

**VIA CFTC Portal**

Mr. Christopher Kirkpatrick  
Commodity Futures Trading Commission  
1155 21st Street NW  
Three Lafayette Centre  
Washington, DC 20581

9 July 2021

**LCH Limited Self-Certification: Rule Changes for Collateral Rates in the ForexClear Service**

Dear Mr. Kirkpatrick:

Pursuant to CFTC regulation §40.6(a), LCH Limited (“LCH”), a derivatives clearing organization registered with the Commodity Futures Trading Commission (“CFTC”), is submitting for self-certification changes to its rulebook related to rate changes for the ForexClear service. These changes will not take effect until on or after 2 August 2021.

**Part I: Explanation and Analysis**

LCH accepts cash and securities as collateral from its clearing members, for the satisfaction of margin requirements. LCH will introduce changes to the rates paid or charged for client cash and non-cash collateral in the ForexClear service. LCH will also update its website to accurately reflect the related collateral fees.

Currently, the rate paid to clients on cash collateral at LCH is the London Deposit Rate (“LDR”). LCH is updating its rulebook to provide that the rate paid or charged to clients on cash collateral may be either LDR or Client Deposit Rate (“CDR”). CDR will apply for cash balances in ForexClear client accounts with Euro, GBP and US dollar cash balances while LDR will continue to apply on all other currencies.

Additionally, LCH will change the rate paid by clients on non-cash collateral to a flat rate of 1.5 basis points. Currently, this rate varies based upon collateral type.

Both revised rules align to the current practice in the LCH SwapClear service. Following these changes, LCH will be able to present a consistent approach to client collateral management across its SwapClear and ForexClear services. This will assist with client on-boarding and ensure client expectations across these services are consistent.

## Part II: Description of Rule Changes

The above summarized rate changes require amendments related to the definition and application of LDR and CDR. The changes are principally to (i) Provision 1.6.3 of LCH Procedures Section 3 (Financial Transactions); (ii) Provision 1.8.4 of LCH Procedures Section 2I (ForexClear Clearing Service); and (iii) Provision 2.2.25 (e) of LCH FCM Procedures. Corresponding updates are also proposed for the LCH website.

The changes to the rules and the LCH website are included as **Appendices I-IV** in black line form.

## Part III: Core Principle Compliance

LCH reviewed the proposed rule changes against the requirements of the Core Principles and finds it will continue to comply with all the requirements and standards set forth therein. Specifically, this rule change has potential relevance to Core Principle F (Treatment of Funds) and Core Principle L (Public Information).

The changes described in this filing ensure that LCH meets the objective of Core Principle F, including that LCH maintains appropriate standards and procedures for the segregation and treatment of customer and clearing member funds and assets. LCH considered its treatment of funds and customer segregation requirements and determined that the rate changes discussed in this filing will not impact LCH's compliance with Core Principle F. As a result, LCH believes that this change is consistent with the requirements of Core Principle F on Treatment of Funds under CFTC regulation §39.15.

Additionally, the changes described in this filing ensure that LCH meets the objective of Core Principle L, including that a DCO shall provide sufficient information to market participants to enable them to identify and evaluate accurately the costs associated with using its services. LCH has communicated this fee change to its membership via a circular<sup>1</sup> issued on 28 June 2021 and the new charges will be available on LCH's public website under LTD Fees on Collateral.<sup>2</sup> As a result, LCH believes that this change is consistent with the requirements of Core Principle L on Public Information under CFTC regulation §39.21.

## 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: <https://www.lch.com/resources/rulebooks/proposed-rule-changes>.

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<sup>1</sup> <https://www.lch.com/membership/ltd-membership/ltd-member-updates/lch-limited-lch-rule-change-committee-17-june-2021>.

<sup>2</sup> <https://www.lch.com/collateral-management/ltd-collateral-management/ltd-fees-collateral>.

## **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 CFTC regulation § 40.6, that the attached rule submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Should you have any questions regarding this submission please contact me.

Yours sincerely



Julian Oliver  
Chief Compliance Officer  
LCH Limited

**Appendix I**

Procedures Section 3 (Financial Transactions)

**Appendix II**

Procedures Section 2I (ForexClear Service)

**Appendix III**

FCM Procedures

**Appendix IV**

LCH Website Changes