

VIA CFTC PORTAL

13 May 2019

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

LCH Limited Self-Certification: Rule Change allowing clearing of outright FX Spot and Forwards within ForexClear

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 a change to its rules allowing ForexClear to offer clearing of FX Spot and Forwards in their own right, rather than only as hedges of FX Options contracts.

Part I: Explanation and Analysis

In May 2018, via the ForexClear service, LCH launched clearing of European Plain Vanilla FX Options in eight currency pairs (through six currencies)¹ and FX Forwards and Spot as associated hedge trades. As such, the current LCH Rulebook includes provisions that restrict ForexClear Clearing Members to clear FX Forwards and Spot only as hedges of FX Option Contracts. LCH proposes to remove such Rulebook restriction and allow the Clearing Members to clear FX Forwards and Spots in their own right. The change is driven by Clearing Members' demand to clear a broader set of FX products and benefit from the risk and operational efficiencies by clearing and compressing eligible FX Spots and Forwards via the ForexClear service.

The FX Forwards currencies pairs eligible for clearing will be the same as for FX Options (AUD/USD; EUR/USD; EUR/CHF; EUR/GBP; EUR/JPY; GBP/USD; GBP/CHF; USD/JPY) and the eligible remaining time to expiry is between one business day and 2 calendar years.

LCH will continue to retain full responsibility for the 'clearing to settlement' process, with some settlement aspects being undertaken in conjunction with CLS². Further, the current Settlement Position Limits set at Clearing Member level in respect to FX Options Contracts will also apply to the FX Forwards Contracts and any excess above the relevant settlement exposures will be addressed via the current enforced Settlement Reduction Process two days prior to settlement date, as for FX Options.

¹ Currency pairs AUD/USD, EUR/USD, EUR/CHF, EUR/GBP, EUR/JPY, GBP/USD, USD/CHF, USD/JPY

² CLS Bank International, the global utility for eliminating settlement risk in FX transactions.

The rule changes will go live on, or after, May 28, 2019.

Part II: Description of Rule Changes

Regulation 98 of the General Regulations of LCH Limited currently includes the restrictions for ForexClear Clearing Members to clear FX Forwards and Spot only as hedges of FX Option Contracts. As such restriction will no longer apply, the wording under Regulation 98 and references to it in Regulation 91 have been removed. Further, Regulation 100 has been amended in two sections to refer to outright FX Forwards and Spot as eligible clearing contracts (i.e. paragraph (q) of section 'Settlement Position Limit and Settlement Trade-Down' and paragraph (s) of section 'Settlement Exposure Limits').

The Procedures Section 2I (ForexClear Clearing Service) includes a new section 1.22 (ForexClear Spot Transactions and ForexClear Deliverable Forward Transactions – Reporting of Hedge Transactions) requiring ForexClear Clearing Members to submit to LCH a report of the FX Forwards and Spot transaction submitted for clearing as hedges to FX Option Contracts. This requirement will allow the clearing service to appropriately manage the flow of FX Forwards and Spots transactions being submitted for clearing by distinguishing hedges vs non-hedges trades

The text of the changes to the General Regulations and the ForexClear Procedures are attached hereto as **Appendices I and II**, respectively.

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 rule.

Certification

LCH hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in the Commission 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, please contact me at julian.oliver@lch.com.

