

VIA CFTC PORTAL

5 July 2019

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

LCH Limited Self-Certification: SwapClear new basis swaps and tenor extension

Dear Mr Kirkpatrick:

Pursuant to CFTC regulation §40.6(a), LCH Limited ("LCH"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification changes to its rules related to extending the OIS-IBOR product currently offered by SwapClear to CAD and JPY. In addition, SwapClear is proposing to extend the maximum maturity of the Canadian Overnight Repo Rate Average ("CORRA") OIS product currently eligible for clearing from 2.25 years to 31 years.

Part I: Explanation and Analysis

CAD and JPY OIS-IBOR Swaps

SwapClear currently clears the OIS-IBOR basis swap product in GBP, USD, AUD and EUR. Both legs of these swaps are floating, with one leg set on the standard OIS index, and the other leg set on the LIBOR or currency specific equivalent, such as Euribor (hence the naming convention OIS-IBOR). Swapclear are proposing to extend these products to CAD and JPY, namely:

1. CAD-BA-CDOR v CAD-CORRA OIS to 11,375 days (31 years); and
2. JPY-LIBOR v JPY-TONA OIS to 11,375 days (31 years)

As SwapClear already clears vanilla swaps in these currencies and indices only minor configuration changes are required from both an operational and risk management perspective to go live. As many Clearing Members already have positions that are inter-index spreads, the availability of a basis swap as risk neutralisation tool following a default will be beneficial from a risk management perspective.

CAD OIS maturity extension to 31 years

The market in CORRA has seen a significant increase in liquidity. Market demand for longer dated products have been seen from local market participants and from the broader international market. CORRA forms part of the solution for global rate reform, and the Canadian Alternative Reference Rate Group ("CARR") has recommended that efforts be focused on the enhancement of the rate.

In line with the market demand, and to provide increased opportunity for the CAD reform, SwapClear is proposing to increase the eligibility of the CAD CORRA OIS product to 31Years.

In order for these initiatives to go-live the product terms and eligibility manuals will need to be updated. These changes and will go live on, or after, 22 July 2019.

Part II: Description of Rule Changes

Section 1.2 of Part B of the Product Specific Contract Terms and Eligibility Criteria Manual and Section 1.1 of Part B of the FCM Product Specific Contract Terms and Eligibility Criteria Manual has been updated to include the new basis swaps in CAD and JPY and the tenor extension in CAD OIS.

The texts of the rule changes are attached hereto as:

- i. **Appendix I**, Product Specific Contract Terms and Eligibility Criteria Manual
- ii. **Appendix II**, FCM Product Specific Contract Terms and Eligibility Criteria Manual

Part III: Core Principle Compliance

LCH reviewed the changes against the requirements of the Core Principles and found it 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 rule changes.

Certification

LCH hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in the Commission regulation § 40.6, that attached rule 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.

Yours sincerely



Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I
Product Specific Contract Terms and Eligibility Criteria Manual



**PRODUCT SPECIFIC CONTRACT TERMS AND ELIGIBILITY CRITERIA
MANUAL**

PART B
PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF A SWAPCLEAR CONTRACT

1. SwapClear Transaction

Without prejudice to the Regulations and the Procedures, the Clearing House will only register a SwapClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

- (a) the transaction meets the eligibility criteria, set out in paragraphs 1.2(a), ~~(b)(b)(b)~~, (c) or (d) below for a SwapClear Transaction; and
- (b) each party to the transaction is either a SwapClear Dealer or a SwapClear Clearing Member (including an SCM Branch),

and the requirements of (a) and (b) continue to be satisfied at Registration Time.

