

VIA CFTC PORTAL

6 July 2020

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

LCH Limited Self Certification: Weekly Notification of Rule Amendments

Dear Mr Kirkpatrick

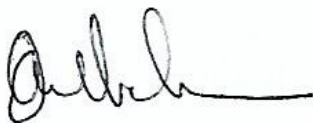
Please accept this notification of rule amendments to LCH Limited's (LCH) Procedures pursuant to CFTC regulation §40.6(d) as set out below.

The OIS coupon calculation for OIS based swaps that started to be cleared by LCH in Euro (launched 2 Oct 2019), NZD (launched 18 Nov 2019) and SGD (launched 18 May 2020), are based on: EUR-EUROSTR-COMPOUND, NZD-NZIONA-OIS-COMPOUND and SGD-SORA-COMPOUND respectively. These are now included in the Procedures.

The changes to the Procedures are included in Appendices I and II in black line form.

Should you have any questions regarding this submission, please contact me at lavannyan.mahalingam@lch.com

Yours sincerely,



Lavannyan Mahalingam
Regulatory Advisor
LCH Limited

Appendix I
Procedures Section 2C



LCH LIMITED

PROCEDURES SECTION 2C

SWAPCLEAR CLEARING SERVICE

1.7.4 *Price Alignment Interest*

The transfer of Collateral in respect of variation margin on a daily basis without adjustment would distort the pricing for SwapClear Transactions cleared through the Clearing House. In order to minimise the impact of variation margin, the Clearing House will for each SCM either charge interest on cumulative amounts received by the SCM in respect of variation margin obligations, or pay interest on cumulative amounts paid by the SCM in respect of variation margin obligations. In a negative interest rate environment where the applicable PAI Rate is negative, the Clearing House will for each SCM either pay interest on cumulative amounts received by the SCM in respect of variation margin obligations, or charge interest on cumulative amounts paid by the SCM in respect of variation margin obligations.

1.7.5 *Price Alignment Amount*

The payment of NPV Payments by the applicable party on a daily basis would, without adjustment, distort the pricing for certain SwapClear Transactions cleared through the Clearing House. In order to minimise the impact of such NPV Payments, the Clearing House will, for a SCM, either (i) charge a Price Alignment Amount if that SCM has, on a cumulative net basis, received NPV Payments from the Clearing House, or (ii) pay a Price Alignment Amount if that SCM has, on a cumulative net basis, paid NPV Payments to the Clearing House. In a negative interest rate environment where the applicable Price Alignment Amount Rate is negative, the Clearing House will, for a SCM, either (i) pay a Price Alignment Amount if that SCM has, on a cumulative net basis, received NPV Payments from the Clearing House, or (ii) charge a Price Alignment Amount if that SCM has, on a cumulative net basis, paid NPV Payments to the Clearing House.

1.7.6 *Non-deliverable Interest Rate Swaps*

The Clearing House will calculate variation margin, NPV Payments, Price Alignment Interest and Price Alignment Amount in relation to SwapClear Contracts that are non-deliverable interest rate swaps in USD, and all amounts due or payable under such SwapClear Contracts must be paid in USD.

1.8 **Coupon Payments**

1.8.1 *Calendars and Coupons*

Payment dates for coupon payments will be set based on the SwapsMonitor Financial Calendar (see Section 1.2.3). Changes to the calendar that affect SwapClear Contracts will be published and made available to SCMs by the Clearing House in a Clearing Member Report. The central control and publication of these calendars will assist the reconciliation of coupon payments between SCMs and the Clearing House. Coupon payments will be adjusted, in the event of a holiday amendment, in accordance with the Contract Terms.

1.8.2 Calculation of Fixed Amount

The Clearing House will calculate the Fixed Amount payable by a party on a Payment Date as either:

- (a) if an amount is specified for the SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, such amount; or
- (b) if an amount is not specified for the SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, an amount calculated on a formula basis for that Payment date or for the related Calculation Period as follows:

$$\text{Fixed Amount} = \text{Calculation Amount} \times \text{Fixed Rate} \times \text{Fixed Rate Day Count Fraction}$$

1.8.3 Calculation of Floating Amount

The Clearing House will calculate the Floating Amount payable by a party on a Payment Date as an amount calculated on a formula basis for that Payment Date or for the related Calculation Period as follows:

$$\text{Floating Amount} = \text{Calculation Amount (+/- Spread)} \times \text{Floating Rate} \times \text{Floating Rate Day Count Fraction}$$

1.8.4 OIS coupon calculation

Compounding Rate Calculations

The rate used for the OIS rate is calculated according to the methodology and formulation stated in the ISDA 2006 Definitions in respect of the following floating rate options:

- (a) USD-Federal Funds-H.15-OIS-COMPOUND
- (b) CHF-SARON-OIS-COMPOUND
- (c) GBP-SONIA-COMPOUND
- (d) EUR-EONIA-OIS-COMPOUND
- (e) CAD-CORRA-OIS-COMPOUND
- (f) JPY-TONA-OIS-COMPOUND
- (g) USD-Federal Funds-H.15-LIBOR-BBA
- (h) USD-SOFR-COMPOUND

(i) AUD-AONIA-OIS-COMPOUND

(j) EUR-EUROSTR-COMPOUND

(k) NZD-NZIONA-OIS-COMPOUND

(+)(l) SGD-SORA-COMPOUND

1.8.5 *Calculation of Compounded Amount*

If applicable, and depending on whether the SwapClear Contract is submitted under ISDA 2000 or 2006 Definitions the Clearing House will calculate the compounded floating amount payable by a SwapClear Clearing Member on a Payment Date as an amount calculated in accordance with Articles 6.1 to 6.3 inclusive of the relevant Definitions.