Yours sincerely,



Julian Oliver

Chief Compliance Officer

LCH Limited

Appendix I
General Regulations



**GENERAL REGULATIONS OF
LCH LIMITED**

REGULATION 91 REGISTRATION OF FOREXCLEAR CONTRACTS

- (a) A ForexClear Transaction may be presented for registration as two ForexClear Contracts, or one ForexClear Contract and one FCM ForexClear Contract, in accordance with the provisions of the Rulebook.
- (b) Once a ForexClear Transaction has been presented to the Clearing House, the Clearing House shall (where applicable in accordance with paragraph (c) below and Procedure 2I (*ForexClear Clearing Service*)) request the consent of the relevant ForexClear Clearing Member with whom a ForexClear Contract shall be registered as a result thereof to such registration. Upon the ForexClear Clearing Member providing its consent, such ForexClear Transaction shall be deemed to have been submitted (as such term is defined in the Procedures) by such ForexClear Clearing Member to the Clearing House for registration. Any such consent shall be provided in accordance with the Procedures.
- (c) Each ForexClear Contract shall be registered by the Clearing House either as a ForexClear CTM Contract or a ForexClear STM Contract, and a ForexClear Transaction may be registered as two ForexClear STM Contracts, two ForexClear CTM Contracts, one ForexClear CTM Contract and one ForexClear STM Contract, a ForexClear STM Contract and an FCM ForexClear Contract or a ForexClear CTM Contract and an FCM ForexClear Contract (in accordance with the other provisions of the Rulebook). The registration of a ForexClear Contract as a ForexClear CTM Contract or a ForexClear STM Contract shall be determined by the Clearing House as follows:
 - (i) if the ForexClear Clearing Member in whose name the ForexClear Contract is to be registered is a US FXCCM, the Clearing House shall, subject to the Rulebook, register such ForexClear Contract as a ForexClear STM Contract; and
 - (ii) if the ForexClear Clearing Member in whose name the ForexClear Contract is to be registered is not a US FXCCM, the Clearing House shall, subject to the Rulebook, on or after the occurrence of a ForexClear STM Conversion Date in respect of that ForexClear Clearing Member, register such ForexClear Contract as a ForexClear STM Contract, or, if no such date has occurred, as a ForexClear CTM Contract.
- (d) At the point the Clearing House registers a ForexClear Contract as a ForexClear STM Contract in accordance with the Procedures, the ForexClear Contract Terms applicable to that ForexClear Contract will automatically, and without any further action by either party, include the ForexClear STM Terms applicable to that type of ForexClear Contract.
- (e) A ForexClear Clearing Member which has been nominated to clear the ForexClear Contract arising from the registration of a ForexClear Transaction on behalf of a third party Executing Party other than a ForexClear Dealer will (only where such ForexClear Transaction is not a Trading Venue Transaction) be notified by the Clearing House of the relevant ForexClear Transaction and shall choose whether to grant or refuse consent to the registration of such ForexClear Transaction and the ForexClear Contract resulting from such ForexClear Transaction. Where:

- (i) a ForexClear Clearing Member is an Executing Party to a ForexClear Transaction and is to clear a ForexClear Contract resulting from such ForexClear Transaction;
- (ii) a ForexClear Dealer approved to clear ForexClear Transactions through a ForexClear Clearing Member is an Executing Party to a ForexClear Transaction and such ForexClear Clearing Member is to clear a ForexClear Contract resulting from such ForexClear Transaction; or
- (iii) a ForexClear Transaction is an Eligible Trading Venue Transaction in respect of a ForexClear Clearing Member, and a third party Executing Party (other than a ForexClear Dealer) to such ForexClear Transaction has nominated such ForexClear Clearing Member to clear a ForexClear Contract resulting from such ForexClear Transaction,

the consent of that ForexClear Clearing Member to the registration of the relevant ForexClear Contract will occur automatically and without the need for any further action by such ForexClear Clearing Member.

- (f) The Clearing House shall register or reject the registration of a ForexClear Contract in respect of a ForexClear Transaction presented for registration subject to, and in accordance with, these Regulations, the Procedures and all Applicable Law
- (g) Subject to Regulation 91(i), if at any time falling after the registration of any ForexClear Contract the Clearing House determines that the corresponding transaction of which details were submitted for registration:
 - (i) did not, at the Registration Time, meet the ForexClear Eligibility Criteria applicable to that ForexClear Transaction in existence at the Registration Time; or
 - ~~(ii) in the case of a ForexClear Deliverable Forward Transaction or ForexClear Spot Transaction, was not, at the Registration Time, entered into in accordance with Regulation 98(a); or~~
 - ~~(iii)~~(ii) in the case of a ForexClear Swap Transaction, was not, at the Registration Time, entered into in accordance with Regulation 100 or Regulation 101, each an “**Ineligible Transaction**”,

the Clearing House shall, as soon as practicable thereafter, set aside both ForexClear Contracts arising from such Ineligible Transaction in accordance with Regulation 91(h) below.

