

Via CFTC Portal

16 December 2020

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

Re: Proposed amendments to the LCH SA CDSClear fee grid

Dear Mr. Kirkpatrick,

Pursuant to CFTC regulation §40.6(a), LCH SA (“**LCH**”), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the “**CFTC**”), is submitting for self-certification the proposed amendments to the CDSClear fee grid as a consequence of the evolution of the CDSClear business and arrangements.

The fee grid changes are supposed to be effective as of January 1st, 2021 but in no event, they will be implemented earlier than 10 business days after they are filed with the CFTC.

The proposed changes are attached hereto in the Appendix.

Part I: Explanation and Analysis

The purpose of the proposed fee changes is for LCH SA CDSClear to revise the (i) fees under the Unlimited Tariff for General Members¹, (ii) fees for Corporates and Financials Index and Single Name CDS for General and Select Members, (iii) fees set up for the Options clearing service for both General and Select Members and clients as well and introduce (iv) new fee conditions for Affiliates clearing as client.

The proposed fee changes are driven by the evolution of the CDSClear activity and arrangements.

- for the Index and Single Names: the fee changes reflect a transition to a more matured phase of development of the CDSClear service,
- for the Options: the intent is to adjust the fee conditions and rebate to the new competitive environment as well as encourage the development of options clearing by clients, and
- for Affiliates clearing as client, the need is to take into consideration the evolution of the corporate structure of dealers and the use of multiple legal entities.

¹ All capitalized terms not defined herein have the same definition as the CDSClearing Rule Book, Supplement or Procedures, as applicable.

Part II: Description of Rule Changes

LCH SA is currently applying the CDSClear fee grid attached below in Appendix.

As specified in the new CDSClear fee grid attached in the Appendix, LCH SA is proposing to amend the CDSClear clearing fees from January 1st, 2021 as follows:

1) Change the fees under the Unlimited Tariff for General Members

CDSClear currently offers an Unlimited Tariff for General Members that covers all self-clearing Corporate and Financials CDS Index and Single Names activity for a Financial Group and its Affiliates for an annual fixed fee of €1,300,000 (no variable fees).

The proposed change consists in increasing the annual fixed fee amount to €1,350,000 per year from January 1, 2021.

2) Change the fees under the Introductory Tariff for both General and Select Members

a) For General Members

As specified in the new LCH SA CDSClear fee grid attached below, from January 1, 2021, the annual fixed fee under the Introductory Tariff will be set for General Members to €200,000 if the total annual gross notional cleared is under €10bn (vs €15bn today) and to €400,000 per year when clearing more than €10bn (vs €15bn today).

LCH SA is also proposing to remove the previous annual cap on total annual fees (fixed + variable) of €1,300,000 under the Introductory Tariff for General Members.

The variable fees will remain the same as the current ones.

b) For Select Members

From January 1, 2021, the annual fixed fee under the Introductory Tariff will be set for Select Members to €250,000 if the total annual gross notional cleared is under €20bn (vs €25bn today) and to €450,000 per year for Select Members when clearing more than €20bn (vs €25bn today).

The variable fees will remain the same as the current ones.

3) Revise the fees set up for the Options clearing service for both General and Select Members and clients as well

a) Options Unlimited Tariff for General and Select Members

From January 1, 2021, the annual fixed fee covering all clearing fees for Credit Index Options House activity for all Affiliates of a given Financial Group is proposed to be reduced from €375,000 to €115,000 (no prorating) for General Members if notional cleared in 2021 strictly over €15bn and from €400,000 to €115,000 (no prorating) for Select Members if the notional cleared is strictly over €15bn.

b) Options Introductory Tariff for General and Select Members

The current Options Introductory Tariff for both General and Select Members covers only the legal entity that is registering to the service.

The Options Introductory Tariff for a General Member is proposed to be based on the annual floor and conditions below:

- Floor of €115,000 for a single entity (vs €150,000 today per entity)
- Floor of €150,000 for 2 entities of the same Financial Group
- Floor of €190,000 for 3 or more entities of the same Financial Group
- Removal of the annual cap of € 375,000 on Options clearing fees
- Reduction of variable fees from €15/\$15 to €8/\$8 per million of option notional cleared.

