LCH

SwapClear - Compression watch

Reaching new heights in total notional compressed

Reaching new heights

$2.7 quadrillion! That's the total notional compressed at LCH SwapClear — and a key reason why we remain a market leader. But we're not stopping there. With more frequent compression runs offered by an Approved Compression Service Provider (ACSP) and innovative enhancements to our blended rate and multi compression offerings, SwapClear is now delivering even greater benefits to participants.

Compression-ometer

$2,656 trn*
Notional compressed

15,834,255*
Number of trades compressed

74%
In 2019, SwapClear compressed away the equivalent of 74% of the total notional it cleared

*From January 2016 to December 2019

**Source: Clarus Financial Technology — excluding swaptions and cross currency swaps

Effect of compression on notional outstanding

Only $7 trn
Increase in Notional Outstanding Due to Over $1 Quadrillion in Combined Reductions

Notional Outstanding
$309 trn
START JAN. 2019

Notional Outstanding
$316 trn
END DEC. 2019
**Lowering your capital requirement**

Reducing your capital burden has become even more important with the proposed introduction of the leverage ratio. This provides a clear incentive for financial institutions to optimize their capital requirement through the use of compression services.

<table>
<thead>
<tr>
<th>Notional Outstanding</th>
<th>$1,000,000,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenor</td>
<td>1–5 Yrs</td>
</tr>
<tr>
<td>CEM Netting Limit</td>
<td>x 40%</td>
</tr>
<tr>
<td>CEM-Required PFE</td>
<td>x 0.5%</td>
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<tr>
<td>Resulting Exposure</td>
<td>$2,000 mn</td>
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<tr>
<td>Minimal Capital Requirement</td>
<td>$60 mn</td>
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**The benefits of compression**

Compression enables participants to reduce the overall number of line items while maintaining the same level of market risk.

- **Optimizes Capital**
  The level of capital needed by financial institutions to support their derivatives exposure to the clearinghouse is based on notional outstanding, which can be significantly reduced through compression.

- **Reduces Operational Risk**
  Eliminating line items lowers the administrative burden by reducing the number of reconciliations needed, as well as streamlining portfolio management.

- **Streamlines Porting**
  Increases the likelihood and ease of porting by creating more efficient portfolio transfers in the ordinary course of business and default scenarios.

**LCH SwapClear’s suite of compression offerings**

SwapClear provides a broad range of proprietary compression offerings, as well as access to third-party ACSPs.

<table>
<thead>
<tr>
<th>Solo</th>
<th>Solo with Blended Rate</th>
<th>Multi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available for members and clients to terminate their own offsetting trades, regardless of counterparties. Eligible products: IRS, OIS, Basis, FRAs, VNS and Inflation.</td>
<td>Available for members and clients to compress any trade with the same remaining cash flow dates. Eligible products: IRS, OIS, Basis, FRAs and Inflation.</td>
<td>Provides multilateral compression to members and clients through its proprietary offering or through an ACSP.</td>
</tr>
</tbody>
</table>

**Contact us**

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