

VIA CFTC PORTAL

January 13 DD, 2022

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

LCH Limited Self-Certification: Various Rulebook Amendments

Dear Mr. Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (“CFTC”) Regulation §40.6(a), LCH Limited (“LCH”), a derivatives clearing organization registered with the CFTC, is submitting for self-certification amendments to its Rules.

Part I: Explanation and Analysis

LCH plans to make the below amendments to its Rules:

- LCH Procedures, Section 1: Clearing Member Market Participant and Dealer Status – revise reference to Clearing Member Agreements
- LCH Procedures, Section 4: Margin and Collateral – provides members with the ability to provide a Unique End-to-End Transaction Reference (“UETR”) when posting SGD collateral
- Product Specific Contract Terms and Eligibility Criteria Manual and FCM Product Specific Contract Terms and Eligibility Criteria Manual (collectively, “Product Terms”) – provides for LCH to cease clearing (as of January 29, 2022) of certain forward rate agreements that reference USD LIBOR
- FCM Procedures - revise the time LCH switches to make margin calls and payments to US Protected Payments System (“PPS”) accounts, for FCMs only

Part II: Description of Rule Changes

LCH Procedures, Section 1: Clearing Member Market Participant and Dealer Status

Under the SwapClear Dealer model, a SwapClear Dealer executes a SwapClear Transaction, which is then cleared by its non-FCM Clearing Member (“SCM”) in its house account. LCH will allow the SwapClear Dealer to execute such SwapClear Transaction, acting in its capacity as principal or as agent for the SCM. Currently, the SwapClear Dealer Clearing Agreement (which is

between a SwapClear Dealer, its SCM and LCH) only reflects the former, and LCH will amend the agreement to reflect both the principal and agency capacity. LCH is amending its Rules to allow existing SwapClear Dealers to remain on their existing SwapClear Dealer Clearing Agreement. The same analysis applies equally to ForexClear Dealers.

LCH Procedures, Section 4: Margin and Collateral

LCH previously submitted rule amendments¹ to enable LCH to accept SGD as cash collateral to meet initial margin requirements. Procedures Section 4 was drafted to allow cash instructions. Currently, Clearing Members enter the relevant details into the Collateral Management System (“CMS”) and LCH then sends the Clearing Member a CMS instruction reference number (“CMS Reference”). LCH is changing this process to allow Clearing Members to provide a UETR, instead of LCH sending the CMS Reference.

Product Terms

On January 29, 2022, LCH will cease clearing forward rate agreements that (a) reference USD LIBOR or USD-LIBOR-BBA; and (b) have a fixing date on or after June 30, 2023. The proposed rule change adds “fixing dates” as one of the criteria provided for on the LCH website to determine a product’s eligibility. Following certification of this Rule change, the product matrix on the LCH website will be updated to capture this exclusion.

FCM Procedures

Currently, LCH makes margin calls and payments to a member’s UK PPS account, until 4:00 PM prevailing London Time each day, after which time, calls and payments are made to the member’s US PPS account. LCH plans to change the switch time, for FCMs only, to earlier in the day at 8:00 AM prevailing New York time .

The changes to the above referenced Rules are set out in **Appendices I-V**. The changes will be effective not earlier than January 29, 2022.

Part III: Core Principle Compliance

LCH reviewed the proposed 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, these rule changes have potential relevance to Core Principle C (Participant and Product Eligibility), Core Principle E (Settlement Procedures), and Core Principle L (Public Information).

The changes described in this filing ensure that LCH meets the objectives of Core Principle C, including that LCH have appropriate requirements for determining the eligibility of agreements, contracts, or transactions submitted for clearing, taking into account LCH’s ability to manage the risks associated with such agreements, contracts, or transactions. The changes described in this filing provide for LCH’s ability to cease clearing for certain USD LIBOR referencing contracts during the benchmark reform process. LCH considered its product eligibility requirements, specifically those related to the maintenance of product terms and conditions, and determined that the changes discussed in this filing will not impact LCH’s compliance with Core Principle C. As a result, LCH believes these changes are consistent with the requirements of Core Principle C on Participant and Product Eligibility under CFTC regulation §39.12.

The changes described in this filing ensure that LCH meets the objectives of Core Principle E, including that LCH employ settlement arrangements that eliminate or strictly limit its exposure to

¹ LCH Self Certification dated October 1, 2021, certified on October 18, 2021.

settlement bank risks, including the credit and liquidity risks arising from the use of such bank(s) to effect settlements with its clearing members. The changes described in this filing provide for a change in the timing of use between LCH's UK and US PPS accounts, but does not introduce any new settlement banks or settlement bank risk. LCH considered its settlement procedures requirements, specifically those related to the management of settlement bank risks, and determined that the changes discussed in this filing will not impact LCH's compliance with Core Principle E. As a result, LCH believes these changes are consistent with the requirements of Core Principle E on Settlement Procedures under CFTC regulation §39.14.

The changes described in this filing ensure that LCH meets the objectives of Core Principle L, including that, in addition to the specified requirements of §39.21, LCH make available any information that is relevant to participation in the clearing and settlement activities of LCH. LCH has considered its public information requirements and believes making the amendments described above will enhance its compliance with Core Principle L. The amendments provided for in this submission will be included in LCH's publicly available: LCH Procedures, Section 1: Clearing Member Market Participant and Dealer Status; LCH Procedures, Section 4: Margin and Collateral; Product Specific Contract Terms and Eligibility Criteria Manual; FCM Product Specific Contract Terms and Eligibility Criteria Manual; and FCM Procedures, thereby providing clarity to market participants. As a result, LCH believes these changes are 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>.

Part V: Opposing Views

There were no opposing views expressed to LCH by governing board or committee members, members of LCH or market participants.

Certification

LCH hereby certifies to the CFTC, pursuant to the procedures set forth in CFTC Regulation §40.6, that the attached submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Should you have any questions please contact me at michelle.weiler@lseg.com.

Yours sincerely,



Michelle Weiler
US Compliance Officer
LCH Limited

Appendix I

LCH Procedures, Section 1: Clearing Member Market Participant and Dealer Status
Changed Pages

Appendix II
LCH Procedures, Section 4: Margin and Collateral
Changed Pages

Appendix III
Product Specific Contract Terms and Eligibility Criteria Manual
Changed Pages

Appendix IV
FCM Product Specific Contract Terms and Eligibility Criteria Manual
Changed Pages

Appendix V
FCM Procedures
Changed Pages