- (h) Upon a ForexClear Contract being set aside under Regulation 91(g) (an “**Ineligible ForexClear Contract**”), the Clearing House will notify the FXCCM party to such Ineligible ForexClear Contract via the ForexClear Approved Trade Source System that such Ineligible ForexClear Contract has been set aside. The following shall take effect immediately upon the delivery of such notice: (i) such Ineligible ForexClear Contract shall be deemed to be terminated at the time of the notification and shall thereafter have no force or effect; (ii) all collateral in respect of variation margin obligations (if any) provided by the Clearing House or by an FXCCM in respect of such Ineligible

REGULATION 98 HEDGING OF FOREXCLEAR OPTION CONTRACTS[RESERVED.]

- ~~(a) A ForexClear Clearing Member may, from time to time, submit for registration to the Clearing House one or more ForexClear Deliverable Forward Transactions or ForexClear Spot Transactions (or any combination of the same) provided that the same have been concluded for the purpose of:~~
- ~~(i) hedging some or all of its foreign exchange exposure;~~
 - ~~(ii) reducing its initial margin requirement; and/or~~
 - ~~(iii) reducing its settlement risk,~~
- ~~in each case arising under, or in connection with, (A) one or more ForexClear Option Transactions submitted by that ForexClear Clearing Member at the same time, (B) one or more ForexClear Option Contracts then registered in its name, in each case in the manner contemplated under the Procedures, or (C) in the case of (i) only, one or more other Contracts then registered with the Clearing House in its name.~~
- ~~(b) No ForexClear Deliverable Forward Transaction or ForexClear Spot Transaction shall be entered into by a ForexClear Clearing Member and submitted for registration other than as may be permitted by (a) of this Regulation 98.~~
- ~~(c) Each time a ForexClear Deliverable Forward Transaction or ForexClear Spot Transaction is presented to the Clearing House for registration by a ForexClear Clearing Member, that ForexClear Clearing Member represents and warrants to the Clearing House that such ForexClear Transaction is entered into for at least one of the purposes permitted under (a)(i) to (a)(iii) above.~~
- ~~(d) The Clearing House shall be entitled to levy fees in addition to clearing fees on any ForexClear Deliverable Forward Transaction or ForexClear Spot Transaction submitted for registration in breach of Regulation 98(a).~~
- ~~(e)(a) Nothing in this Regulation 98 shall apply to (i) a ForexClear Deliverable Forward Contract or ForexClear Spot Contract arising pursuant to the exercise or deemed exercise of a ForexClear Option Contract pursuant to Regulation 96, or (ii) a ForexClear Spot Transaction or ForexClear Spot Contract (as applicable) entered into pursuant to Regulation 100(i).~~

REGULATION 100 FOREXCLEAR OPTION SERVICE – SETTLEMENT LIMITS, SETTLEMENT TRADE-DOWN AND SETTLEMENT EVENETS

Settlement Limits

- (a) Subject to (c) and (d) below, the Clearing House may, in its sole and absolute discretion, determine from time to time:
- (i) the Settlement Position Limit;
 - (ii) the Settlement Exposure Limit; and
 - (iii) the Mandatory ForexClear Swap Limit,
- in respect of each ForexClear Option Clearing Member and each ForexClear Currency.
- (b) From time to time the Clearing House shall notify each ForexClear Option Clearing Member of the Settlement Position Limit, Settlement Exposure Limit and Mandatory ForexClear Swap Limit applicable to it and each ForexClear Currency in accordance with the Procedures.
- (c) Subject to (e) below, if the Clearing House wishes to increase the Settlement Position Limit, Settlement Exposure Limit or, the Mandatory ForexClear Swap Limit, which shall be applicable to all ForexClear Option Clearing Members, in relation to a given ForexClear Currency, to no more than the Settlement Position Limit Cap (where such limit is aggregated with respect to all ForexClear Option Clearing Members and ForexClear Currencies), Mandatory ForexClear Swap Limit Cap (where such limit is aggregated with respect to all ForexClear Option Clearing Members) or Settlement Exposure Cap, as applicable, then the Clearing House may propose such amendment by giving all ForexClear Option Clearing Members no fewer than 10 business days' notice, such notice to specify the proposed new Settlement Position Limit, Settlement Exposure Limit and/or Mandatory ForexClear Swap Limit (the "**Revised Limits**"). If the Requisite ForexClear Option Clearing Members vote in favour of the Revised Limits then the Revised Limits shall take effect following 30 calendar days' notice (or such other period as the Clearing House shall decide) from, and including, the expiration of the notice period specified above. If the Requisite ForexClear Option Clearing Members do not vote in favour of the Revised Limits, then the Revised Limits shall not take effect. For the purposes of the foregoing, a ForexClear Option Clearing Member that does not communicate its vote to the Clearing House by the end of the notice period specified above shall be deemed to have voted in favour of the Revised Limits. The Clearing House shall publish the terms of the voting process on or prior to the business day on which the vote is initiated.
- (d) Subject to (e) below, if the Clearing House wishes to increase the Settlement Position Limit Cap, Settlement Exposure Limit Cap or Mandatory ForexClear Limit Cap (as applicable), then the Clearing House may propose such amendment by giving all ForexClear Option Clearing Members no fewer than 10 business days' notice, such notice to specify the proposed new Settlement Position Limit Cap, Settlement Exposure Limit Cap and/or Mandatory ForexClear Limit Cap (the "**Revised Caps**"). If 100% of the then total number of ForexClear Option Clearing Members vote in favour of the Revised Caps then the Revised Caps shall take effect following 30 calendar days' notice