1.2 SwapClear Product Eligibility Criteria for a SwapClear Transaction

- (a) Vanilla interest rate swaps and notional interest rate swaps having the characteristics set out in the table below:

<u>Instrument</u>	<u>Currency</u>	<u>Leg 1</u>	<u>Leg 2</u>	<u>Variable Notional</u>	<u>Maximum Tenor</u>	<u>Notional Amount</u>
Interest rate swap	GBP	Fixed	GBP-LIBOR-BBA	Yes	18,675 days	0.01-99,999,999,999.99
Basis Swap	GBP	GBP-LIBOR-BBA	GBP-LIBOR-BBA	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	GBP	GBP-SONIA-COMPOUND	GBP-LIBOR-BBA	No	18,675 days	0.01-99,999,999,999.99
OIS	GBP	Fixed	GBP-SONIA-COMPOUND	No	18,675 days	0.01-99,999,999,999.99
Interest rate swap	USD	Fixed	USD-LIBOR-BBA	Yes	18,675 days	0.01-99,999,999,999.99
OIS	USD	Fixed	USD-SOFR-COMPOUND	No	18,675 days	0.01-99,999,999,999.99
Basis swap	USD	USD-LIBOR-BBA	USD-LIBOR-BBA	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	USD	USD-LIBOR-BBA	USD-SOFR-COMPOUND	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	USD	USD-FEDERAL FUNDS-H.15	USD-LIBOR-BBA	No	18,675 days	0.01-99,999,999,999.99
Basis swap	USD	USD-FEDERAL FUNDS-H.15-OIS-COMPOUND	USD-SOFR-COMPOUND	No	18,675 days	0.01-99,999,999,999.99
OIS	USD	Fixed	USD-Federal Funds H.15-OIS-COMPOUND	No	18,675 days	0.01-99,999,999,999.99

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Interest rate swap	EUR	Fixed	EUR-LIBOR-BBA	Yes	18,675 days	0.01-99,999,999,999.99
Interest rate swap	EUR	Fixed	EUR-EURIBOR-Telerate	Yes	18,675 days	0.01-99,999,999,999.99
Interest rate swap	EUR	Fixed	EUR-EURIBOR-Reuters	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	EUR	EUR-LIBOR-BBA	EUR-LIBOR-BBA	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	EUR	EUR-LIBOR-BBA	EUR-EURIBOR-Telerate	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	EUR	EUR-LIBOR-BBA	EUR-EURIBOR-Reuters	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	EUR	EUR-EURIBOR-Telerate	EUR-EURIBOR-Telerate	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	EUR	EUR-EURIBOR-Reuters	EUR-EURIBOR-Reuters	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	EUR	EUR-EONIA-OIS-COMPOUND	EUR-EURIBOR-Telerate	No	18,675 days	0.01-99,999,999,999.99
Basis swap	EUR	EUR-EONIA-OIS-COMPOUND	EUR-EURIBOR-Reuters	No	18,675 days	0.01-99,999,999,999.99
OIS	EUR	Fixed	EUR-EONIA-OIS-COMPOUND	No	18,675 days	0.01-99,999,999,999.99
Interest rate swap	AUD	Fixed	AUD-BBR-BBSW	Yes	11,375 days	0.01-99,999,999,999.99
Basis swap	AUD	AUD-BBR-BBSW	AUD-BBR-BBSW	Yes	11,375 days	0.01-99,999,999,999.99
Basis swap	AUD	AUD-AONIA-OIS-COMPOUND	AUD-BBR-BBSW	No	2,025 days	0.01-99,999,999,999.99
OIS	AUD	Fixed	AUD-AONIA-OIS-COMPOUND	No	2,025 days	0.01-99,999,999,999.99
Interest rate swap	CAD	Fixed	CAD-BA-CDOR	Yes	15,025 days	0.01-99,999,999,999.99
Basis swap	CAD	CAD-BA-CDOR	CAD-BA-CDOR	Yes	15,025 days	0.01-99,999,999,999.99
Basis swap	CAD	CAD-BA-CDOR	CAD-CORRA-OIS-COMPOUND	Yes	11,375 days	0.01-99,999,999,999.99
OIS	CAD	Fixed	CAD-CORRA-OIS-COMPOUND	No	11,375 days	0.01-99,999,999,999.99
Interest rate swap	CZK	Fixed	CZK-PRIBOR-PRBO	Yes	4,050 days	0.01-99,999,999,999.99

