

**Via CFTC Portal**

1 April 2019

**Ms. Abigail S. Knauff and Mr. August Imholtz**

Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street NW  
Three Lafayette Centre  
Washington, DC 20581

Re: Extension of Onboarding Fee Waiver and Introduction of Fee Rebate for CDSClear Index Swaptions

Dear Ms. Abigail S. Knauff and Mr. August Imholtz,

Pursuant to CFTC regulation §40.6(a), LCH SA (“**LCH SA**”), 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 in order to introduce a fee rebate regarding the CDSClear Index Swaptions clearing service according to the current market environment.

The fee incentive scheme is supposed to be effective as of 15 April 2019 but in no event, the scheme will be implemented earlier than 10 business days after it is filed with the CFTC.

**Part I: Explanation and Analysis**

As specified in Appendix A, the current CDSClear Index Swaptions clearing service fee grid includes an onboarding fee and offers both General Members and Select Members a choice between the Introductory Tariff and the Unlimited Tariff.

The purpose of the proposed rule change is two-fold:

- 1) to extend the waiver period for the onboarding fee for both General Members and Select Members that register to the CDSClear Index Swaptions clearing service, and
- 2) to introduce a clearing fee rebate applicable to the Index Swaptions Unlimited Tariff for both General Members and Select Members.

As a reminder, under the Unlimited Tariff, Clearing Members pay a fixed amount annually that covers all clearing fees for their Index Swaption House activity for all the Affiliates of their Clearing Member group.

**Part II: Description of Rule Changes**

No amendments to the LCH CDS Clearing Rules are required to effect these changes.

The proposed rule change is for the CDSClear Index Swaptions clearing service:

- 1) to extend the waiver period for the onboarding fee from 31 March 2019 to 20 December 2019 for both General Members and Select Members that register to the CDSClear Index Swaptions clearing service, and
- 2) to implement a fee rebate scheme, applicable to the Unlimited Tariff for both General Members and Select Members, in which discounts to the fixed fee will apply depending on the Index Swaptions notional cleared by each Clearing Member group as detailed under the fee grid attached in Appendix B.

The fee rebate scheme will be valid for 2019 only and apply to the first eight Clearing Members that register to the CDSClear Index Swaptions clearing service.

In order to determine the relevant discount rate to apply, LCH SA will consider the total Index Swaptions notional cleared in 2019 starting from the date on which the fee rebate is deemed effective in accordance with any relevant regulatory review and approval process.

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

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

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

LCH SA 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 SA by governing board or committee members, members of LCH SA that were not incorporated into the rule.

### **Certification**

LCH SA hereby certifies to the CFTC, 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 at: [françois.faure@lch.com](mailto:françois.faure@lch.com).

A handwritten signature in blue ink, appearing to read 'Faure', written over a horizontal line.

**Francois Faure**  
Chief Compliance Officer  
+33 1 70 37 65 96

**APPENDIX A**

**Current LCH SA CDS Clear Index Swaptions Clearing Service Fee Grid**

<b>General Member</b>	<b><u>Introductory Tariff</u></b> Cover only one legal entity (no Affiliate coverage)		
	Clearing fees	\$15	per million of Index Swaptions notional on US Indices*
		€15	per million of Index Swaptions 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><u>Unlimited Tariff</u></b> Cover all Affiliates of a given Clearing Member group Cover all clearing fees for Index Swaptions House activity for both iTraxx and CDX.NA underlying index families		
	Fixed fee (annual)	€375k	Per calendar year (no pro-rating)
<b><u>Onboarding Fees</u></b> (both Introductory & Unlimited Tariffs)	€30k	One-off fee per Clearing Member legal entity under the <u>Introductory Tariff</u> or per Clearing Member group under the <u>Unlimited Tariff</u> waived until 31-Mar-19	
<b>Select Member</b>	<b><u>Introductory Tariff</u></b> Cover only one Clearing Member legal entity (no Affiliate coverage)		
	Clearing fees	\$18	per million of Index Swaptions notional on US Indices*
		€18	per million of Index Swaptions notional on European Indices
	Cap on clearing fees	€600k	Per calendar year (no pro-rating)
	<b><u>Unlimited Tariff</u></b> Cover all Affiliates of a given Clearing Member group Cover all clearing fees for Index Swaptions House activity for both iTraxx and CDX.NA underlying index families		
	Fixed fee (annual)	€400k	Per calendar year (no pro-rating)
	<b><u>Onboarding Fees</u></b> (both Introductory & Unlimited Tariffs)	€30k	One-off fee per Clearing Member legal entity under the <u>Introductory Tariff</u> or per Clearing Member group under the <u>Unlimited Tariff</u> waived until 31-Mar-19
<b>Client</b>	Clearing fees	\$20	per million of Index Swaptions notional on US Indices
		€20	per million of Index Swaptions notional on European Indices

\* Subject to regulatory review/approval process

**APPENDIX B**

**Proposed LCH SA CDS/Clear Index Swaptions Clearing Service Free Rebate Scheme\***

<b>General Member</b>	<b>Unlimited Tariff</b>		
	Fixed fee (annual)	€375k	Per calendar year
	<i>Discounted Rates</i>	€50k	<i>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</i>
		€75k	<i>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</i>
€125k		<i>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</i>	
<b>Select Member</b>	<b>Unlimited Tariff</b>		
	Fixed fee (annual)	€400k	Per calendar year
	<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>Cumulative conditions for the Fee rebate</b>			
<ul style="list-style-type: none"> <li>(i) <u>application to the Unlimited Tariff only,</u></li> <li>(ii) <u>applies to the first eight Clearing Members registering to the Index Swaptions clearing service (registration letter or application file signature date),</u></li> <li>(iii) <u>Valid for 2019 only, and</u></li> <li>(iv) <u>Index Swaptions notional cleared for the determination of the discount rate to be observed from the regulatory effective date of the rebate.</u></li> </ul>			
<b>Onboarding fee</b> (for both General Members and Select Members)		€30k	One-off fee per Clearing Member group waived until <u>20 December 2019</u> under the Unlimited Tariff

\* Subject to regulatory review/approval process