

LCH

ForexClear

Clearing non-deliverable FX options

Unlock efficiencies and streamline FX workflow

Global demand for cleared deliverable and non-deliverable OTC FX derivatives is rising, as market participants seek effective ways to reduce their margin and capital costs across their entire FX portfolio. To meet this growing need, LCH ForexClear, LCH's FX clearing service, has partnered with the market to deliver clearing for non-deliverable options (NDOs) across nine currency pairs.

The addition of clearing for NDOs complements ForexClear's current non-deliverable forwards (NDFs), FX options¹ and FX forwards¹ product offering, creating new opportunities for margin, capital and operational efficiencies. Subsequently, access to a wider set of in-scope FX products for Uncleared Margin Rules (UMR) enables participants to more effectively manage their initial margin (IM) requirements. Clearing NDOs also significantly increases opportunities for portfolio netting benefits with NDFs that are already cleared at LCH, allowing for lower margin, capital and operational costs.

¹ Deliverable service is available to clearing members only

Key benefits

1

Margin efficiencies

FX options are in scope for two-way IM exchange under UMR; clearing may offer savings of up to 85%² in IM costs versus bilateral requirements.

² LCH analysis

2

Capital savings

The standardised calculation for risk weighted assets (RWA) permits a lower 2% counterparty risk weighting against a CCP, compared to a minimum of 20% against a AAA-rated entity, leading to lower capital costs for cleared NDOs versus bilateral FX options.

3

Reduced operational complexity

Clearing NDOs helps reduce operational complexity compared to bilateral FX options, due to the lack of physical settlement (NDOs cash-settle via PPS) and cumbersome exercise/expiry processes.

The LCH ForexClear NDO offering

NDO clearing is available to LCH ForexClear clearing members and buy-side clients (via a clearing broker) in four emerging market (EM) currency pairs, **BRL, KRW, INR, TWD**, and five G10 pairs, **AUD, EUR, GBP, JPY, CHF**, with a maximum tenor of two years.



LSEG POST
TRADE

Non-Deliverable service		Deliverable service
Non-deliverable forwards Non-deliverable options	Products	Vanilla FX options FX forwards FX spots
Members and clients	Participants	Members
NDF: 15 EM and 10 G10 pairs NDO: four EM and five G10 pairs Two years maturity	Eligibility	Eight G10 pairs Two years maturity
PPS	Final settlement	PvP via LCH CLS CCP

NDO margin savings

Clearing NDOs at LCH ForexClear can result in significant margin savings across most portfolios compared with bilateral IM requirements calculated by ISDA SIMM, as the examples below highlight.

Type	Profile	Bilateral margin (% notional)	LCH cleared margin (% notional)	Margin saving ² (%)
Hypothetical	Long call (1 mo. ATM)	4.6%	0.69%	85%
	Short call (1 mo. ATM)	4.6%	1.9%	59%
	Hedged call (1 mo. ATM)	0.9%	0.2%	73%
	Long straddle	1.8%	0.5%	73%
	Long strangle	0.6%	0.1%	77%

² LCH analysis



LSEG POST
TRADE

Contact us

Email lchsales@lseg.com

Website lseg.com/services/forexclear

To opt in to newsletters, visit: lseg.com/services/forexclear/resources

Disclaimer

This document has been provided to you for informational purposes only and is intended as an overview of certain aspects of, or proposed changes to, the SwapClear, Listed Interest Rates, SwapAgent and/or any other service provided by LCH Group Holdings Limited ("LCH Group") or any of its group undertakings (group undertakings shall be construed in accordance with section 1161 of the Companies Act 2006; each an "LCH Group Company").

LCH Limited is supervised by the Bank of England within the UK regulatory framework, registered as a derivatives clearing organisation with the U.S. Commodity Futures Trading Commission ("CFTC") and recognised as a third-country CCP under Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories ("EMIR"). LCH S.A. is regulated and supervised in France by the Autorité des Marchés Financiers, the Autorité de Contrôle Prudentiel et de Résolution and the Banque de France, authorised as an E.U. CCP under EMIR, registered as a derivatives clearing organisation with the CFTC and as a clearing agency with the U.S. Securities and Exchange Commission. LCH Limited and LCH S.A. also hold licenses or authorisations in other jurisdictions in which they offer their services. More information is available at www.lseg.com.

The relationship of an LCH Group Company with its members is governed solely by its rulebook and certain other ancillary documentation, as applicable. This document does not, and does not purport to, contain a detailed description of any aspect of a service provided by an LCH Group Company or any other topics discussed in this document, and it has not been prepared for any specific person. This document does not, and does not seek to, constitute advice of any nature. You may not rely upon the contents of this document under any circumstance and should seek your own independent legal, investment, tax and other advice. The information and any opinion contained in this document does not constitute a recommendation or offer with respect to any derivative contract, financial instrument, security or service. No LCH Group Company makes any representation, warranty, condition or guarantee (whether express or implied) that the contents of this document are accurate, complete or up-to-date, and makes no commitment to offer any particular product or service. No LCH Group Company shall have any liability for any losses, claims, demands, actions, proceedings, damages, costs or expenses arising out of, or in any way connected with, the information contained in this document, except that each LCH Group Company accepts liability that cannot be excluded by applicable law.

Copyright © LCH Limited 2025. All rights reserved. Copyright © LCH S.A. 2025. All rights reserved. LCH SwapClear, LCH CDSClear, LCH ForexClear, LCH RepoClear, LCH EquityClear, LCH SwapAgent and eGCPPlus are registered trademarks of LCH.