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Basis swap	CZK	CZK-PRIBOR-PRBO	CZK-PRIBOR-PRBO	Yes	4,050 days	0.01-99,999,999,999.99
Interest rate swap	DKK	Fixed	DKK-CIBOR-DKNA13	Yes	11,375 days	0.01-99,999,999,999.99
Interest rate swap	DKK	Fixed	DKK-CIBOR2-DKNA13	Yes	11,375 days	0.01-99,999,999,999.99
Basis swap	DKK	DKK-CIBOR-DKNA13	DKK-CIBOR-DKNA13	Yes	11,375 days	0.01-99,999,999,999.99
Basis swap	DKK	DKK-CIBOR2-DKNA13	DKK-CIBOR2-DKNA13	Yes	11,375 days	0.01-99,999,999,999.99
Interest rate swap	HKD	Fixed	HKD-HIBOR-HKAB	Yes	4,050 days	0.01-99,999,999,999.99
Interest rate swap	HKD	Fixed	HKD-HIBOR-ISDC	Yes	4,050 days	0.01-99,999,999,999.99
Basis swap	HKD	HKD-HIBOR-HKAB	HKD-HIBOR-HKAB	Yes	4,050 days	0.01-99,999,999,999.99
Basis swap	HKD	HKD-HIBOR-ISDC	HKD-HIBOR-ISDC	Yes	4,050 days	0.01-99,999,999,999.99
Interest rate swap	HUF	Fixed	HUF-BUBOR-Reuters	Yes	4,050 days	1-10,000,000,000,000
Basis swap	HUF	HUF-BUBOR-Reuters	HUF-BUBOR-Reuters	Yes	4,050 days	1-10,000,000,000,000
Interest rate swap	JPY	Fixed	JPY-LIBOR-BBA	Yes	15,025 days	1-10,000,000,000,000
Basis swap	JPY	JPY-LIBOR-BBA	JPY-LIBOR-BBA	Yes	15,025 days	1-10,000,000,000,000
Basis swap	JPY	JPY-LIBOR-BBA	JPY-TONA-OIS-COMPOUND	Yes	11,375 days	1-10,000,000,000,000
OIS	JPY	Fixed	JPY-TONA-OIS-COMPOUND	No	11,375 days	1-10,000,000,000,000
Interest rate swap	MXN	Fixed	MXN-TIE-Banxico	No	7,700 days	0.01-99,999,999,999.99
Interest rate swap	NOK	Fixed	NOK-NIBOR-OIBOR	Yes	5,875 days	0.01-99,999,999,999.99
Interest rate swap	NOK	Fixed	NOK-NIBOR-NIBR	Yes	5,875 days	0.01-99,999,999,999.99
Basis swap	NOK	NOK-NIBOR-NIBR	NOK-NIBOR-NIBR	Yes	5,875 days	0.01-99,999,999,999.99
Basis swap	NOK	NOK-NIBOR-OIBOR	NOK-NIBOR-OIBOR	Yes	5,875 days	0.01-99,999,999,999.99
Interest rate swap	NZD	Fixed	NZD-BBR-Telerate	Yes	7,700 days	0.01-99,999,999,999.99
Interest rate swap	NZD	Fixed	NZD-BBR-FRA	Yes	7,700 days	0.01-99,999,999,999.99
Basis swap	NZD	NZD-BBR-Telerate	NZD-BBR-Telerate	Yes	7,700 days	0.01-99,999,999,999.99

Appendix II
FCM Product Specific Contract Terms and Eligibility Criteria Manual



FCM PRODUCT SPECIFIC CONTRACT TERMS AND ELIGIBILITY CRITERIA
MANUAL

PART B
PRODUCT ELIGIBILITY CRITERIA FOR REGISTRATION OF AN FCM SWAPCLEAR CONTRACT

1. FCM SwapClear Transaction

Without prejudice to the FCM Regulations and the FCM Procedures, the Clearing House will only register an FCM SwapClear Contract pursuant to receipt of particulars of a transaction where at the time of the particulars being presented:

- (a) the transaction meets the FCM SwapClear Product Eligibility Criteria for registration as an FCM SwapClear Transaction; and
- (b) each party to the transaction is an Executing Party;

and the requirements of (a) and (b) continue to be satisfied at Registration Time.

