

VIA CFTC PORTAL

1 June 2020

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

**LCH Limited Self-Certification: USD Currency Holiday**

Dear Mr Kirkpatrick

Pursuant to CFTC regulation §40.6(a), LCH Limited ("LCH"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification changes to its rulebook which will take effect on, or after, June 12, 2020.

**Part I: Explanation and Analysis**

The Proposal is for LCH to change the call currency from GBP to EUR when there is a USD Bank Holiday. Currently, if a clearing member has a USD liability to LCH on a day that is a USD currency holiday, and:

(a) the clearing member has nominated a preferred currency for calls and such currency is available to be settled on such day, then LCH will call the clearing member for an equivalent amount in such preferred currency;

(b) where (a) does not apply, LCH will apply any excess LCH holds for the clearing member to the liability and, to the extent this is insufficient, call the clearing member for an equivalent amount in GBP.

LCH proposes to change point (b), so that LCH will call EUR instead of GBP. The reason for this change is that LCH can invest EUR (but not GBP) on a secured basis. The proposed amendments to the LCH rulebooks are to reflect this change and to make minor corrections (e.g. insert missing words; fix cross-references).

**Part II: Description of Rule Changes**

FCM Procedures: Sections 3.2.1(g) and (h) have been amended to clarify that LCH will issue calls in EUR instead of GBP on a USD holiday. In addition, on a day which is both a USD holiday and a EUR holiday, LCH will issue calls in GBP (see **Appendix I** attached).

Procedures Section 3: 1.3.1 (g) has been amended to clarify that LCH will issue calls in EUR instead of GBP on a USD holiday. In addition, on a day which is both a USD holiday and a EUR holiday, LCH will issue calls in GBP (see **Appendix II** attached).

Sponsored Clearing Procedures: 3.3.1 (f) has been amended to clarify that LCH will issue calls in EUR instead of GBP on a USD holiday. In addition, on a day which is both a USD holiday and a EUR holiday, LCH will issue calls in GBP (see **Appendix III** attached).

### **Part III: Core Principle Compliance**

LCH has reviewed the changes against the requirements of the Core Principles and finds it 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 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 rule submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

Should you have any questions please contact me at [saber.doha@lch.com](mailto:saber.doha@lch.com).

Yours sincerely



Saber Doha  
Senior Compliance Officer  
LCH Limited

**Appendix I**  
FCM Procedures



**FCM PROCEDURES OF THE CLEARING HOUSE**

**LCH LIMITED**

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The Clearing House has the ability to call US dollars in respect of an intra-day margin call up until 16:00 New York time (21:00 London time).

The Clearing House must receive confirmation of payment from the FCM Clearing Member's nominated PPS bank(s) within one hour of receipt of the intra-day call by the relevant bank branch.

Failure of a bank to confirm a PPS call within one hour may result in the FCM Clearing Member being declared in default. Late confirmation of PPS calls are reported to the regulators of the LCH Group.

(e) *Auto repay*

FCM Clearing Members may request that they are automatically repaid any excess USD cash balances that remain on their accounts at the end of each day. FCM Clearing Members must contact Treasury Operations in order to have auto-repay applied to their accounts. (LCHOperations-Treasury@lch.com or telephone +44 (0)20 7426 7505). In certain circumstances and following notification to one or more Regulatory Bodies, the Clearing House may disable the auto-repay functionality for all FCM Clearing Members of a clearing service. The Clearing House will notify FCM Clearing Members via Clearing Member Circular in the event that the functionality is disabled. This Section 3.2.1(e) only applies to Proprietary Accounts.

(f) *Value Date*

Although confirmation from the banks that PPS payments will be made must be received within the deadlines set out in Sections 3.2.1(c) and 3.2.1(d), subject to Section 3.2.1(h), all currency transactions are processed by PPS with next business day value with the exception of the following currencies: CAD, EUR, GBP, MXN and USD, which are processed with value for the same business day.

(g) *Foreign Bank Holidays*

The Clearing House has made arrangements with UK PPS banks to operate the PPS on all UK banking days including foreign bank holidays.

In respect of currency holidays for EUR, GBP and USD (“**Major Currencies**”), FCM Clearing Members are required to be able to meet PPS calls in all of the three Major Currencies and therefore must have an account with a PPS Bank in London in each of EUR, GBP and USD. If an FCM Clearing Member’s preferred currency is available to be settled on a currency holiday, the Clearing House will call such preferred currency. In the event that such currency is not available to be settled on a particular day, the Clearing House will (i) firstly apply excess it may hold in respect of an FCM Clearing Member and then (ii) issue calls in the following order:

- (a) \_\_\_ on a USD holiday, the Clearing House will issue a call in EURGBP;
- (b) \_\_\_ on a GBP holiday, the Clearing House will issue a call in USD;
- (c) \_\_\_ on an EUR holiday, the Clearing House will issue a call in GBP;  
~~and~~
- (d) on a day which is both a USD holiday and a EUR holiday, the Clearing House will issue a call in GBP; and
- (e) \_\_\_ on a day which is both a USD holiday and a GBP holiday, the Clearing House will issue a call in EUR.

