

VIA CFTC PORTAL

20 January 2023

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

**LCH Limited Self-Certification: Rates Reform - USD LIBOR fallback and conversion fees**

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 website changes to accommodate new fees related to the Rates Reform Program.

**Part I: Explanation and Analysis**

LCH supports the continuing industry-wide efforts to transition from existing benchmarks to risk-free rates ("RFRs"). The US Dollar London Interbank Offered Rate (USD LIBOR) benchmark is set to be discontinued from 30<sup>th</sup> June 2023. This cessation necessitates the adoption of the relevant RFR – Secured overnight Financing Rate (SOFR) in its place.

LCH proposes to charge fallback fees, and a conversion fee for those contracts which cannot otherwise be amended and so remain outstanding at the conversion event.

*Fallback fee*

The fallback fee applies to cleared contracts for which an index cessation event has occurred. It aims to encourage early transition before the LCH conversion processes are run, thereby reducing the volume and value of such contracts requiring ongoing risk and default management and ultimately needing to undergo the conversion process.

Effective 31<sup>st</sup> January 2023 with first billing on 3<sup>rd</sup> February 2023, LCH will apply a monthly Fallback Fee for outstanding\* USD LIBOR contracts which have a maturity date after the USD LIBOR cessation date of 30<sup>th</sup> June 2023, as of the last good business day of that month.

The following charges will apply to cleared contracts in both SwapClear Clearing Member House and Client accounts; 30-days' notice will be provided for any amendment to these fee amounts.

January 2023	February 2023	March 2023	April 2023
USD 5.00	USD 5.00	USD 5.00	USD 5.00

\*(i) FRAs will not be subject to Fallback Fees. (ii) Any LIBOR-LIBOR basis swaps that may be voluntarily split into two interest rate swaps by LCH prior to conversion will not be double charged.

Conversion fee

The Conversion Fee applies to cleared contracts for which a rate will cease and where LCH converts the cleared contract to one referencing a RFR. The conversion process is designed as a last resort for those participants who are otherwise unable to transition away from fallen back rates. The fee will allow LCH to recover the costs of designing, building and running the conversion process and should also discourage over-reliance on the conversion tool.

LCH will apply a conversion fee to SwapClear Clearing Member House and Client contracts which are not otherwise converted and will therefore require the LCH conversion tool.

The conversion processes in 2023 will encompass USD LIBOR contracts. LCH is proposing the following dates:

- Tranche 1: USD LIBOR / FEDFUNDS Basis Swaps, USD VNS and USD ZCS, conversion would apply to SwapClear Contracts outstanding at COB on Friday 21<sup>st</sup> April 2023 and be conducted over that weekend.
- Tranche 2: all other USD LIBOR, conversion would apply to SwapClear contracts outstanding at COB on Friday 19<sup>th</sup> May 2023 and be conducted over that weekend.

Fee Amount per Contract:

USD LIBOR**
USD 30.00

\*\*Any LIBOR-LIBOR basis swaps that are voluntarily split into two interest rate swaps by LCH prior to conversion will be treated as two separate swaps from the point of splitting. As such, any outstanding LIBOR contracts that may have arisen from a basis swap splitting event will be charged separately if included in a conversion process.

An annual Conversion Fee Cap will apply in 2023 for all SwapClear Clearing Member House accounts as follows. Note, this cap applies to Conversion Fees only and is not applicable for LIBOR Fallback Fees.

Platinum Tariff	Gold, Silver and Bronze Tariffs
USD 150,000	USD 100,000

**Part II: Description of Rule Changes**

There are no changes to the LCH Rulebook, however LCH will make changes to its website. The changes to the webpage on SwapClear fees are set out in **Appendix I**.

**Part III: Core Principle Compliance**

LCH reviewed the proposed 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, these rule changes have potential relevance to Core Principle L under CFTC regulation §39.21 (Public information).

The changes described in this filing ensure that LCH meets the objectives of Core Principle L (§39.21) on Public information, which requires DCOs to make available publicly each clearing and other fee charged to Clearing Members. Publishing the changes to the SwapClear clearing fees will provide sufficient information to market participants to enable them to identify and evaluate accurately the costs associated with using its services.

**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**

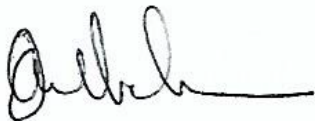
There were no opposing views expressed to LCH by governing board or committee members, members of LCH or market participants.

**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 [lavannyan.mahalingam@lseg.com](mailto:lavannyan.mahalingam@lseg.com).

Yours sincerely,



Lavannyan Mahalingam  
Regulatory Advisor  
LCH Limited

**Appendix I**

Website changes (Fees webpage)

[SwapClear | Fees | LCH Group](#)

**Client Fees Segment**

**LIBOR Fallback Fees**

Effective 31st January 2023, LCH will apply a monthly fee for outstanding USD LIBOR SwapClear Contracts. The fee will apply to those SwapClear Contracts outstanding which have a maturity date after the USD LIBOR cessation date of 30th June 2023, as of the last business day of that month.

Fee per outstanding SwapClear Contract:

January 2023	February 2023	March 2023	April 2023
USD 5	USD 5	USD 5	USD 5

Further details can be found in circular [4217](#).

- FRAs will not be subject to Fallback Fees
- Any LIBOR-LIBOR basis swaps that may be voluntarily split into two interest rate swaps by LCH prior to a conversion cycle will not be charged twice
- 'SwapClear Contract' includes an 'FCM SwapClear Contract'

**Conversion Fees**

LCH will apply a conversion fee to client SwapClear Contracts which are converted by the LCH conversion tool.

Fee Amount:

USD LIBOR
USD 30

Further details can be found in circular [4217](#).

- Any LIBOR-LIBOR basis swaps that are voluntarily split into two interest rate swaps by LCH prior to conversion will be treated as two separate swaps from the point of splitting. As such, any outstanding LIBOR

contracts what may have arisen from a basis swap splitting event will be charged separately if included in a conversion cycle

- 'SwapClear Contract' includes an 'FCM SwapClear Contract'

**Member Fees Segment**

**LIBOR Fallback Fees**

Effective 31st January 2023, LCH will apply a monthly fee for outstanding USD LIBOR contracts. The fee will apply to those SwapClear Contracts outstanding which have a maturity date after the USD LIBOR cessation date of 30th June 2023, as of the last business day of that month.

Fee per outstanding contract:

January 2023	February 2023	March 2023	April 2023
USD 5	USD 5	USD 5	USD 5

Further details can be found in circular [4217](#).

- FRAs will not be subject to Fallback Fees
- Any LIBOR-LIBOR basis swaps that may be voluntarily split into two interest rate swaps by LCH prior to a conversion cycle will not be charged twice

**Conversion Fees**

LCH will apply a conversion fee to SwapClear Clearing Member House SwapClear Contracts which are converted by the LCH conversion tool.

Fee Amount:

USD LIBOR
USD 30

A cap will apply in 2023 for all SwapClear Clearing Member House accounts as follows. Note, this cap applies across Conversion Fees only.

Platinum Tariff	Gold, Silver and Bronze Tariffs
USD 150,000	USD 100,000

Further details can be found in circular [4217](#).

- Any LIBOR-LIBOR basis swaps that are voluntarily split into two interest rate swaps by LCH prior to conversion will be treated as two separate swaps from the point of splitting. As such, any outstanding LIBOR contracts that may have arisen from a basis swaps splitting event will be charged separately if included in a conversion cycle