

VIA CFTC PORTAL

16 April 2021

Mr. Christopher Kirkpatrick
Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington, DC 20581

LCH Limited Self-Certification: SwapClear Messaging Service fee and 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:

1. a new fee structure for Messaging Services
2. a fee holiday for Pension Funds related to backloaded trades

Part I: Explanation and Analysis

Messaging Services

LCH's SwapClear Service currently offers two forms of optional 'Messaging Services'; ATSS synchronisation and ClearConnect. These enable SwapClear to send the results of clearing and post-clearing events to an Approved Trade Source System (ATSS) through the ClearLink API.

1. ATSS Synchronisation

ATSS synchronisation allows dealers and end users who reconcile to Trade Sources to keep their books and records up-to-date in real time for any post-clearing events, such as compression or portfolio transfers. Upon completion of a compression or portfolio transfer event, the corresponding API message is sent upstream to the ATSS, with a subsequent update made to that trade record by the ATSS within their systems.

2. ClearConnect

ClearConnect allows users to efficiently execute equal and offsetting transactions by auto-routing the trade economics of their cleared positions. Using the service ensures that transactions executed for the purposes of unwinding or rolling positions are done with maximum accuracy, significantly reducing the risk of land-locked positions.

ClearConnect also includes ClearConnect API, which provides a smoother integration and allows for transaction requests to originate directly from users' order management systems and receive back their cleared trade representations as responses from SwapClear, instead of directly routing this information to a trade Execution Venue.

As demand for these services has grown, this has resulted in a significant increase in the number of messages generated. To continue ongoing support and investing for future growth in these services, a new fee structure is being introduced to cover, among other things, the increased technological and operational overhead.

The following fee structures for SwapClear's Messaging Services are being introduced from **1st May 2021**:

- ClearConnect – this will have a flat GBP2.00 per-message structure
- ATSS Synchronisation –this will have a tiered structure

Fee holiday for Pension Funds related to backloaded trades

LCH's SwapClear Service is proposing a 6-month (1st May – 31st Oct 2021) fee holiday program applying to only Pension Fund (PF) Clients. The fee holiday program is limited to backloaded trades¹ 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. This should help PF clients that are captured as part of phase 5 of the uncleared margin rules ((UMR) - scheduled to come into effect on 1st September 2021).

These changes will also go live on 1st May 2021.

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 structure and holiday as shown in **Appendix I**.

Part III: Core Principle Compliance

LCH reviewed the proposed rule changes against the requirements of the Core Principles and finds it will continue to comply with all the requirements and standards set forth therein. Specifically, this rule change has potential relevance to Core Principle (L) – Public Information. LCH communicated the new fee structure and holiday to the relevant membership and the change will be codified in its publicly available website. Market participants can therefore make an informed decision about using LCH's services following this change. As a result, LCH believes that this change is consistent with the requirements of Core Principle L and Commission Rule 39.21(c) (2).

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 by LCH's governing board or executive committee, members of LCH or market participants that were not incorporated into the change.

¹ backloaded trades are SwapClear transactions that has a Trade Date of greater than ten calendar days prior to the date of presentation of such SwapClear Transaction to LCH for clearing

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.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Julian Oliver", is enclosed in a light blue rectangular box.

Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I

Website changes (Fees webpage)

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

Member Fees

Messaging Services Fees

- A fee will apply for Messaging Services as set out below

ATSS Synchronisation

Fee tariff for ATSS Synchronisation Service (per message)

Fee Schedule	Messages per calendar year*	ATSS Synchronisation
Tier		£
1	0 - 10,000	0.80
2	10,001 – 50,000	0.60
3	50,000+	0.40

*Messaging tiers will be pro-rated from go-live, effective 1st May 2021. Please contact your relationship manager for further details

- A 'message' is constituted as an FpML message sent from LCH to an Approved Trade Source System via the ATSS Synchronisation service
- A fee will only apply for messages sent in relation to SwapClear Compression or Portfolio Transfers

ClearConnect

- A fee of £2 will be payable per message sent via the ClearConnect service
- A 'message' is constituted as an FpML message sent from LCH to an Approved Trade Source System via the ClearConnect service, or to a SwapClear Clearing Member or SwapClear Clearing Client via the ClearConnect API service

Client Clearing 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 - 1year	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 1st May 2021 and 31st October 2021, 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

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 1st May 2021 and 31st October 2021, 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

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