The Options Introductory Tariff for a Select Member is proposed to be based on the conditions below:

- Reduction of variable fees from €18/\$18 to €10/\$10 per million of option notional cleared
- Removal of the annual cap on Options clearing fees of €400,000

c) Options Clearing Members (General Members under Unlimited or Introductory)

LCH SA is proposing an up to €200,000 fee rebate limited to the total amount of Option clearing fees paid by a Financial Group in 2021 for the first two Clearing Members clearing Options for at least one client by 31 July 2021.

d) Options clearing fees for clients

The Options clearing fee grid for clients is proposed to include the following changes:

- Clients variable clearing fees for Options decreased from €20/\$20 to €5/\$5 per million of option notional cleared, and
- Fee holiday for Clients clearing Options in 2021

4) Introduction of new fee conditions for Affiliates clearing as client

As specified in the new LCH SA CDSClear options fee grid attached in the Appendix, LCH SA CDSClear is proposing to offer a full rebate on client clearing variable fees for Affiliates of a Clearing Member that is clearing as a client of that Clearing Member under the following conditions:

- The Clearing Member is a General Member under the Unlimited Tariff;
- The Affiliate is a legal entity part of the same Financial Group than the Clearing Member;
- The rebate applies to 1 trade account per Affiliate and for all clearing services for which the Clearing Member is under the Unlimited Tariff (i.e. Index & Single Names and/or Options);
- The rebate cannot apply to any account opened for CCM Indirect Clients,
- The fixed annual account charge of €100,000 per Affiliate of a Clearing Member onboarded as its client, and benefiting from the full rebate on variable fees.

Part III: Core Principle Compliance

LCH will continue to comply with all Core Principles following the introduction of these changes and has concluded that its compliance with the Core Principles would not be adversely affected by these changes.

Part IV: Public Information

LCH has posted a notice of pending certifications with the CFTC and a copy of the submission on LCH's website at: <http://www.lch.com/rules-regulations/proposed-rules-changes>

Part V: Opposing Views

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

Certification

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

Should you have any questions please contact me.



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APPENDIX

Current CDS Clear fee grid effective from January 1st, 2020

Current Self-Clearing Tariff for Corporates and Financials Index and Single Name CDS

Membership	Annual Fixed Fee	Self-Clearing / Variable Fees				
		EUR Indices	EUR Single Names	USD Indices	USD Single Names	
General Member – Unlimited Tariff	€1,300,000	No Variable Fee				Covers all self-clearing Corporate and Financials Index and Single Name activity for a Clearing Member and its affiliates
General Member – Introductory Tariff	€200,000 if the total annual gross notional cleared is under €15billion	€3.5 Per million gross notional cleared	€10 Per million gross notional cleared	\$4.5 Per million gross notional cleared	\$13 Per million gross notional cleared	Cap on total annual self-clearing fees (fixed + variable) of EUR 1,300,000 after which all further trades cleared in the calendar year are subject to a fee holiday
	€400,000 if the total annual gross notional cleared is over €15billion	€3.5 Per million gross notional cleared	€10 Per million gross notional cleared	\$4.5 Per million gross notional cleared	\$13 Per million gross notional cleared	
Select Member	€250,000 if the total annual gross notional cleared is under €25billion	€4 Per million gross notional cleared	€10 Per million gross notional cleared	\$5 Per million gross notional cleared	\$13 Per million gross notional cleared	
	€450,000 if the total annual gross notional cleared is over €25billion					

Options Tariff including Fee rebate

General Member	Introductory Tariff	Cover only one legal entity (no affiliate coverage) In-year switches are not permitted	
	Clearing Fees	\$15	per million of option notional on US Indices

