

VIA CFTC PORTAL

6 August 2021

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

LCH Limited Self-Certification: Rates Reform – LIBOR Fallback and Conversion Fees

Dear Mr Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (the “CFTC”) Regulation §40.6(a), LCH Limited (“LCH”), a derivatives clearing organization registered with the CFTC, is submitting for self-certification 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 London Interbank Offered Rate (LIBOR) benchmarks which are published in 5 currencies are set to be discontinued from 31st December 2021 in all but USD, the main tenors of which are scheduled to be discontinued from 30th June 2023. This cessation of the publication of representative LIBORs necessitates the adoption of RFRs in their 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 30th September 2021, LCH will apply a monthly fee for outstanding CHF / EUR / GBP / JPY LIBOR contracts as of the last good business day of that month.

Fee per outstanding contract

September 2021	October 2021	November 2021
GBP 5.00	GBP 5.00	GBP 5.00

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 for those participants which are otherwise unable to transition away from fallen back rates.

The conversion processes in 2021 will encompass CHF / EUR / GBP / JPY LIBOR and EUR EONIA contracts. LCH is proposing the following dates:

- For EUR EONIA, conversion shall apply to SwapClear Contracts outstanding at close of business ('COB') on Friday 15th October 2021 and will be conducted over that weekend;
- For CHF, EUR & JPY LIBOR, conversion shall apply to SwapClear Contracts outstanding at COB on Friday 3rd December 2021 and will be conducted over that weekend;
- For GBP LIBOR, conversion shall apply to SwapClear Contracts outstanding at COB on Friday 17th December 2021 and will be conducted over that weekend

Due to the greater complexity for LIBOR conversion when compared to EONIA conversion, a fee will apply per contract included in an LCH conversion process as follows:

EUR EONIA	CHF, EUR, JPY and GBP LIBOR
GBP 15	GBP 30

A cap will apply in 2021 for all SwapClear Clearing Member House accounts as follows. Note, this cap applies across Conversion Fees only and is not applicable for LIBOR Fallback Fees.

Platinum Tariff	Gold, Silver and Bronze Tariffs
GBP 125,000	GBP 75,000

Other tools and processes are available to market participants to discontinue their reliance on rates that have fallen back.

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 has reviewed the changes against the requirements of the Core Principles and finds that they will continue to comply with all the requirements and standards therein. In particular, in making these changes and publishing them on its website, LCH ensures that it continues to adhere to Core Principle L (§39.21) on Public information, which

requires DCOs to make available publicly each clearing and other fee charged to Clearing Members. More generally, the changes described in this filing ensure that LCH meets the objective of that Core Principle that a DCO shall provide sufficient information to market participants to enable them to identify and evaluate accurately the costs associated with using its services.

LCH has processes in place to monitor the content of its website, ensure it is in line with applicable regulatory disclosure requirements and that is updated as necessary. The webpage on SwapClear fees will be updated with the changes set out in Appendix I.

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:

[Proposed Rule Changes | LCH Group](#)

Part V: Opposing Views

There were no opposing views expressed by LCH's governing board or executive committee, members of LCH or market participants that were not incorporated into the change.

Certification

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

Should you have any questions please contact me.

Yours sincerely



Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I

Website changes (Fees webpage)
[SwapClear](#) | [Fees](#) | [LCH Group](#)

Client Fees Segment

New Section

LIBOR Fallback Fees

Effective 30th September 2021*, LCH will apply a monthly fee for outstanding CHF, EUR, GBP, and JPY LIBOR SwapClear Contracts. The fee will apply to those SwapClear Contracts outstanding as of the last business day of the month.

Fee per outstanding SwapClear Contract:

September 2021	October 2021	November 2021
GBP 5	GBP 5	GBP 5

Further details can be found in circular [4150](#).

- FRAs will not be subject to Fallback Fees
- Any LIBOR-LIBOR basis swaps that may need to be 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'

* Subject to regulatory notification

Conversion Fees

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

Fee Amount:

EUR EONIA	CHF, EUR, JPY and GBP LIBOR
GBP 15	GBP 30

Further details can be found in circular [4164](#).

- Any EONIA contracts with a maturity date prior or equal to 4th January 2022 which are included in a conversion cycle will not be charged
- Any LIBOR-LIBOR basis swaps that may need to be 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 cycle

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

* Subject to regulatory notification

Member Fees Segment

New Section

LIBOR Fallback Fees

Effective 30th September 2021*, LCH will apply a monthly fee for outstanding CHF, EUR, GBP, and JPY LIBOR contracts. The fee will apply to those SwapClear Contracts outstanding as of the last business day of the month.

Fee per outstanding contract:

September 2021	October 2021	November 2021
GBP 5	GBP 5	GBP 5

Further details can be found in circular [4150](#).

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

* Subject to regulatory notification

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:

EUR EONIA	CHF, EUR, JPY and GBP LIBOR
GBP 15	GBP 30

A cap will apply in 2021 for all SwapClear Clearing Member House accounts as follows. Note, this cap applies across Conversion Fees only.

Platinum Tariff	Gold, Silver and Bronze Tariffs
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GBP 125,000	GBP 75,000
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Further details can be found in circular [4164](#).

- Any EONIA contracts with a maturity date prior or equal to 4th January 2022 which are included in a conversion cycle will not be charged
- Any LIBOR-LIBOR basis swaps that may need to be 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 cycle

* Subject to regulatory notification