

VIA CFTC PORTAL

13 November 2017

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

LCH Limited Self-Certification: Client Custodial Segregation Account fee 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 fee structure applicable to the Client Custodial Segregation Account (the "Account"), the LCH client account type launched in August 2017 available to clients in its SwapClear service.

Part I: Explanation and Analysis

LCH proposes to revise part of the fees charged to SwapClear Clearing Members ("SCMs") in respect of the Account. The changes do not affect Futures Commission Merchants Clearing Members ("FCMs"), to whom the Account is currently not available.

There are four bands under which SCMs are currently charged fees for the Account, which are based on the total annualised SwapClear Client Clearing fees prior to the relevant billing point, i.e. 31 December and 30 June of each year. The proposed changes will reduce the account fee for the those being charged between €0 – €50,000 and between greater than €50,000 and €200,000 to €5,000 and €2,500 respectively. In addition, the threshold between the third and fourth bands has been reduced from €1,500,000 to €1,250,000.

The changes will be effective from December 1, 2017 and will be charged as of December 31, 2017.

Part II: Description of Rule Changes

There are no changes to the LCH Rulebook, however LCH will make changes to its website and these changes are included in **Appendix I**.

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 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 julian.oliver@lch.com.

Yours sincerely



Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I
Website changes

<http://www.lch.com/members-clients/members/fees-ltd/annual-account-structure-fees>

LCH Ltd Account Structures under EMIR

The way in which CCPs manage members' and clients' assets is one of the most significant areas of change required by regulators. In Europe, EMIR has been designed to reduce counterparty risk and increase transparency within the markets.

LCH Ltd and SA offers members a choice of Individually Segregated and Omnibus Segregated accounts.

[Click here](#) to find out more about the choice of accounts that LCH Ltd offers (Last updated January 2014).

Please select the appropriate LCH Legal Entity

LTD SA

For the purposes of all Security Deeds and Deeds of Release, Reassignment and Termination entered into by LCH Limited in preparation for LCH Limited's authorisation under EMIR (all such deeds, the 'Deeds'), the Authorisation Date (as defined in the Deeds) will be 12 June 2014, such date being the 'New Authorisation Date' for the purposes of the Deeds. This notification constitutes a notification for the purposes of (a) clause 7 of each Deed of Release, Reassignment and Termination that relates to a Tripartite Deed of Assignment, (b) clause 9 of each Deed of Release, Reassignment and Termination that relates to a Security Trustee Deed of Assignment, and (c) clause 9 of each Security Deed.

[Click here](#) for a copy of the Security Deed

Annual Account Fees

An annual fee is charged for the account types described below:

1. For all Services except SwapClear & ForexClear

	ISA (£)	OSA Net (£)	OSA Gross (£)
Business	Fee	Fee	Fee
<i>Denominated in £</i>			
EnClear	3,000	1,000	3,000
Equities	3,000	1,000	N/A
Derivatives	3,000	1,000	3,000
FEX*	3,000	1,000	3,000
Listed Rates**	3,000	1,000	3,000
RepoClear	3,000	1,000	N/A

LSE Derivative Markets 3,000 1,000 3,000

*FEX service not yet live

** For Listed Rates packages only: the first OSA account is charged at £0, subsequent OSA arrangements will be charged at £1,000 per OSA Net or £3,000 per Gross OSA per year.

'OSA' means Omnibus Segregated Account.

'ISA' means Individual Segregated Account.

2. SwapClear & ForexClear Account Charges

SwapClear and ForexClear charge a semi-annual account fee for the 6 month periods beginning 1 January and 1 July. Account fees are calculated on the day immediately preceding each 6 month period, being 31 December and 30 June of each year ('Billing Points').

a. ISA / OSA Net Account Charges

Accounts package	6 Month Billing Charge (€)		Comparison Annual Cost (€)	
	Per account	Capped cost per package	Per account	Capped cost per package
1 - 50	1,750	50,000	3,500	100,000
51 - 100	1,000	60,000	2,000	120,000
101 - 200	600	75,000	1,200	150,000
200+	375	-	750	-

The account fee is calculated based on the number of Live Accounts[^] of the relevant type within the SwapClear or ForexClear service on the last day of the previous period (i.e. 31 December and 30 June).

Account fees will be charged at the lower of (a) the number of accounts multiplied by the banded cost per account, and (b) the capped cost per package.