(or such other period as the Clearing House shall decide) from, and including, the expiration of the notice period specified above. If less than 100% of the then total number of ForexClear Option Clearing Members vote in favour of the Revised Caps then the Revised Caps shall not take effect. For the purposes of the foregoing, a ForexClear Option Clearing Member that does not communicate its vote to the Clearing House by the end of the notice period specified above shall not be deemed to have voted in favour of the Revised Caps. The Clearing House shall publish the terms of the voting process **on or prior** to the business day on which the vote is initiated.

- (e) The Clearing House shall be entitled to increase the Settlement Position Limit, Settlement Exposure Limit, Mandatory ForexClear Swap Limit, Settlement Position Limit Cap and/or Settlement Exposure Limit Cap without the consent of any ForexClear Option Clearing Member, and without regard for the process in paragraphs (c) or (d) above if, it determines, in its sole and absolute discretion, that:
- (i) it considers such action advisable for its own protection or the protection of the relevant market;
 - (ii) it is required to take such action to comply with any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation;
 - (iii) except with respect to an increase to the Settlement Position Limit, Settlement Exposure Limit, Mandatory ForexClear Swap Limit and/or Settlement Exposure Limit Cap, a new ForexClear Clearing Member has been designated as a new ForexClear Option Clearing Member, provided however that, in such circumstance, the Clearing House shall only be entitled to increase the caps referenced in (e) above without using the process in paragraph (d) above to the extent that such increase is no greater, in percentage terms, than the percentage increase in the number of ForexClear Option Clearing Members that has occurred as a result of such ForexClear Option Clearing Member being so designated;
 - (iv) solely with respect to the Settlement Position Limit and/or Settlement Position Limit Cap, it considers such action advisable where (A) the register of primary nostro account providers of ForexClear Option Clearing Members is updated in accordance with the Procedures and (B) an increase to the Settlement Position Limit occurs as the direct result of the given update to register of primary nostro account providers; or
 - (v) it considers such action advisable in connection with an operational or technical failure or delay,

provided, however, that in no event shall the Clearing House be entitled to increase the Mandatory ForexClear Swap Limit for any ForexClear Option Clearing Member to an amount that, when aggregated with the Mandatory ForexClear Swap Limits of all the other ForexClear Option Clearing Members, exceeds above the Mandatory ForexClear Swap Limit Cap.

The Clearing House shall provide ForexClear Option Clearing Members with no fewer than 10 business days' prior notice of any increase to the Settlement Position Limit or Settlement Position Limit Cap pursuant to paragraph (iv) above.

Settlement Position Limit and Settlement Trade-Down

- (f) At 10:00 AM Eastern Standard Time on each day the Clearing House shall compare:
- (i) the Settlement Position Limit on that day with respect to a given ForexClear Option Clearing Member and a given ForexClear Currency; and
 - (ii) the value of the Settlement Position Amount on that day with respect to that ForexClear Option Clearing Member and that ForexClear Currency.

