintenance fees will be payable from go-live for SwapClear Contracts entered with respect to SwapClear Clearing Clients and FCM Clients, and the fees associated shall be payable prior to 1st October 2019.*