

VIA CFTC PORTAL

30 April 2020

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

**LCH Limited Self-Certification: SwapClear fee holiday for Pension Funds related to backloaded trades**

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 for Pension Funds.

**Part I: Explanation and Analysis**

LCH's SwapClear Service is proposing a 6-month (18th May – 18th Nov 2020) fee holiday program applying to only Pension Fund (PF) Clients. The fee holiday program is limited to backloaded trades to help reduce the initial cost of moving legacy bi-lateral PF portfolios to clearing and to try and mitigate the inefficiencies of a bifurcation across cleared and uncleared positions.

These changes will go live on 18 May 2020.

**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 as shown in **Appendix I**.

**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

A handwritten signature in blue ink, appearing to read "Julian Oliver".

Julian Oliver  
Chief Compliance Officer  
LCH Limited

## Appendix I

Website changes (Fees webpage)

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

### Client Clearing Fees

SwapClear Client Clearing fees under the SwapClear Client Clearing service are charged to the clearing member under a choice of two pricing plans.

### 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.

*No booking fees will be payable by pension funds for SwapClear Transactions that are backloaded trades submitted between 18<sup>th</sup> May 2020 and 18<sup>th</sup> November 2020, where LCH has been made aware that backloaded trades are being submitted by a pension fund, prior to clearing. An election must be made by one or more of the pension fund's clearing members. In the event that an eligible election is received by LCH, then the pension fund's participation in the fee holiday will automatically apply to all clearing activity in respect of the eligible electing pension fund's accounts linked to its LEI, across all of its clearing members. Further details can be obtained from [Swapclear.clientonboarding@lch.com](mailto:Swapclear.clientonboarding@lch.com)*

#### 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
- No booking fees will be payable by pension funds for SwapClear Transactions that are backloaded trades submitted between 18<sup>th</sup> May 2020 and 18<sup>th</sup> November 2020, where LCH has been made aware that backloaded trades are being submitted by a pension fund, prior to clearing. An election must be made by one or more of the pension fund's clearing members. In the event that an eligible election is received by LCH, then the pension fund's participation in the fee holiday will automatically apply to all clearing activity in respect of the eligible electing pension fund's accounts linked to its LEI, across all of its clearing members. Further details can be obtained from [Swapclear.clientonboarding@lch.com](mailto:Swapclear.clientonboarding@lch.com)

## 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.

## 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.*