The "**Settlement Position Amount**" means, with respect to a given day, a given ForexClear Option Clearing Member and a given ForexClear Currency, the net amount of that ForexClear Currency that is or will be payable by that ForexClear Option Clearing Member under all ForexClear Contracts (other than ForexClear NDF Contracts) to which it is a party that have a Settlement Date (as defined in the applicable ForexClear Contract Terms) falling two days after such day.

- (g) If, at 10:00 AM Eastern Standard Time on any day, (f)(ii) exceeds (f)(i) with respect to a ForexClear Option Clearing Member and a given ForexClear Currency then a ForexClear Settlement Event shall immediately occur with respect to that ForexClear Option Clearing Member (such ForexClear Option Clearing Member the "**Impacted ForexClear Option Clearing Member**") and that ForexClear Currency.
- (h) The Clearing House shall, immediately upon the occurrence of a ForexClear Settlement Event, give notice in writing (which may be given by electronic messaging system or email) to the Impacted ForexClear Option Clearing Member specifying that a ForexClear Settlement Event has occurred with respect to it. A failure by the Clearing House to deliver, or any delay in the delivery of, the notice required by this paragraph (h) shall not affect the Clearing House's ability to exercise any of its rights under this Regulation 100.
- (i) From the occurrence of the ForexClear Settlement Event to (but excluding) 5:00 PM Eastern Standard Time on the same day, the Impacted ForexClear Option Clearing Member shall be entitled to enter into, and submit for registration by the Clearing House, one or more ForexClear Spot Transactions, *provided however that*, the Clearing House may only register the related ForexClear Spot Contracts arising out of such ForexClear Spot Transaction(s) if:
- (i) such ForexClear Spot Transaction(s) are for the purpose, and will have the effect, of reducing the Impacted ForexClear Option Clearing Member's Settlement Position Amount for that ForexClear Currency, so that immediately after registration of the related ForexClear Spot Contracts, the Settlement Position Amount with respect to that Impacted ForexClear Option Clearing Member and that ForexClear Currency would be less than the Settlement Position Amount with respect to that Impacted ForexClear Option Clearing Member and that ForexClear Currency immediately prior to registration of such ForexClear Spot Contracts; and

- (ii) the ForexClear Spot Transaction(s) meet the applicable ForexClear Eligibility Criteria in effect on such date.

For the avoidance of doubt, the Clearing House shall be entitled (in accordance with Regulation 16(c)) to refuse to register any new ForexClear Spot Contract notwithstanding that it may satisfy (i) and (ii) above if it considers such action advisable for its own protection or the protection of the relevant market.

- (j) Each time a ForexClear Option Clearing Member submits a ForexClear Spot Transaction to the Clearing House for registration pursuant to (i) above, it hereby represents and warrants to the Clearing House that such ForexClear Spot Transaction (either individually or when taken together with other ForexClear Spot Transactions submitted pursuant to (i) above) satisfies the condition in (i)(i) above.
- (k) If, at 5:00 PM Eastern Standard Time on the day on which the ForexClear Settlement Event has occurred, the ForexClear Settlement Event is continuing, the Clearing House shall be entitled to conclude and bind (i) the Impacted ForexClear Option Clearing Member and (ii) in accordance with the applicable allocation provisions in Regulation 103, any other ForexClear Option Clearing Member(s), to one or more Mandatory Settlement ForexClear Swap Contracts. The Clearing House shall be entitled to levy fees in addition to clearing fees on an Impacted ForexClear Option Clearing Member in connection with a ForexClear Settlement Event (with such fees being determined in respect of the excess of such Impacted ForexClear Option Clearing Member's Settlement Position Amount over the Settlement Position Limit).
- (l) Each Mandatory Settlement ForexClear Swap Contract shall:
 - (i) be between the Impacted ForexClear Option Clearing Member or another ForexClear Option Clearing Member on the one hand, and the Clearing House on the other hand;
 - (ii) be concluded only with a view to either (A) reducing the Settlement Position Amount with respect to the Impacted ForexClear Clearing Member and a given ForexClear Currency, or (B) creating corresponding positions for the Clearing House vis a vis the other ForexClear Option Clearing Member(s);
 - (iii) be subject to immediate registration with the Clearing House in the name of the relevant ForexClear Option Clearing Member;
 - (iv) have an Initial Exchange Date (as defined in the ForexClear Swap Contract Terms) that is the day falling two business days (for the applicable Currency Pair (as defined in the ForexClear Swap Contract Terms)) after the date on which the ForexClear Settlement Event occurred;
 - (v) have a Final Exchange Date (as defined in the ForexClear Swap Contract Terms) that is the business day (for the applicable Currency Pair (as defined in the ForexClear Swap Contract Terms)) immediately following the Initial Exchange Date;