1.1 FCM SwapClear Product Eligibility Criteria for an FCM SwapClear Transaction

- (a) Vanilla interest rate swaps and notional interest rate swaps having the characteristics set out in the table below:

<u>Instrument</u>	<u>Currency</u>	<u>Leg 1</u>	<u>Leg 2</u>	<u>Variable Notional</u>	<u>Maximum Tenor</u>	<u>Notional Amount</u>
Interest rate swap	GBP	Fixed	GBP-LIBOR-BBA	Yes	18,675 days	0.01-99,999,999,999.99
Basis Swap	GBP	GBP-LIBOR-BBA	GBP-LIBOR-BBA	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	GBP	GBP-SONIA-COMPOUND	GBP-LIBOR-BBA	No	18,675 days	0.01-99,999,999,999.99
OIS	GBP	Fixed	GBP-SONIA-COMPOUND	No	18,675 days	0.01-99,999,999,999.99
Interest rate swap	USD	Fixed	USD-LIBOR-BBA	Yes	18,675 days	0.01-99,999,999,999.99
OIS	USD	Fixed	USD-SOFR-COMPOUND	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	USD	USD-LIBOR-BBA	USD-LIBOR-BBA	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	USD	USD-LIBOR-BBA	USD-SOFR-COMPOUND	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	USD	USD-FEDERAL FUNDS-H.15	USD-LIBOR-BBA	No	18,675 days	0.01-99,999,999,999.99
Basis swap	USD	USD-FEDERAL FUNDS-H.15-OIS-COMPOUND	USD-SOFR-COMPOUND	No	18,675 days	0.01-99,999,999,999.99
OIS	USD	Fixed	USD-Federal Funds H.15-OIS-COMPOUND	No	18,675 days	0.01-99,999,999,999.99

Interest rate swap	EUR	Fixed	EUR-LIBOR-BBA	Yes	18,675 days	0.01-99,999,999,999.99
Interest rate swap	EUR	Fixed	EUR-EURIBOR-Telerate	Yes	18,675 days	0.01-99,999,999,999.99
Interest rate swap	EUR	Fixed	EUR-EURIBOR-Reuters	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	EUR	EUR-LIBOR-BBA	EUR-LIBOR-BBA	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	EUR	EUR-LIBOR-BBA	EUR-EURIBOR-Telerate	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	EUR	EUR-LIBOR-BBA	EUR-EURIBOR-Reuters	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	EUR	EUR-EURIBOR-Telerate	EUR-EURIBOR-Telerate	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	EUR	EUR-EURIBOR-Reuters	EUR-EURIBOR-Reuters	Yes	18,675 days	0.01-99,999,999,999.99
Basis swap	EUR	EUR-EONIA-OIS-COMPOUND	EUR-EURIBOR-Telerate	No	18,675 days	0.01-99,999,999,999.99
Basis swap	EUR	EUR-EONIA-OIS-COMPOUND	EUR-EURIBOR-Reuters	No	18,675 days	0.01-99,999,999,999.99
OIS	EUR	Fixed	EUR-EONIA-OIS-COMPOUND	No	18,675 days	0.01-99,999,999,999.99
Interest rate swap	AUD	Fixed	AUD-BBR-BBSW	Yes	11,375 days	0.01-99,999,999,999.99
Basis swap	AUD	AUD-BBR-BBSW	AUD-BBR-BBSW	Yes	11,375 days	0.01-99,999,999,999.99
Basis swap	AUD	AUD-AONIA-OIS-COMPOUND	AUD-BBR-BBSW	No	2,025 days	0.01-99,999,999,999.99
OIS	AUD	Fixed	AUD-AONIA-OIS-COMPOUND	No	2,025 days	0.01-99,999,999,999.99
Interest rate swap	CAD	Fixed	CAD-BA-CDOR	Yes	15,025 days	0.01-99,999,999,999.99
Basis swap	CAD	CAD-BA-CDOR	CAD-BA-CDOR	Yes	15,025 days	0.01-99,999,999,999.99
Basis swap	CAD	CAD-BA-CDOR	CAD-CORRA-OIS-COMPOUND	Yes	11,375 days	0.01-99,999,999,999.99
OIS	CAD	Fixed	CAD-CORRA-OIS-COMPOUND	No	11,375 850 days	0.01-99,999,999,999.99
Interest rate swap	CZK	Fixed	CZK-PRIBOR-PRBO	Yes	4,050 days	0.01-99,999,999,999.99

