

VIA CFTC PORTAL

November 25, 2022

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

LCH Limited Self-Certification: SwapClear Service Product Expansions & Operational Enhancement

Dear Mr. Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (“CFTC”) Regulation §40.6(a), LCH Limited (“LCH”), a derivatives clearing organization registered with the CFTC, is submitting for self-certification revisions to its rules to expand its eligible SwapClear transactions as well as make an operational enhancement related to basis swap splitting. The product expansions include: (a) fixed vs DKK-DESTR-OIS Compound interest rate swap, denominated in DKK, with a term of up to 11 years; (b) fixed vs SEK-SWESTR-OIS Compound interest rate swap, denominated in SEK, with a term of up to 11 years; (c) swap where each floating leg is the USD-SOFR-OIS Compound index, with a maximum tenor of 51 years; and (d) swap where one floating leg is the USD-SOFR-OIS Compound index and the other is the USD-Federal Funds index, with a maximum tenor of 51 years (“Relevant Swaps”). Additionally, LCH is also making available an operational enhancement for the purposes of permitting members and clients to split SOFR-SOFR basis swaps in preparation for USD LIBOR conversion in April 2023 (“Basis Swap Splitting”).

Part I: Explanation and Analysis

LCH is revising its rules in order to provide eligibility for the Relevant Swaps. In order to facilitate these changes, LCH plans to revise its rules, specifically the Product Specific Contract Terms and Eligibility Criteria Manual and FCM Product Specific Contract Terms and Eligibility Criteria Manual (jointly, the “Product Terms”).

LCH is also revising its rules to provide for the Basis Swap Splitting process. In order to facilitate these changes, LCH plans to revise its General Regulations, FCM Regulations, Procedures Section 2C (SwapClear Service) and FCM Procedures.

Part II: Description of Rule Changes

Product Expansion

LCH will amend Section 1.2(a) of Part B of the Product Specific Contract Terms and Eligibility Criteria Manual (Product Eligibility Criteria for Registration of a SwapClear Contract) and Section 1.1(a) of the FCM Product Specific Contract Terms and Eligibility Criteria Manual (FCM Product Eligibility Criteria for Registration of a SwapClear Contract) to include the following products:

An LSEG Business

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LCH Group Holdings Limited | LCH Limited | Banque Centrale de Compensation | LCH.Clearnet LLC

LCH Limited. Registered in England No. 25932 Registered Office: 10 Paternoster Square, London, EC4M 7LS

Instrument	Currency	Leg 1	Leg 2	Variable Notional	Maximum Tenor	Notional Amount
OIS	DKK	Fixed	DKK-DESTR-OIS Compound	Yes	4,050 days	0.01-99,999,999,999.99
OIS	SEK	Fixed	SEK-SWESTR-OIS Compound	Yes	4,050 days	0.01-99,999,999,999.99
Basis Swap	USD	USD-SOFR-OIS Compound	USD-SOFR-OIS Compound	No	18,675 days	0.01-99,999,999,999.99
Basis Swap	USD	USD-Federal Funds	USD-SOFR-OIS Compound	No	18,675 days	0.01-99,999,999,999.99

Basis Swap Splitting

SwapClear is planning to offer a unilateral, optional service to allow members and clients to split basis swaps into two fixed versus float swaps. Each of the two resulting swaps will be set to have a fixed leg of 0% so the cashflows and risk profile of the outcome is identical to that of the input basis swap, and the margin calculation will also be identical for all measures and add-ons. The conventions on the fixed leg are irrelevant from a financial perspective, but will be set to maximize compression opportunities.

Based on feedback from members and clients, LCH plans to offer basis swap splitting as an option for members and clients, rather than as a mandatory split as was deployed prior to the 2021 LIBOR conversions. Providing an election rather than a mandatory split is designed to reduce the number of open contracts and associated notional resulting from basis swap splitting prior to conversion.

The initial implementation will permit the splitting of US Dollar LIBOR basis swaps only, but may be expanded to any other currency eligible in the service at a later date.

The changes to the rules are included as **Appendices I - VI** in black line form. The changes will be effective not earlier than December 12, 2022.

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 requirements and standards set forth therein. Specifically, this rule change has potential relevance to Core Principles C (Participant and Product Eligibility), D (Risk Management), and L (Public Information).

The changes described in this filing meet the objectives of Core Principle C, including that LCH have appropriate requirements for determining the eligibility of submitted transactions, taking into account LCH's ability to manage the associated risks. In determining whether to offer the Relevant Swaps for clearing, LCH considered factors including: trading volume; liquidity; availability of pricing data; and the ability for LCH to manage any associated risks within LCH's existing operational, risk management, and default management tools. LCH carefully considered these factors and feels that the Relevant Swaps meet LCH's qualifications and the requirements of Core Principle C.

LCH believes the changes described in this filing will not impact LCH's ongoing compliance with the objectives of Core Principle D. The Relevant Swaps and Basis Swap Splitting will not require changes to LCH's risk management framework, margin methodology, or margin requirements. LCH will clear the Relevant Swaps and offer Basis Swap Splitting consistent with its current operational, risk management, and default management tools. LCH considered its risk management requirements and believes clearing the Relevant Swaps will not impact LCH's ongoing compliance with Core Principle D.

The changes described in this filing also ensure that LCH meets the objectives of Core Principle L, including that, in addition to the specified requirements of §39.21, LCH make available any

information that is relevant to participation in the clearing and settlement activities of LCH. LCH considered its public information requirements and believes including the Relevant Swaps and Basis Swap Splitting in its rules maintains compliance with Core Principle L.

LCH believes these changes are consistent with the requirements of Core Principle C on Participant and Product Eligibility under CFTC regulation §39.12, Core Principle D on Risk Management under CFTC regulation §39.13, and Core Principle L on Public Information under CFTC regulation §39.21.

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: <https://www.lch.com/resources/rulebooks/proposed-rule-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.

Certification

LCH hereby certifies to the CFTC, pursuant to the procedures set forth in CFTC Regulation §40.6, that the attached submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Should you have any questions please contact me at michelle.weiler@lseg.com.

Yours sincerely,



Michelle Weiler
US Compliance Officer
LCH Limited

Appendix I
Product Specific Contract Terms and Eligibility Criteria Manual
Changed Pages

Appendix II
FCM Product Specific Contract Terms and Eligibility Criteria Manual
Changed Pages

Appendix III
General Regulations
Changed Pages

Appendix IV
FCM Regulations
Changed Pages

Appendix V
Procedures Section 2C (SwapClear Service)
Changed Pages

Appendix VI
FCM Procedures
Changed Pages