



VIA CFTC PORTAL

22 February 2024

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

LCH Limited Self-Certification: Rates Reform – 2024 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 fee changes related to the Rates reform program.

Part I: Explanation and Analysis

LCH supports the continuing industry-wide efforts to transition from existing interest rate benchmarks to risk-free rates (“RFRs”). In 2024 LCH is scheduled to perform two conversions related to the CAD and MXN markets.

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 referencing an IBOR¹ for which a conversion event will occur. 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 3 months prior to each LCH currency conversion date and each subsequent month up to the LCH currency conversion date, LCH will apply a monthly fallback fee for the outstanding² IBOR contracts for each currency, as of the last good business day of that month.

¹ “IBOR” refers to the interest rate benchmarks being replaced by alternative risk-free rates.

² (i) FRAs will not be subject to fallback fees. (ii) Any IBOR-IBOR basis swaps that may be voluntarily split into two interest rate swaps by LCH prior to conversion will not be double charged.



The following charges will apply to SwapClear Contracts³ registered in a SwapClear Clearing Member's⁴ proprietary or client account.

3 months prior to LCH conversion date	2 months prior to LCH conversion date	1 month prior to LCH conversion date
GBP 5	GBP 5	GBP 5

Conversion fee

The conversion fee applies to each cleared contract linked to an IBOR which LCH converts to one referencing its recommended alternative. The conversion process is designed as a last resort for those participants who are otherwise unable to transition away from fallen back rates or rates that are no longer freely available. The fee is designed to 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 Contracts registered in a SwapClear Clearing Member's proprietary or client account which require conversion by LCH⁵.

Conversion Fee per Contract
GBP 30

An annual conversion fee cap will apply in 2024 for all SwapClear Clearing Member proprietary accounts as follows. Note, this cap applies to conversion fees only and is not applicable for fallback fees.

Member Conversion Cap
GBP 175,000

As the first conversion event for 2024 is scheduled for June 2024 the end of March 2024 is the first date for the chargeable fees.

Part II: Description of Rule Changes

There are no changes to the LCH Rulebook, however LCH will make changes to the fee pages of its website.

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

³ 'SwapClear Contract' includes an 'FCM SwapClear Contract' and is defined in the LCH rulebook.

⁴ SwapClear Clearing Member' includes an 'FCM Clearing Member' and is defined in the LCH rulebook.

⁵ Any IBOR-IBOR 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 IBOR contracts that may have arisen from a basis swap splitting event will be charged separately if included in a conversion process.



(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.

Yours sincerely,

Lavannyan Mahalingam
Regulatory Advisor
LCH Limited