

VIA EMAIL TO: SECRETARY@CFTC.GOV

19 April 2013

Ms. Melissa Jurgens
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington DC 20581

Dear Ms. Jurgens:

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet Limited (“LCH.Clearnet”), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the “CFTC”), is submitting for self-certification the introduction of the Volume Discount Plan to SwapClear’s client fee structure (“Discount Plan”). The Discount Plan will be implemented on 6 May 2013.

The submission cover sheet and changes to the fee schedule are attached hereto as appendices.

Part I: Explanation and Analysis

Introduction

Under the SwapClear pricing principles, two pricing plans are currently offered to account for differences in client behavior and portfolio profiles—the Standard Pricing Plan and the High Turnover plan. SwapClear is implementing a variation of the Standard Plan to incentivize clients, and their affiliates, who intend to clear an aggregate notional amount in excess of \$250 billion on an annualized basis. The High Turnover plan remains unchanged.

Details of the Volume Discount Plan

SwapClear will discount the client booking fee for all trades originating from clients, and their affiliates, who self-identify their intent to clear interest rate swaps through the SwapClear service totalling an aggregate notional amount within the range indicated below (or a pro rated portion thereof if the client begins clearing after 1 January 2013, and clears for less than the full year as a result¹).

The levels of the Discount Plan are outlined below:

¹ SwapClear currently charges clearing members; members individually make pricing arrangements with clients and confidentially notify SwapClear of the pricing plan for each client. Under the Volume Discount Plan, the client will receive an onboarding form from either LCH.Clearnet or their FCM, and will return the form directly to LCH.Clearnet with the appropriate notional amount selected.

	Client Projected Aggregate Notional Amount	Booking Fee Discount	Yearly Maintenance Fee Discount
	\$0-\$250 billion	0%	
Level 1	\$250 billion - \$750 billion	15%	100%
Level 2	\$750 billion - \$1.5 trillion	25%	100%
Level 3	\$1.5 trillion or more	35%	100%

Participation in the Discount Plan is open to all clients and will apply to all client, and affiliate, trades across FCMs or SCMs. The Discount Plan expires on 31 December 2013.

Part II: Description of rule changes

Implementation of the Discount Plan does not require rule changes to the LCH.Clearnet Limited rulebook.

Part III: Core Principle Compliance

The Discount Plan complies with the “fair and open access” requirement of Core Principle C (Participant and Product Eligibility) as the plan is open to all clients.

Part IV: Public Information

LCH.Clearnet has posted a notice of pending certification with the CFTC and a copy of the submission on LCH.Clearnet’s website at: http://www.lchclearnet.com/rules_and_regulations/ltd/proposed_rules.asp.

Part V: Opposing Views

There were no opposing views expressed to LCH.Clearnet by governing board or committee members, members of LCH.Clearnet or market participants that were not incorporated into the rule.

Certification

LCH.Clearnet Limited hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in the Commission regulation § 40.6, that attached rule submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

Should you have any questions please contact me at laurian.cristea@lchclearnet.com.

Yours sincerely,



Laurian Cristea
 Senior Vice President, Compliance & Regulation
 US Contact: +1 212.513.5610

Appendix I

Appendix II

SwapClear Self-Clearing Fees from ~~1 April~~ 6 May 2013

A single tariff will be applied to a Member Group, taking into account all trades cleared by that group within a calendar year.

Tariff A1: Ultimate tariff

- a. A new ultimate tariff ("A1") of £2,250,000 per year will be applied to a Member Group that clears 30,000 trades per year or more.

Standard Tariff

- a. The standard tariff ("A2") of £1,500,000 per year will apply for up to 20,000 trades per year. Additional trades beyond 20,000 will incur a booking fee of £75 per new trade but no maintenance fee.
- b. The charges will be collected in equal monthly installments of £125,000 monthly in arrears and an invoice will be posted to the Members' account. All clearing fees will be payable in GBP.
- c. Member Groups will have a fee cap of £2,250,000 in the calendar year, equating to 30,000 trades annually. A fee holiday is given for the balance of the year if the £2,250,000 cap is reached and the following year will automatically be invoiced at Tariff A1.

Tariff B: Introductory tariff

- a. The introductory Tariff B comprises a reduced annual clearing fee of £500,000 collected in equal monthly installments of £41,667, plus £75 per trade booking fee and a £6 per existing trade maintenance fee per month. An initial fee cap of £1,500,000 will apply.
- b. If a Tariff B Member reaches the initial £1,500,000 cap, a fee holiday will be given for the remainder of the calendar year unless more than 20,000 trades are cleared in the year.
- c. A Tariff B Member that does not reach the Tariff B cap in the calendar year will begin the following year on Tariff B. However, a Tariff B Member who does reach the £1,500,000 cap within the calendar year will automatically begin the following year on Tariff A2.
- d. A Tariff B Member can at any time elect to move to a higher tariff. This enables smoother billing over the rest of the year.

