

VIA CFTC Portal

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

11 February 2021

LCH Limited Self-Certification: Accommodation Fee for Non-Cash Collateral held in SwapClear Client Accounts

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 March 1, 2021.

Part I: Explanation and Analysis

LCH accepts securities collateral from its Clearing Members, for the satisfaction of margin requirements. LCH will introduce an accommodation fee to cover the costs of, and to support the ongoing investment in, services related to non-cash collateral held in SwapClear client accounts.

The accommodation fee will apply at a rate of 1.5 basis points per annum to the value of non-cash collateral posted bilaterally or by triparty mechanism to SwapClear client accounts to cover margin requirements. The fee will not be charged on excess, unutilised holdings to promote prudent margin management.

The accommodation fee will apply to non-cash collateral held in all types of SwapClear client accounts, irrespective of whether they are held by SwapClear clearing members or FCM SwapClear clearing members.

Part II: Description of Rule Changes

As this fee is for non-cash collateral held in SwapClear client accounts, this change requires an amendment to the FCM Procedures to remove the comment that accommodation charges are only applicable to proprietary accounts of FCM Clearing Members.

The changes to the rulebook are included in Appendix I 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 (L) – Public Information. LCH has communicated this fee change to its membership and the new charges will be available on LCH’s public website under “LTD Fees on Collateral”. Market participants can therefore make an informed decision about using LCH’s services following this change. As a result, LCH believes that this change is consistent with the requirements of Core Principle L on public disclosure under Commission Rule 39.21(c).

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 regarding this submission please contact me.

Yours sincerely



Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I
FCM Procedures



FCM PROCEDURES OF THE CLEARING HOUSE

LCH LIMITED

interest rate without the consent of such SwapClear Clearing Members and/or FCM Clearing Members.

If the Clearing House chooses an alternative interest rate for purposes of calculating Price Alignment Amount pursuant to the immediately foregoing paragraph it shall notify all SwapClear Clearing Members and FCM Clearing Members in writing by delivering a Rate Change Notice.

3.5.3 *Interest Structure*

Application of Collateral	Type of Collateral			
	Securities	Cash	Foreign Cash	Forward Cash
Initial margin after offset	Accommodation Charge Payable	Pay relevant rate	pay relevant rate of Collateral currency	No charge or payment
Excess or Surplus	No charge or payment	Pay relevant rate	Pay relevant rate	No charge or payment

Note:

- 1 “Foreign Cash” means cash in a currency other than that of the liability.
- 2 “Forward Cash” means cash which has been credited to an account for later value (e.g., an amount called via PPS for next-day value).
- ~~3 This Section 3.5.3 only applies to Proprietary Accounts of FCM Clearing Members.~~
- 34 Applicable Accommodation Charges are available on the Clearing House’s website.

3.5.4 *Payment of Interest and Charges*

Interest, PAA and accommodation charges are charged monthly, from the first calendar day to the last calendar day of the current month. Interest and accommodation charges are calculated on a daily basis and the resulting monthly total is posted to FCM Clearing Members' cover accounts for value at close of business on the second business day of the following month. A VAT invoice is also issued on the third business day of each month detailing, PAA the interest and accommodation charges applicable for the previous month. Separate invoices are issued for each currency which can be found on the Member Reporting Website.

VAT is charged where relevant, dependent on contract and accommodation charges, at current rates. On foreign currency amounts VAT is charged in sterling on the converted value of any relevant charges. The sterling Collateral account shows separate postings for sterling VAT amounts arising from foreign currency charges.

The net invoice value for each currency is posted to the relevant Collateral account for value on the second working day of the month succeeding the month in which the charges arose.