Basis swap	CZK	CZK-PRIBOR-PRBO	CZK-PRIBOR-PRBO	Yes	4,050 days	0.01-99,999,999,999.99
Interest rate swap	DKK	Fixed	DKK-CIBOR-DKNA13	Yes	11,375 days	0.01-99,999,999,999.99
Interest rate swap	DKK	Fixed	DKK-CIBOR2-DKNA13	Yes	11,375 days	0.01-99,999,999,999.99
Basis swap	DKK	DKK-CIBOR-DKNA13	DKK-CIBOR-DKNA13	Yes	11,375 days	0.01-99,999,999,999.99
Basis swap	DKK	DKK-CIBOR2-DKNA13	DKK-CIBOR2-DKNA13	Yes	11,375 days	0.01-99,999,999,999.99
Interest rate swap	HKD	Fixed	HKD-HIBOR-HKAB	Yes	4,050 days	0.01-99,999,999,999.99
Interest rate swap	HKD	Fixed	HKD-HIBOR-ISDC	Yes	4,050 days	0.01-99,999,999,999.99
Basis swap	HKD	HKD-HIBOR-HKAB	HKD-HIBOR-HKAB	Yes	4,050 days	0.01-99,999,999,999.99
Basis swap	HKD	HKD-HIBOR-ISDC	HKD-HIBOR-ISDC	Yes	4,050 days	0.01-99,999,999,999.99
Interest rate swap	HUF	Fixed	HUF-BUBOR-Reuters	Yes	4,050 days	1-10,000,000,000,000
Basis swap	HUF	HUF-BUBOR-Reuters	HUF-BUBOR-Reuters	Yes	4,050 days	1-10,000,000,000,000
Interest rate swap	JPY	Fixed	JPY-LIBOR-BBA	Yes	15,025 days	1-10,000,000,000,000
Basis swap	JPY	JPY-LIBOR-BBA	JPY-LIBOR-BBA	Yes	15,025 days	1-10,000,000,000,000
Basis swap	JPY	JPY-LIBOR-BBA	JPY-TONA-OIS-COMPOUND	Yes	11,375 days	1-10,000,000,000,000
OIS	JPY	Fixed	JPY-TONA-OIS-COMPOUND	No	11,375 days	1-10,000,000,000,000
Interest rate swap	MXN	Fixed	MXN-TIIE-Banxico	No	7,700 days	0.01-99,999,999,999.99
Interest rate swap	NOK	Fixed	NOK-NIBOR-OIBOR	Yes	5,875 days	0.01-99,999,999,999.99
Interest rate swap	NOK	Fixed	NOK-NIBOR-NIBR	Yes	5,875 days	0.01-99,999,999,999.99
Basis swap	NOK	NOK-NIBOR-NIBR	NOK-NIBOR-NIBR	Yes	5,875 days	0.01-99,999,999,999.99
Basis swap	NOK	NOK-NIBOR-OIBOR	NOK-NIBOR-OIBOR	Yes	5,875 days	0.01-99,999,999,999.99
Interest rate swap	NZD	Fixed	NZD-BBR-Telerate	Yes	7,700 days	0.01-99,999,999,999.99
Interest rate swap	NZD	Fixed	NZD-BBR-FRA	Yes	7,700 days	0.01-99,999,999,999.99
Basis swap	NZD	NZD-BBR-Telerate	NZD-BBR-Telerate	Yes	7,700 days	0.01-99,999,999,999.99