- (vi) be executed at the mid-price (as determined by the Clearing House) that is prevailing at 5:00 PM Eastern Standard Time on the day on which the ForexClear Settlement Event has occurred;
 - (vii) meet the Product Eligibility Criteria for a ForexClear Swap Transaction;
 - (viii) be allocated by the Clearing House to (A) the Impacted ForexClear Option Clearing Member in accordance with this Regulation 100, or (B) the other ForexClear Option Clearing Members in accordance with Regulation 103;
 - (ix) each Mandatory Settlement ForexClear Swap Contract arising between the Clearing House and a ForexClear Option Clearing Member shall be a ForexClear Swap STM Contract if that ForexClear Option Clearing Member is a US FXCCM; and
 - (x) each Mandatory Settlement ForexClear Swap Contract arising between the Clearing House and a ForexClear Option Clearing Member that is not a US FXCCM shall, on or after the occurrence of a ForexClear STM Conversion Date in respect of that ForexClear Option Clearing Member, be registered as a ForexClear Swap STM Contract, or, if no such date has occurred, be registered as a ForexClear CTM Contract.
- (m) The Clearing House shall determine the mid-price of a Mandatory Settlement ForexClear Swap Contract under (l)(vi) above in its sole and absolute discretion.
 - (n) A Mandatory Settlement ForexClear Swap Contract shall not be concluded with, and entered into on behalf of, a Non-Impacted ForexClear Option Clearing Member which has the effect, immediately upon registration of the related ForexClear Swap Contract, that the relevant Settlement Position Limit would be exceeded by the Settlement Position Amount applicable to any ForexClear Currency and that Non-Impacted ForexClear Option Clearing Member.
 - (o) At the time and in the manner specified in the Procedures, the Clearing House shall notify each Non-Impacted ForexClear Option Clearing Member and the Impacted ForexClear Option Clearing Member of the Mandatory Settlement ForexClear Swap Contracts (if any) that it has entered into for and on its behalf.
 - (p) Each ForexClear Option Clearing Member agrees and acknowledges that the Mandatory Settlement ForexClear Swap Contract entered into on its behalf by the Clearing House shall constitute part of that ForexClear Clearing Member's ForexClear Clearing House Business and shall be recorded in that ForexClear Clearing Member's Proprietary Account. In no circumstance shall a Mandatory Settlement ForexClear Swap Contract be recorded in a ForexClear Clearing Member's Client Account.
 - (q) For as long as a ForexClear Settlement Event is continuing with respect to a ForexClear Option Clearing Member and a given ForexClear Currency, the Clearing House shall be entitled, in its sole and absolute discretion, to refuse to register any new ForexClear Contract in respect of any ForexClear Transaction denominated in that ForexClear Currency that is submitted by that ForexClear Option Clearing Member, other than (i) any ForexClear NDF Transaction, (ii) any ForexClear Transaction that is expressly permitted by this Regulation 100 or Regulation 101, (iii) any ForexClear Spot

Transaction or ForexClear Deliverable Forward Transaction arising pursuant to the exercise of a ForexClear Option Contract under Regulation 96, or (iv) any ForexClear Spot Transaction ~~permitted under Regulation 98~~ or ForexClear Deliverable Forward Transaction concluded for the purpose of (A) hedging some or all of such ForexClear Option Clearing Member's foreign exchange exposure, (B) reducing its initial margin requirements or (C) reducing its settlement risk, in each case in relation to Contracts registered at the Clearing House. If a ForexClear Settlement Event is still continuing at 5:00 PM Eastern Standard Time on the day on which the ForexClear Settlement Event has occurred, it will only cease to be continuing when the Clearing House registers the necessary Mandatory Settlement ForexClear Swap Contracts in accordance with this Regulation.