The Clearing House will observe an FCM Clearing Member's currency preferences on all days, other than currency holidays.

Confirmation that PPS payments will be made must be received within the deadlines set out in Sections 3.2.1(c) and 3.2.1(d). -However, the value date for any PPS transactions made on a day which is a bank or public holiday in the country of that currency will be for the next business day on which both the foreign currency center and the Clearing House are open for business. This applies to GBP, CAD, EUR and USD.

Example: 20 August is a public holiday in the USA, but not in the UK. 21 August is a normal banking day in the USA.

On 20 August, the Clearing House will issue its normal USD instructions to PPS banks, and receive confirmation in response to the PPS call, for value on 21 August.

Please refer to FCM Clearing Member ~~c~~Circulars for details of Clearing House opening days and currency holidays at the following link:

[www.lch.com/member\\_notices/](http://www.lch.com/member_notices/).

(h) *UK Bank Holidays*

The Clearing House does not give value to any currency on a UK bank holiday, if the Clearing House is closed for business on that bank holiday.

However, the Clearing House may sometimes be open for business on a UK bank holiday ~~and~~ - in such circumstances PPS calls will be made as normal that day. -Value will be given the same day provided that the relevant currency center is open for business.

(i) *Use of UK PPS and US PPS*

These FCM Procedures indicate which part of the PPS system will be used in the normal course of events for making PPS calls. -Generally, UK PPS will be used for Morning PPS calls (including Contributions to

the default fund), remitting surplus cash balances to an FCM Clearing Member, and for making intra-day margin calls up to 16:00 London time. However, FCM Clearing Members should be aware that the Clearing House reserves the right to direct a Morning PPS call or intra-day margin calls before 16:00 London time to an FCM Clearing Member's US PPS account in exceptional circumstances (an “**Exceptional PPS Call**”). The Clearing House will use all reasonable commercial efforts to notify the FCM Clearing Member in advance of issuing any such Exceptional PPS Call.

(j) *Contingency Payment Arrangements*

FCM Clearing Members are required to have contingency payment arrangements in place to ensure that they can continue to meet their margin, Variation Settlement, PAA and other obligations in the event of failure of their nominated PPS bank. During the application process, the Clearing House will require the applicant to provide evidence of these arrangements and will test these prior to the applicant becoming an FCM Clearing Member. The FCM Clearing Member will be required to provide evidence of their contingency payment arrangements on an ongoing basis at the Clearing House's request.

(k) *Recovery from Insolvent PPS Banks*

In the event that payment is not completed by the relevant PPS bank, due to insolvency rather than technical failure, and the affected FCM Clearing Member(s) make alternative payments, should the Clearing House make a recovery from the estate of the PPS bank, it will credit such recovery, net of costs, to the accounts of the affected FCM Clearing Members in proportion to the amount of the original missed payment.

### 3.3 **Acceptable Forms of Cover**

The Clearing House accepts certain types of securities and cash in the Clearing House's prescribed form as Collateral against liabilities of the relevant FCM Clearing Member.

Please refer to the following link for further details:

[http://www.lch.com/risk\\_management/lt/acceptable\\_collateral.asp](http://www.lch.com/risk_management/lt/acceptable_collateral.asp)

The Clearing House may vary, at its discretion, the standard requirements and valuation procedures set out in this Section, either generally or in a particular case, without giving prior written notice to FCM Clearing Members. Further, the Clearing House may vary the types of collateral acceptable to it as Collateral, including but not limited to cash, performance bonds or securities.

#### 3.3.1 *Cash*

In order not to fall within the scope of deposit-taking regulations applying to banks and similar institutions, the Clearing House can accept cash from FCM Clearing Members only in relation to current or anticipated obligations.

**Appendix II**  
Procedures Section 3





**LCH LIMITED**

**PROCEDURES SECTION 3**

**FINANCIAL TRANSACTIONS**

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Section 4 of the Procedures (*Margin and Collateral*) (each such request, a "**Request**").

A Clearing Member must contact Collateral Operations in order to make a Request (collateral.operations@lch.com or +44 (0)20 7426 7505). A Clearing Member represents and warrants to the Clearing House, at the time at which it makes a Request, that the individual making such Request on its behalf is duly authorised to do so.