		€15	per million of option notional on European Indices	
	<i>Floor on clearing fees</i>	€150k	<i>Per calendar year (no pro-rating)</i>	
	<i>Cap on Clearing fees</i>	€375k	<i>Per calendar year (no pro-rating)</i>	
	Unlimited Tariff	Cover all affiliates of a given Clearing Member Group Cover all clearing fees for Credit Option House activity for both iTraxx and CDX.NA underlying index families Excludes any potential future EEP usage fees In-year switches are not permitted		
	<i>Fixed fee (annual)</i>	€375k <i>Per calendar year (no pro-rating)</i>		
	<i>Discounted Rates*</i>	€150k <i>if notionals cleared strictly above €6bn but equal to or below €13.5bn</i> €75k <i>if notionals cleared strictly above €13.5bn</i>		
	Onboarding Fees <i>(both Introductory & unlimited)</i>	€30k	One-off fee per Legal Entity under the Introductory tariff or per Clearing Member Group under Unlimited tariff waived until 30-Apr-2020	
Select Member	Introductory Tariff	Cover only one legal entity (no affiliate coverage) In-year switches are not permitted		
	Clearing Fees	\$18	per million of option notional on US Indices	
		€18	per million of option notional on European Indices	
	<i>Cap on Clearing fees</i>	€400k	<i>Per calendar year (no pro-rating)</i>	
	Unlimited Tariff	Cover all affiliates of a given Clearing Member Group Cover all clearing fees for Credit Option House activity for both iTraxx and CDX.NA underlying index families Excludes any potential future EEP usage fees In-year switches are not permitted		
	<i>Fixed fee (annual)</i>	€400k	<i>Per calendar year (no pro-rating)</i>	
	<i>Discounted Rates*</i>	€150k <i>if notionals cleared strictly above €6bn but equal to or below €13.5bn</i> €75k <i>if notionals cleared strictly above €13.5bn</i>		
	Onboarding Fees <i>(both Introductory & unlimited)</i>	€30k	One-off fee per Legal Entity under the Introductory tariff or per Clearing Member Group under Unlimited tariff waived until 30-Apr-2020	
*Cumulative conditions for the Fee rebate:				

(i)	Application to the Unlimited Tariff only;		
(ii)	Application to all Clearing Members registering to the Index Swaptions clearing service (registration letter or application file signature date); and		
(iii)	Index Swaptions notional cleared for the determination of the discount rate to be observed from the regulatory effective date of the rebate.		
Client	Clearing Fees	\$20	per million of option notional on US Indices
		€20	per million of option notional on European Indices

Proposed CDS Clear fee grid effective from January 1st, 2021*

Self-Clearing Tariff for Corporates and Financials Index and Single Name CDS

Membership	Annual Fixed Fee	Self-Clearing / Variable Fees				
		EUR Indices	EUR Single Names	USD Indices	USD Single Names	
General Member – Unlimited Tariff	€ 1,300,000 1,350,000	No Variable Fee				Covers all self-clearing Corporate and Financials Index and Single Name activity for a <u>Clearing Member Financial Group and its affiliates</u>
General Member – Introductory Tariff	€200,000 if the total annual gross notional cleared is under € 15billion 10billion	€3.5	€10	\$4.5	\$13	Cap on total annual fees (fixed + variable) of EUR 1,300,000 after which all further trades cleared in the calendar year are subject to a fee holiday for self-clearing activity only
	€400,000 if the total annual gross notional cleared is over € 15billion 10billion	€3.5	€10	\$4.5	\$13	
		Per million gross notional cleared	Per million gross notional cleared	Per million gross notional cleared	Per million gross notional cleared	
		Per million gross notional cleared	Per million gross notional cleared	Per million gross notional cleared	Per million gross notional cleared	

Select Member	€250,000 if the total annual gross notional cleared is under €25billion <u>€20billion</u>	€4	€10	\$5	\$13	
	€450,000 if the total annual gross notional cleared is over €25billion <u>€20billion</u>	Per million gross notional cleared	Per million gross notional cleared	Per million gross notional cleared	Per million gross notional cleared	