In addition there will be a new one-off onboarding fee of £50,000 for an Affiliate Member.

Client Clearing Fees

Clearing fees under the SwapClear Client Clearing service are charged to the clearing member under a choice of two pricing plans, with effect from Q2 2012.

Standard Pricing Plan

The Standard Pricing Plan has an up-front booking fee and an ongoing maintenance fee.

The booking fee will be:

- Applied on a per million basis, per the table below
- Incurred at time of trade and collected monthly in arrears - Further reduced for back-loaded trades through September 9, 2013 (booking fee is one-third of the levels below)

The maintenance fee will be assessed annually on the anniversary date of each trade, at 3 per million notional in the currency of the trade. Maintenance fees will not be charged for trades terminated before their anniversary date.

Standard Pricing Plan - Booking Fee	
Transaction Maturity	per million notional
0 to 1	0.90
1+ to 3	2.25
3+ to 5	4.05
5+ to 7	5.40
7+ to 10	7.20
10+ to 12	8.10
12+ to 15	9
15+ to 20	13.50
20+ to 25	16.20
25+ to 50	18

Example: a new \$100 million 5 year trade would incur a booking fee of \$405. At its first anniversary there would be a maintenance fee charge of \$300. If the trade is torn up before then, there is no maintenance fee charge.

High Turnover Plan

The High Turnover Plan also has an up-front booking fee and an on-going “risk consumption” fee. The up-front fee is USD 25 per ticket fee (for new and back-loaded trades). The ongoing risk consumption fee is calculated at 10 basis points annualized on the client’s Initial Margin requirement (regardless of type of collateral used to cover IM), calculated daily and billed monthly in arrears. This equals \$1,000 per \$1 million (annualized). Example: an average IM of \$50 million equals an annual risk consumption fee of \$50,000.

Volume Discount Plan

The Volume Discount Plan applies to clients that self identify their intent to clear an aggregate notional amount of OTC Interest Rate Swaps in 2013. Interest rate swaps across all FCMs or SCMs counts toward the client’s targeted notional for the year.

The booking fee is applied on a per million basis of the currency of the trade from date of submission until December 31, 2013 (see table below). Maintenance fees do not apply for clients who qualify for a volume discount.

	<u>Standard Plan</u>	<u>Level 1 \$250bn - \$750bn</u>	<u>Level 2 \$750bn - \$1.5trn</u>	<u>Level 3 \$1.5trn +</u>
<u>Transaction Maturity</u>	<u>0%</u>	<u>Reduction: 15%</u>	<u>Reduction 25%</u>	<u>Reduction 35%</u>
<u>0 - 1 year</u>	<u>0.9</u>	<u>0.77</u>	<u>0.68</u>	<u>0.59</u>
<u>1 year+ to 3 year</u>	<u>2.25</u>	<u>1.91</u>	<u>1.69</u>	<u>1.46</u>
<u>3 year+ to 5 year</u>	<u>4.05</u>	<u>3.44</u>	<u>3.04</u>	<u>2.63</u>
<u>5 year+ to 7 year</u>	<u>5.4</u>	<u>4.59</u>	<u>4.05</u>	<u>3.51</u>
<u>7 year+ to 10 year</u>	<u>7.2</u>	<u>6.12</u>	<u>5.40</u>	<u>4.68</u>
<u>10 year+ to 12 year</u>	<u>8.1</u>	<u>6.89</u>	<u>6.08</u>	<u>5.27</u>
<u>12 year+ to 15 year</u>	<u>9</u>	<u>7.65</u>	<u>6.75</u>	<u>5.85</u>
<u>15 year+ to 20 year</u>	<u>13.5</u>	<u>11.48</u>	<u>10.13</u>	<u>8.78</u>
<u>20 year+ to 25 year</u>	<u>16.2</u>	<u>13.77</u>	<u>12.15</u>	<u>10.53</u>
<u>25 year + to 50 year</u>	<u>18</u>	<u>15.30</u>	<u>13.50</u>	<u>11.70</u>

(A new plan will be effective beginning January 1, 2014, based on actual volume cleared at LCH.Clearnet. This plan will be released in December 2013 and subject to regulatory review.)

SwapClear charges all fees to clearing members; members individually make pricing arrangements with clients and ~~will~~ confidentially notify SwapClear of the pricing plan for each client. Under the Volume Discount Plan, the client will receive an onboarding form from either LCH.Clearnet or their FCM, and will return the form directly to LCH.Clearnet with the appropriate notional amount selected. SwapClear is a service of LCH.Clearnet Limited.