The Clearing House may, at its discretion, cease to provide the Auto-Repay Service in respect of:

- (i) a Clearing Member, in which case it will notify the affected Clearing Member accordingly; or
  - (ii) any Service or entirely, in which case it will notify the affected Clearing Members and each relevant Regulatory Body accordingly.
- (g) *Value Date*

PPS calls and payments are for same-day value for CAD, EUR, GBP, MXN and USD, and with value on the next day for all other currencies, subject to this paragraph (g). Call instructions issued on a day when the Clearing House is not open for business (e.g. Saturdays) are for value the next day for CAD, EUR, GBP, MXN and USD, and for value two days after the given instruction for all ~~all~~ other currencies. ~~Payment~~ instructions will not be issued on a day when the Clearing House is not open for business.

- (i) If, under paragraph (g) ~~-(f)~~ above, a PPS call or payment in a particular currency would be due to be made for value on a day ("**Payment Date**") which is a holiday in respect of that currency, the value date for such PPS transaction will be the first day which is not a holiday in respect of that currency occurring after the Payment Date; and
- (ii) in respect of AUD, if the PPS call or payment is instructed on a day which is a holiday for AUD or on a day when the Clearing House is not open for business (e.g. Saturdays), the value date for such PPS call or payment will be the second day which is not a holiday in respect of AUD occurring after the Payment Date.

Example 1: 20 August is a currency currently a holiday in the USA. The Clearing House is open. 21 August is not a currency holiday in the USA.

On 20 August, the Clearing House will issue USD instructions to PPS banks, and receive confirmation in response to the PPS calls on the same day; the value date for such calls will be 21 August.

Example 2: 20 August is a currency holiday in the UK. The Clearing House is open. 21 August is a currency holiday in Japan. 22 August is not a currency holiday in Japan.

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On 20 August, the Clearing House will issue JPY instructions to PPS banks, and receive confirmations in response to the PPS calls on the same day; the value date for such calls will be 22 August.

Example 3: 16 January is a Saturday. The Clearing House is not open. 18 and 19 January are not currency holidays in Australia.

On Saturday 16 January, the Clearing House will issue AUD instructions to PPS banks, and receive confirmations in response to the PPS calls on Monday 18 January; the value date for such calls will be Tuesday 19 January.

Example 4: 23 January is a Saturday. The Clearing House is not open. 26 January is a currency holiday in Australia. 25 and 27 January are not currency holidays in Australia.

On Saturday 23 January, the Clearing House will issue AUD instructions to PPS banks, and receive confirmations in response to the PPS calls on Monday 25 January; the value date for such calls will be Wednesday 27 January.

In respect of currency holidays for EUR, GBP and USD ("**Major Currencies**"), Clearing Members are required to be able to meet PPS calls in all of the three Major Currencies and therefore must have an account with a PPS bank in London in each of EUR, GBP and USD. If a Clearing Member's preferred currency is available to be settled on a currency holiday, the Clearing House will call such preferred currency. In the event that such currency is not available to be settled on a particular day, the Clearing House will (i) firstly apply excess it may hold in respect of a Clearing Member and then (ii) issue calls in the following order:

- (a) on a USD holiday, the Clearing House will issue a call in EURGBP;
- (b) on a GBP holiday, the Clearing House will issue a call in USD;
- (c) on a EUR holiday, the Clearing House will issue a call in GBP; ~~and~~
- (d) on a day which is both a USD holiday and a EUR holiday, the Clearing House will issue a call in GBP; and
- ~~(d)~~(e) on a day which is both a USD holiday and a GBP holiday, the Clearing House will issue a call in EUR.

The Clearing House will observe a Clearing Member's currency preferences on all days, other than currency holidays.

Please refer to Clearing Member circulars for details of Clearing House opening days and currency holidays at the following link: <http://www.lch.com/news-events/members-updates/general-information>.

(h) *Contingency Payment Arrangements*

Clearing Members are required to have contingency payment arrangements in place to ensure that they can continue to meet their margin obligations in the event of failure of their nominated PPS bank(s). During the application process, the Clearing House will require the applicant to provide evidence of these arrangements and will test these prior to the applicant becoming a Clearing Member. The Clearing Member will be required to provide evidence of their contingency payment arrangements on an ongoing basis at the Clearing House's request.

(i) *Recovery from Insolvent PPS Banks*

In the event that payment is not completed by the relevant PPS bank, due to insolvency rather than technical failure, and the affected Clearing Member(s) make alternative payments, the Clearing House, should it make a recovery from the estate of the PPS bank, will credit such recovery, net of cost, to the accounts of the affected Clearing Members in proportion to the amount of the original missed payment.

## 1.4 **Acceptable Forms of Collateral**

The Clearing House accepts certain types of Collateral as determined by the Clearing House from time to time. Please refer to the following link for further details: <http://www.lch.com/risk-collateral-management/collateral-management/acceptable-collateral>

**The Clearing House may vary, at its discretion, the standard requirements and valuation procedures set out in this Section 1.4, either generally or in a particular case, without giving prior written notice to Clearing Members. Further, the Clearing House may vary the types of Collateral acceptable to it.**

### 1.4.1 *Cash*

In order not to fall within the scope of deposit-taking regulations applying to banks and similar institutions, the Clearing House can accept cash from Clearing Members only in relation to current or anticipated obligations.