Package discounts apply in relation to each Client^{^^} or Client Group^{^^} (as applicable) considering all accounts opened across all Clearing Members for such Client or Client Group (as applicable). Once the account cost is calculated, it will be billed to the client's respective Clearing Member(s). Clearing Members are responsible for pricing arrangements between themselves and their clients.

b. OSA Gross Account Charges

The first OSA Gross is charged at €0/€0, subsequent OSA Gross arrangements will be charged at €1,750 for each 6 month period (comparison annual cost €3,500).

c. Custodial Segregated Account Charges (SwapClear only)

LCH will charge a Clearing Member who has an open Custodial Segregated Account the following account fee on each Billing Point (i.e. 31 December and 30 June of each year):

- A fee of €750 per account at the first Billing Point after account opening.
- At the second Billing Point and each subsequent Billing Point, the applicable '6 Month Billing Charge' fee (shown in column two in the table below) per account.
- No fee applies for the period between account opening and the first Billing Point.

Total Annualised SwapClear Client Clearing Fees prior to the relevant Billing Point (€)	6 Month Billing Charge (€)	Comparison Annual Cost (€)
0 – 50,000	5,000 20,000	40,000 10,000
>50,000 100 – 200,000	2,500 5,000	10,000 10,000
>200,000 – 1,500,000 1,250,000	1,250	2,500
> 1,250,000 1,500,000	750	1,500

Please see these definitions which apply to the table above:

- **Total Annualised SwapClear Client Clearing Fees** – The total SwapClear Client Clearing Fees which LCH has billed in relation to the Client[^] or Client Group[^] (as applicable) in the 6 month period prior to the relevant Billing Point (converted to an annualised amount).
- **SwapClear Client Clearing Fees** – All SwapClear client clearing, compression and account fees (except Custodial Segregated Account fees) relating to the Client[^] or Client Group[^] (as applicable), irrespective of account type and Clearing Member.

Custodial Segregated Accounts are currently only offered by the SwapClear service.

Terms and conditions

LCH charges its Clearing Members and Clearing Members make their own pricing arrangements with their clients.

The fees do not apply to Clearing Member Proprietary Accounts.

The fees are non-refundable once paid, no refunds for partial years.

No discounts for multiple accounts, except where explicitly specified for SwapClear and ForexClear fee plans.

The same fee model applies to client accounts for Indirect Clearing Clients.

On the creation of a new account, the account fee becomes immediately payable, and then annually on the anniversary of the creation date thereafter, except for SwapClear and ForexClear Accounts where fees are payable on a semi-annual basis.

Terms which begin with a capital letter, but are not defined, herein have the meaning assigned in the LCH Rulebook.

For SwapClear and ForexClear accounts specifically:

^ **'Live Account'** means any account that has been onboarded and could accept transactions for clearing on the calculation date.

^^ **'Client'** means a client for whom a Clearing Member maintains the relevant client account with LCH.

'Client Group' means all Clients who are managed as a group by the same investment or administrative manager (as determined by LCH).

Legal Implications

It is important that Clearing Members familiarise themselves with the legal implications associated with these client accounts. LCH Limited has produced disclosure for the purposes of Article 39(7) of EMIR which can be accessed by clicking on the links below:

[Legal Implications - Account Arrangements \(Article 39.7 disclosure\)](#)

[Legal Implications - Account Arrangements \(Article 39.7 disclosure - FCM business\)](#)

These disclosure statements include links to jurisdictional legal opinions which form part of such disclosure. These legal opinions are also available within the jurisdictional legal opinions heading above and contain details of the main legal implications of the respective levels of segregation offered including information on the insolvency law applicable in the relevant jurisdictions (including, but not limited to, information on how the default rules interact with applicable local insolvency laws).

Click [here](#) to view LCH Limited's EMIR compliant Rulebook

Jurisdictional Risk Disclosure

The following risk disclosure notice must be provided by all clearing members that clear for clients through the SwapClear, ForexClear or EnClear (Freight Division) services to clients that are incorporated in Singapore or operate through a Singaporean branch.

[Singapore Clearing Client Disclosure](#)

Rates Service Default Management Disclosure

The following disclosure notice must be provided by all clearing members to each clearing client, and all clearing members must provide confirmation to the Clearing House that it has discharged this obligation with respect to each of its clearing clients.

[Rates Service Default Management Disclosure](#)

[FCM Rates Service Default Management Disclosure](#)

Click [here](#) to view this page as a PDF