1.8.6 *Calculation of FRA Discounting (Article 8.4 of the 2006 ISDA Definitions)*

Where FRA Discounting is specified for CAD, CHF, CZK, DKK, EUR, HUF, JPY, NOK, PLN, SEK, USD, ZAR the FRA Amount will be calculated in accordance with the formulae found in the relevant Definitions.

1.8.7 *Business Day and Business Day Convention*

In determining whether a day is a Business Day the Clearing House will only apply the Financial Centres specified in the matched SwapClear Transaction message. The Clearing House will in the event of non-business days apply the Business Day Conventions as specified in the matched SwapClear Transaction message.

1.8.8 *Payment of Coupons*

If applicable, the Clearing House will credit or debit Clearing Members' Accounts with the appropriate Fixed or Floating Amount with a value date matching the Coupon Payment Date, after adjusting coupons in accordance with the appropriate Business Day and Business Day Conventions. In the event of SwapClear being closed on a Coupon Payment Date it will pay the Fixed and Floating Amounts on the next business day following the Coupon Payment Date.

1.8.9 *Calculation Periods*

In respect of any Calculation Period that is not a whole calendar month (a stub period), the applicable rate for the Reset Date in respect of that Calculation Period shall be determined by the Clearing House with reference to the rate(s) specified in the matched format message.

1.8.10 *Day Count Fractions: ISDA 2000*

Day count fractions will be applied to deal legs independently as they are communicated via the matched format message.

Appendix II
FCM Procedures



FCM PROCEDURES OF THE CLEARING HOUSE

LCH LIMITED

3.5.2. PAA is debited, credited and netted in accordance with FCM Regulation 47 and the Clearing House's normal practices.

(f) *Non-deliverable Interest Rate Swaps*

The Clearing House will calculate variation margin, NPV Payments and PAI in relation to FCM SwapClear Contracts that are non-deliverable interest rate swaps in USD, and all amounts due or payable under such FCM SwapClear Contracts must be paid in USD.

2.1.8 *Coupon Payments*

(a) *Calendars and Coupons*

Payment dates for coupon payments will be set based on the SwapsMonitor Financial Calendar (see Section 2.1.2(c)). Changes to the calendar that affect FCM SwapClear Contracts will be published and made available to FCM Clearing Members by the Clearing House in an FCM Clearing Member Report. The central control and publication of these calendars will assist the reconciliation of coupon payments between FCM Clearing Members and the Clearing House. Coupon payments will be adjusted, in the event of a holiday amendment, in accordance with the FCM SwapClear Contract Terms.

(b) *Calculation of Fixed Amount*

The Clearing House will calculate the Fixed Amount payable by a party on a Payment Date as either:

- (A) if an amount is specified for the FCM SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, such amount; or
- (B) if an amount is not specified for the FCM SwapClear Contract as the Fixed Amount payable by that party for that Payment Date or for the related Calculation Period, an amount calculated on a formula basis for that Payment date or for the related Calculation Period as follows:

$$\text{Fixed Amount} = \text{Calculation Amount} \times \text{Fixed Rate} \times \text{Fixed Rate Day Count Fraction}$$

(c) *Calculation of Floating Amount*

The Clearing House will calculate the Floating Amount payable by a party on a Payment Date as an amount calculated on a formula basis for that Payment Date or for the related Calculation Period as follows:

$$\text{Floating Amount} = \text{Calculation Amount} \times \text{Floating Rate} \times \text{Fixed Rate Day Count Fraction (+/- Spread)}$$

(d) *OIS Coupon Calculation*

Compounding Rate Calculations

The rate used for the OIS rate is calculated according to the methodology and formulation stated in the ISDA 2006 Definitions in respect of the following floating rate options:

- (A) USD-Federal Funds-H.15-OIS-COMPOUND
- (B) CHF-SARON-OIS-COMPOUND
- (C) GBP-SONIA-COMPOUND
- (D) EUR-EONIA-OIS-COMPOUND
- (E) CAD-CORRA-OIS-COMPOUND
- (F) JPY-TONA-OIS-COMPOUND
- (G) USD-Federal Funds-H.15-LIBOR-BBA
- (H) USD-SOFR-COMPOUND
- (I) AUD-AONIA-OIS-COMPOUND
- (J) EUR-EuroSTR-COMPOUND
- (K) NZD-NZIONA-OIS-COMPOUND
- (L) SGD-SORA-COMPOUND

(e) *Calculation of Compounded Amount*

Depending on whether the FCM SwapClear Contract is submitted under ISDA 2000 or ISDA 2006 Definitions, the Clearing House will calculate the compounded floating amount payable by an FCM Clearing Member on a Payment Date as an amount calculated in accordance with Articles 6.1 to 6.3 inclusive of the relevant definitions.

(f) *Calculation of FRA Discounting (Article 8.4 of the 2006 ISDA Definitions)*

Where FRA Discounting is specified for CAD, CHF, CZK, DKK, EUR, HUF, JPY, NOK, PLN, SEK, USD, ZAR the FRA Amount will be calculated in accordance with formulae found in the relevant definitions.

(g) *Business Day and Business Day Convention*

In determining whether a day is a Business Day the Clearing House will only apply the Financial Centers specified in the matched FCM SwapClear Transaction message. The Clearing House will in the event of non-business days apply the Business Day Conventions as specified in the matched FCM SwapClear Transaction message.