Options Tariff including fee rebate

General Member	Introductory Tariff	Can cover only either one <u>or multiple</u> legal entities <u>under conditions below</u> ∅ (no <u>A</u> affiliate coverage) In-year switches are not permitted <i>No EEP usage fees in 2020<u>2021</u></i>	
	Clearing Fees	\$-15-8	per million of option notional on US Indices
		€-158	per million of option notional on European Indices
	Floor on clearing fees	€-115k	<i>Per calendar year (no pro-rating) for 1 entity</i>
		€-150k	<i>Per calendar year (no pro-rating) for 2 entities of the same ClearingFinancial Group</i>
		€190k	<i>Per calendar year (no pro-rating) for 3 or more entities of the same ClearingFinancial Group</i>
	<i>Cap on Clearing fees</i>	€-375k	<i>Per calendar year (no pro-rating)</i>
	Unlimited Tariff	Cover all <u>affiliates</u> Affiliates of a given Clearing Member Financial Group Cover all clearing fees for Credit Option House activity for both iTraxx and CDX.NA underlying index families In-year switches are not permitted <i>No EEP usage fees in 2020<u>2021</u></i>	
	Fixed fee (annual)	€375k Per calendar year (no pro-rating)	
	Discounted Rates*	€-150k if notionals cleared strictly above €6bn but equal to or below €13.5bn € 75k-115k if notionals cleared strictly above €13.5 <u>€15</u> bn	
Onboarding Fees <i>(both Introductory & unlimited)</i>	€30k	One-off fee per Legal <u>e</u> Entity under the Introductory tariff or per Clearing Member Financial Group under Unlimited tariff waived until 30-Apr-2020	

Select Member	Introductory Tariff	Cover only one legal entity (no affiliate <u>Affiliate</u> coverage) In-year switches are not permitted <i>No EEP usage fees in 20202021</i>		
	Clearing Fees	\$ 18 <u>10</u>	per million of option notional on US Indices	
		€ 18 <u>10</u>	per million of option notional on European Indices	
	<i>Cap on Clearing fees</i>	€ 600k <u>400k</u>	<i>Per calendar year (no pro-rating)</i>	
	Unlimited Tariff	Cover all affiliates <u>Affiliates</u> of a given Clearing Member <u>Financial</u> Group Cover all clearing fees for Credit Option House activity for both iTraxx and CDX.NA underlying index families In-year switches are not permitted <i>No EEP usage fees in 20202021</i>		
	<i>Fixed fee (annual)</i>	€400k	<i>Per calendar year (no pro-rating)</i>	
	<i>Discounted Rates*</i>	€ 150k if notionals cleared strictly above €6bn but equal to or below €13.5bn € 75k-115k if notionals cleared strictly above €13.5-15bn		
Onboarding Fees (both Introductory & unlimited)	€30k	One-off fee per l legal e Entity under the Introductory tariff or per Clearing Member <u>Financial</u> Group under Unlimited tariff waived until 30-Apr-2020		
application to the Unlimited Tariff only; and Index Swaptions notional cleared for the determination of the discount rate to be observed from the regulatory effective date of the rebate.				
Clearing Member - (Options only)	Up to €200k fixed fee rebate limited to the total amount of Options clearing fees paid in 2021 for Options for the first two Clearing Members clearing Options for at least one client by 31-July-2021			
Client	<u>Options</u> Clearing Fees	\$ 20 <u>5</u>	per million of option notional on US Indices	
		€ 20 <u>5</u>	per million of option notional on European Indices	
	<u>2021: Full discount of client variable fees</u>			

Affiliates clearing as client (all products)

<p><u>Affiliates clearing as clients</u></p>	<p><u>Full rebate on variable clearing fees for Affiliates of a Clearing Member onboarded as clients of such Clearing Members under the following conditions:</u></p> <ul style="list-style-type: none">• <u>The Clearing Member is a General Member under the Unlimited Tariff,</u>• <u>The Affiliate is a legal entity part of the same Financial Group than the Clearing Member;</u>• <u>The rebate applies to 1 trade account per Affiliate and for all clearing services for which the Clearing Member is under the Unlimited Tariff (i.e. Index & Single Names and/or Options),</u>• <u>The rebate cannot apply to any account opened for CCM Indirect Clients, and</u>• <u>The fixed annual account charge of €100,000 per Affiliate of a Clearing Member onboarded as a client, and benefiting from the full rebate on variable fees.</u>
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**Subject to any appropriate regulatory review and/or approval process duly completed*