

**SWAPAGENT**

Clearing the way  
for non-cleared



**LSEG** POST  
TRADE

# 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, LCH 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 LCH SwapAgent remain fully bilateral, they follow a similar operational process to cleared trades, including centralised trade processing, valuation, margining, risk calculation and optimisation services.

LCH SwapAgent benefits from LCH's expertise in serving and managing risk for the cleared rates and FX derivatives market, where LCH's LCH SwapClear and LCH ForexClear are the market leaders. LCH 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.

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

1

Standardisation of risk factors, collateralisation and settlement process, and document terms

2

Uniform end-to-end trade processing and life cycle management

3

Independent valuation and dispute elimination for LCH SwapAgent trades

4

Elimination of unnecessary payment flows (e.g., netting coupons and variation margin)

5

Increased ability to move trades between counterparties and to the clearing house without funding impacts driven by collateralisation terms

6

STP integration with the leading optimisation and compression platforms

# Standardised approach

LCH 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 LCH SwapAgent service – without the need for amendments to existing bilateral agreements.

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

## LCH SwapAgent advantages

| CATEGORY                              | BILATERAL LCH SWAPAGENT | BILATERAL TODAY | LCH SWAPCLEAR |
|---------------------------------------|-------------------------|-----------------|---------------|
| Standardised collateral documentation | ✓                       | X               | ✓             |
| Standardised trade processing         | ✓                       | X               | ✓             |
| Independent valuation agent           | ✓                       | X               | ✓             |
| Dispute elimination                   | ✓                       | X               | ✓             |
| VM/coupon/interest netting            | ✓                       | X               | ✓             |
| Standardised risk factor calculation  | ✓                       | X               | ✓             |
| Standardised payment processing       | ✓                       | X               | ✓             |
| Cross-currency and swaptions          | ✓                       | ✓               | X             |
| Central counterparty                  | X                       | X               | ✓             |
| Default fund                          | X                       | X               | ✓             |

# Cross-currency benefits

LCH SwapAgent brings many of the efficiencies of the LCH SwapClear and LCH 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, LCH 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)<br>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 |                 |                      |  |  |

# SWAPAGENT

## LCH. The Markets' Partner.

LCH builds strong relationships with commodity, credit, equity, fixed income, foreign exchange (FX) and rates market participants to help drive superior performance and deliver best-in-class risk management. As a member or client, partnering with us helps you increase capital and operational efficiency, while adhering to an expanding and complex set of cross-border regulations, thanks to our experience and expertise.

Working closely with our stakeholders, we have helped the market transition to central clearing and continue to introduce innovative enhancements. Choose from a variety of solutions such as compression, sponsored clearing, credit index options clearing, contracts for differences clearing and LCH SwapAgent for managing uncleared swaps. Our focus on innovation and our uncompromising commitment to service delivery make LCH, an LSEG business, the natural choice of the world's leading market participants globally.

## Disclaimer

This document has been provided to you for informational purposes only and is intended as an overview of certain aspects of, or proposed changes to, the SwapClear, Listed Interest Rates, SwapAgent and/or any other service provided by LCH Group Holdings Limited ("LCH Group") or any of its group undertakings (group undertakings shall be construed in accordance with section 1161 of the Companies Act 2006; each an ("LCH Group Company").

LCH Limited is supervised by the Bank of England within the UK regulatory framework, registered as a derivatives clearing organisation with the U.S. Commodity Futures Trading Commission ("CFTC") and recognised as a third-country CCP under Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories ("EMIR"). LCH S.A. is regulated and supervised in France by the Autorité des Marchés Financiers, the Autorité de Contrôle Prudentiel et de Résolution and the Banque de France, authorised as an E.U. CCP under EMIR, registered as a derivatives clearing organisation with the CFTC and as a clearing agency with the U.S. Securities and Exchange Commission. LCH Limited and LCH S.A. also hold licenses or authorisations in other jurisdictions in which they offer their services. More information is available at [www.lch.com](http://www.lch.com).

The relationship of an LCH Group Company with its members is governed solely by its rulebook and certain other ancillary documentation, as applicable. This document does not, and does not purport to, contain a detailed description of any aspect of a service provided by an LCH Group Company or any other topics discussed in this document, and it has not been prepared for any specific person. This document does not, and does not seek to, constitute advice of any nature. You may not rely upon the contents of this document under any circumstance and should seek your own independent legal, investment, tax and other advice. The information and any opinion contained in this document does not constitute a recommendation or offer with respect to any derivative contract, financial instrument, security or service. No LCH Group Company makes any representation, warranty, condition or guarantee (whether express or implied) that the contents of this document are accurate, complete or up-to-date, and makes no commitment to offer any particular product or service. No LCH Group Company shall have any liability for any losses, claims, demands, actions, proceedings, damages, costs or expenses arising out of, or in any way connected with, the information contained in this document, except that each LCH Group Company accepts liability that cannot be excluded by applicable law.

Copyright © LCH Limited 2023. All rights reserved. Copyright © LCH S.A. 2023. All rights reserved. LCH SwapClear, LCH CDSClear, LCH ForexClear, LCH RepoClear, LCH EquityClear, LCH SwapAgent and €GCPlus are registered trademarks of LCH.

The information contained in this document is confidential. By reading this document, each recipient agrees to treat it in a confidential manner and will not, directly or indirectly, disclose or permit the disclosure of any information in this document to any other person (other than its regulators or professional advisers who have been informed of the confidential nature of the information) without the prior written consent of the relevant LCH Group Company to whom such confidential information belongs.

## Contact us

LCH 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.

For more information, please email [swapagentsales@lch.com](mailto:swapagentsales@lch.com) or visit [lch.com](http://lch.com).



To find out more:

## Europe

+44 (0) 20 7426 6365

## Americas

+1 212 513 8275

## Asia- pacific

+61 (2) 8259 4109