Cash used as Collateral need not be provided in the same currency as that of the liability. In such cases, currencies will be notionally converted with reference to quoted exchange rates determined at approximately 16:45 London time the previous business day.

**Appendix III**  
Sponsored Clearing Procedures



**SPONSORED CLEARING PROCEDURES OF  
LCH LIMITED**

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request that any cash balances on their accounts or their corresponding Sponsored Member accounts be repaid on the same day, provided that such request is received by the Clearing House by 09:30 London time.

In certain circumstances and following notification to one or more relevant Regulatory Bodies, the Clearing House may disable the auto-repay functionality for all Agent Members of a Clearing Service. The Clearing House will notify affected Agent Members via Clearing Member circular in the event that the functionality is disabled.

(f) *Value Date*

PPS calls and payments are for same-day value ~~for the same day as the day of the~~ CAD, EUR, GBP and USD and with value ~~on~~for the next day for all other currencies, subject to this paragraph (f).~~–~~ PPS call instructions issued on a day when the Clearing House is not open for business (e.g. Saturdays) are for value the next day for CAD, EUR, GBP and USD and for value two days ~~after~~are the given instruction for all other currencies. Payment instructions will not be issued on a day when the Clearing House is not open for business.

(i)      If, under paragraph (f) ~~s to~~ above, a PPS call or payment in a particular currency would be due to be made for value on a day ("**Payment Date**") which is a holiday in respect of that currency, the value date for such PPS transaction will be the first day which is not a holiday in respect of that currency occurring after the Payment Date; and

(ii) in respect of AUD, if the PPS call or payment is instructed on a day which is a holiday for AUD or on a day when the Clearing House is not open for business (e.g. Saturdays), the value date for such PPS call or payment will be the second day which is not a holiday in respect of AUD occurring after the Payment Date.

Example 1: 20 August is a currency currently a holiday in the USA. The Clearing House is open. 21 August is not a currency holiday in the USA.

On 20 August, the Clearing House will issue USD instructions to PPS banks, and receive confirmation in response to the PPS calls on the same day; the value date for such calls will be 21 August.

Example 2: 20 August is a currency holiday in the UK. The Clearing House is open. 21 August is a currency holiday in Japan. 22 August is not a currency holiday in Japan

On 20 August, the Clearing House will issue JPY instructions to PPS banks, and receive confirmations in response to the PPS calls on the same day; the value date for such calls will be 22 August.

Example 3: 16 January is a Saturday. The Clearing House is not open. 18 and 19 January are not currency holidays in Australia.

On Saturday 16 January, the Clearing House will issue AUD instructions to PPS banks, and receive confirmations in response to the PPS calls on Monday 18 January; the value date for such calls will be Tuesday 19 January.

Example 4: 23 January is a Saturday. The Clearing House is not open. 26 January is a currency holiday in Australia. 25 and 27 January are not currency holidays in Australia.

On Saturday 23 January, the Clearing House will issue AUD instructions to PPS banks, and receive confirmations in response to the PPS calls on Monday 25 January; the value date for such calls will be Wednesday 27 January.

In respect of currency holidays for EUR, GBP and USD ("**Major Currencies**"), Agent Members and Sponsored Members (where a Sponsored Member is providing Back-up Agent Services and, where applicable, Back-up Paying Agent Services) are required to be able to meet PPS calls in all of the three Major Currencies and therefore must have an account with a PPS bank in London in each of EUR, GBP and USD. If the preferred currency for a mnemonic/sub-account is available to be settled on a currency holiday, the Clearing House will call such preferred currency. In the event that such currency is not available to be settled on a particular day, the Clearing House will: (i) firstly apply excess it may hold in respect of the mnemonic/sub-account; and then (ii) issue calls in the following order:

- (a) on a USD holiday the Clearing House will issue a call in ~~GBP~~EUR;
- (b) on a GBP holiday the Clearing House will issue a call in USD;
- (c) on a EUR holiday the Clearing House will issue a call in GBP;  
~~and~~
- (d) on a day which is both a USD holiday and a EUR holiday, the Clearing House will issue a call in GBP; and
- (e) on a day which is both a USD holiday and a GBP holiday the Clearing House will issue a call in EUR.

The Clearing House will observe a mnemonic/sub-account's currency preferences on all days, other than currency holidays.

Please refer to Clearing Member circulars for details of Clearing House opening days and currency holidays at the following link: <http://www.lch.com/news-events/members-updates/general-information>.