

ForexClear

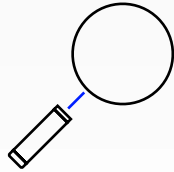
Compression overview

What is compression?

Compression is the process of identifying offsetting trades that can be collapsed into smaller positions.* LCH ForexClear compression cycles are risk-free and do not change the risk profile of the parties portfolio.

LCH ForexClear offers compression for both deliverable and non-deliverable forwards (NDFs) for all currency pairs.

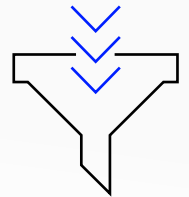
*Compression does not always result in smaller positions; directional flow can be combined into one larger position, if desired.



How it benefits our members and clients

Gross notional is one of the measures used in assessing a bank's capital requirements. Compression:

- **reduces trade count** to provide operational efficiency
- **reduces gross notional** outstanding, which can contribute to capital savings under Basel III regulations

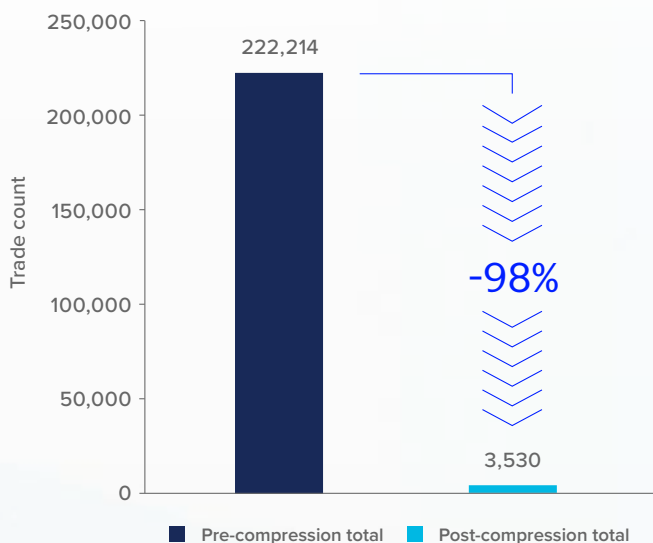


A spotlight on compression in 2024 – a record year for LCH ForexClear

In H2 2024, LCH ForexClear conducted new compression records in both notional and trade count reductions, with 222,214 trades and US\$1.3trn notional being compressed.

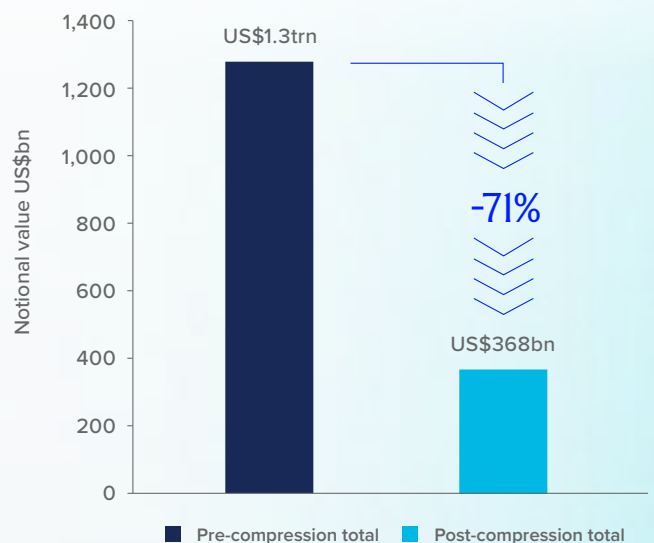
222,214 trade count

compressed across members in H2 2024



US\$1.3trn notional

compressed across members in H2 2024



Steps to compress

01.

Identifying compression-eligible trades

When a compression-eligible trade is cleared at LCH ForexClear (NDFs and forwards), it is assigned a netting identifier. Trades that share the same netting identifier are eligible for compression with each other and can be reviewed in trade level reports FREP0001/1c and FREP0009/9c.

02.

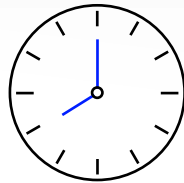
Submit a netting request (and choosing to add EIDs)

We suggest that potential compression outcomes are reviewed via the compression tool in the LCH Portal to confirm that you are happy with the projected remnant positions. Once verified, participants can request netting by reaching out to forexclearclientservices@lch.com.

03.

Compression cycle

Trades instructed for compression are processed as part of a daily compression cycle which runs at 20:00 London time.



04.

Post compression

Participants can consume the details of any trades terminated and any new trades created from the compression cycle under reports FREP0059/59c and FREP0060c for members and clients, respectively.

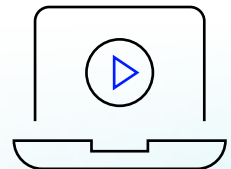
Compression fees

- ForexClear clearing members will be charged US\$1 per US\$1 million of notional reduced using ForexClear Compression services
- A cap of US\$125,000 per annum will apply per ForexClear clearing member and its affiliates for house account compression
- ForexClear clients will not be charged fees for using ForexClear Compression services in 2025

Access today

Access the LCH ForexClear Compression Tool through the [LCH Portal](#). Watch our video guide for a [portfolio compression demo](#) or access our full compression guide in the LCH Knowledge Centre.

Sign up for the latest news and insights [here](#).



LSEG

Make more possible

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