

VIA CFTC PORTAL

1 February 2019

Mr Christopher Kirkpatrick
Commodity Futures Trading Commission
115 21st Street NW
Three Lafayette Centre
Washington DC 20581

LCH Limited Self-Certification: ForexClear tariff changes

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 changes to the tariffs applicable to the ForexClear clearing service.

Part I: Explanation and Analysis

LCH proposes to make incremental changes to the ForexClear fees update submitted to the CFTC last December. The ForexClear fees in questions are charged to the ForexClear Clearing Members.

The substantial changes are i) the introduction of a fee holiday for Clearing Members and their Clients using the ForexClear Compression Service and ii) the adjustment to the fee cap for the Non deliverable bronze tariff to US\$ 1,250,000, from US\$ 900,000, for the calendar year.

Further, additional wording has been added to the section on 'Member fees' to set out more clearly how the fees apply and how Clearing Members may move from one tariff to another.

The changes will be effective on, or after, February 18, 2019.

Part II: Description of Rule Changes

There are no changes to the LCH Rulebook, however LCH will make changes to its website to highlight the fee changes explained above (**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.

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:

<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 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 at julian.oliver@lch.com.

Yours sincerely



Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I

Website changes (ForexClear fees)

<https://www.lch.com/services/forexclear/fees>

Non Deliverable FX Fees

| Non-Deliverable | Tariff | Annual Tariff | Monthly Tariff | EM NDF Fee / mn | G10 NDF Fee / mn |
|-----------------|--------|---------------|----------------|-----------------|------------------|
| | Client | na | na | US\$ 2 | US\$ 1 |
| | Bronze | US\$ 350,000* | US\$ 29,166 | US\$ 2 | US\$ 1 |
| | Silver | GBP 825,000 | GBP 68,750 | na | na |

*Non deliverable bronze tariff is capped at US\$ ~~1,250,000-900,000~~ per calendar year. This is equal to a maximum of US\$ 275bn EM NDF or US\$ 550bn G10 NDF notional cleared or combination thereof.

Deliverable FX Fees

| Deliverable | Tariff | Annual Tariff | Monthly Tariff | FX Options Fee / mn | FX spot / forward hedges Fee / mn |
|-------------|--------|---------------|----------------|---------------------|-----------------------------------|
| | Bronze | US\$ 400,000 | US\$ 33,333 | US\$ 2 | US\$ 2 |
| | Silver | GBP 885,000 | GBP 73,750 | na | na |

Member fees

Members may be members of either or both of the deliverable and non-deliverable sides of the service. For each of the deliverable and non-deliverable sides, a Member Group may choose from two fee tariffs, Bronze or Silver, covering all ~~house inter-dealer~~ trade registration activity for a Clearing Member Group.

Where a Member wishes to move from the Bronze Tariff to the Silver tariff, if ~~they~~ the Member gives notice by the 20th of the preceding month, they will move to the Silver tariff ~~for effective~~ the 1st of the following month. From that month the remaining monthly instalments of the calendar year will be payable at the Silver tariff irrespective of fee amounts already invoiced under the Bronze tariff. Members may ~~not only~~ move from the Silver tariff to the Bronze tariff ~~for the start of the new calendar year~~.

Compression Fees (Member & Client Clearing)

Members and Clients will be charged US\$1 per US\$1 million of notional reduced using ForexClear Compression.

A cap of US\$500 000 per annum will apply per Member group for compression of member group trades..

No cap is applicable for Clients, or Clearing Brokers clearing Client business.

Members and Clients will not be charged fees for using the ForexClear Compression Service in 2019.

Variable Fee Calculation

The Variable tariff fees are calculated on each trade as

1. [Notional amount of trade] * the Per Million (US\$) Notional fee from the relevant Tier in the schedule above.
2. ForexClear Client Clearing fees are calculated based on the total cleared notional in a calendar year for each independent Client Clearing portfolio.

Settlement Reduction Fees for Deliverable FX

LCH will impose a fee as part of the automated settlement reduction process, levied against members who are in breach of relevant settlement limits at end of day on SD-2.

The fee will take the form of a "per unit of notional" charge against settlement amounts in excess of relevant currency settlement limits applied in respect of the excess of member's Settlement Position Amount over the Settlement Position Limit as per table below:

| | AUD | CHF | EUR | GBP | JPY |
|------------------------|------|-----|------|------|-----|
| Bps on notional | 0.15 | 0.3 | 0.15 | 0.25 | 0.2 |

FEE NOTES

All Fees are billed monthly in arrears.

Fixed Member fees are pro-rated monthly where a Member joins intra year.

A one-off on boarding fee of \$70,000 will be billed one month in arrears for each new ForexClear Clearing Member, FCM Clearing Member or ForexClear Dealer or Affiliate, which is a member of, or an Affiliated Firm of, a Member Group.

Members clearing both non-deliverable and deliverable FX will be required to pay both non-deliverable and deliverable fees.

For a member to offer Client Clearing they must be part of a fee-paying member group.

Client Clearing fees are billed to Clearing Members

A "Client Clearing Portfolio" is a separate legally identified Client Account that exists at a specific Clearing Member. A Client Clearing Portfolio is unique to each Clearing Member.

A "Member Group" means a ForexClear Clearing Member or an FCM Clearing Member, its direct and indirect subsidiaries and its direct and indirect holding companies and every direct and indirect subsidiary of each such holding company, from time to time. For the purposes of this definition: (i) 'subsidiary' means a company in which an entity holds more than 50% of the voting rights; and (ii) 'holding company' means a company that holds more than 50% of the voting rights in another entity.

An "Affiliated Firm" in relation to a Member Group means a firm that satisfies both of the following tests:

- A ForexClear Clearing Member or a FCM Clearing Member (or any other member of its Member Group) holds 50% or more of the voting rights in the firm; and
- One or more ForexClear Clearing Members or FCM Clearing Members (or any other member of their Member Group) together hold more than 50% of the voting rights in the firm.

"Voting rights" means the rights conferred on shareholders in respect of their shares or, in the case of a company not having a share capital, on members, to vote at general meetings of the company on all, or substantially all, matters.

Changes in an entity's corporate ownership may lead to changes in the tariff that applies to it.

Terms used herein are as defined in the rulebook of LCH, which you can access from the Quick Links below.