Settlement Exposure Limit

- (r) Each time a ForexClear Option Clearing Member submits a ForexClear Transaction (other than a ForexClear NDF Transaction) for registration with the Clearing House (either as a new ForexClear Transaction or in connection with a transfer in accordance with Regulation 18), which would, if registered, have a Settlement Date falling more than two days after the date of registration, the Clearing House shall compare:
 - (i) the Settlement Exposure Limit on that day with respect to that ForexClear Option Clearing Member and the relevant ForexClear Currency; and
 - (ii) the value of the Settlement Exposure Amount on that day with respect to that ForexClear Option Clearing Member, that ForexClear Currency and that Settlement Date.

The "**Settlement Exposure Amount**" means, with respect to a given day of determination, a given ForexClear Option Clearing Member a given ForexClear Currency, and a given Settlement Date, the net expected amount of that ForexClear Currency that the Clearing House has determined, in its sole and absolute discretion, is or will be payable by that ForexClear Option Clearing Member on that Settlement Date under all ForexClear Contracts (other than ForexClear NDF Contracts) to which it is a party.

- (s) If, in relation to a ForexClear Option Clearing Member and a given ForexClear Currency, either:
 - (i) the most recent calculation undertaken by the Clearing House under (r) indicates that (r)(ii) exceeds (r)(i) for any Settlement Date and that ForexClear Currency; or
 - (ii) that ForexClear Option Clearing Member submits for registration a ForexClear Transaction that, immediately following its registration, would have the effect that (r)(ii) would exceed (r)(i) for the relevant Settlement Date and that ForexClear Currency,

then the Clearing House shall be entitled, in its sole and absolute discretion, to refuse to register any new ForexClear Contract for that ForexClear Option Clearing Member that may, if registered, result in that ForexClear Option Clearing Member having to pay a net amount in that ForexClear Currency to the Clearing House under such ForexClear

Contract on the applicable Settlement Date, other than (A) any ForexClear NDF Transaction, (B) any ForexClear Transaction that is expressly permitted by this Regulation 100 or Regulation 101, (C) any ForexClear Spot Transaction or ForexClear Deliverable Forward Transaction arising pursuant to the exercise of a ForexClear Option Contract under Regulation 96, or (D) any ForexClear Spot Transaction or ForexClear Deliverable Forward Transaction -concluded for the purpose of (A) hedging some or all of such ForexClear Option Clearing Member's foreign exchange exposure, (B) reducing its initial margin requirements or (C) reducing its settlement risk, in each case in relation to Contracts registered at the Clearing House~~permitted under Regulation 98.~~

Appendix II
Procedures Section 2I
(ForexClear Clearing Service)



LCH LIMITED

PROCEDURES SECTION 2I

FOREXCLEAR CLEARING SERVICE

Mandatory ForexClear Swap Limits applicable to it via the ForexClear Service Portal.

1.21 **ForexClear STM Contracts – Conversions**

1.21.1 If a ForexClear Clearing Member wishes to make a conversion pursuant to Regulation 106A, it must complete and deliver to the Clearing House such documentation (if any) as the Clearing House determines, in its sole discretion, from time to time.

1.22 **ForexClear Spot Transactions and ForexClear Deliverable Forward Transactions – Reporting of Hedge Transactions**

1.22.1 ForexClear Option Clearing Members shall, in a manner and at such time as prescribed by the Clearing House from time to time, provide to the Clearing House a report of the ForexClear Spot Transactions and ForexClear Deliverable Forward Transactions entered into by the given ForexClear Option Clearing Member that were not concluded for the purposes of (A) hedging some or all of such ForexClear Option Clearing Member's foreign exchange exposure, (B) reducing its initial margin requirements or (C) reducing its settlement risk,

in each case arising under, or in connection with, (i) one or more ForexClear Option Transactions submitted by that ForexClear Clearing Member or (ii) one or more ForexClear Option Contracts then registered in its name.

The foregoing shall not include any ForexClear Spot Transaction or ForexClear Deliverable Forward Transaction resulting from the exercise of a ForexClear Option Contract.