

VIA CFTC PORTAL

January 13 DD, 2022

Mr. Christopher Kirkpatrick  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> 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 amendments<sup>1</sup> 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

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<sup>1</sup> 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](mailto: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*



**LCH LIMITED**

**PROCEDURES SECTION 1**

**CLEARING MEMBER, NON-MEMBER MARKET  
PARTICIPANT AND DEALER STATUS**

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that it complies with 12 U.S.C. § 5390(a)(6) each time that a transaction is submitted for clearing and it delivers Collateral to the Clearing House.

A Clearing Member that is a financial company as such term is defined in 12 U.S.C. § 5381(a)(11) is further required: (i) from the date of entry into the Clearing Membership Agreement (and the grant of any related security interest to the Clearing House), to maintain the Clearing Membership Agreement continuously as an official record of that Clearing Member; and (B) from the date of submission of a transaction for clearing (and the grant of any related security interest to the Clearing House), maintain each agreement evidencing each such transaction continuously as an official record of that Clearing Member.

- (b) *Insured Depository Institutions:* Where a Clearing Member is an insured depository institution under the U.S. Federal Deposit Insurance Act it shall comply with the requirements of 12 U.S.C. § 1823(e) and the policy statements adopted by the Board of Directors of the Federal Deposit Insurance Corporation thereunder with respect to the execution of the Clearing Membership Agreement and each transaction that is cleared pursuant to the Clearing Membership Agreement and the Rulebook (and the grant of any related security interest to the Clearing House) and it shall be deemed to have confirmed that it complies with the requirements of 12 U.S.C. § 1823(e) and the policy statements adopted by the Board of Directors of the Federal Deposit Insurance Corporation thereunder each time that a transaction is submitted for clearing and that Clearing Member delivers Collateral to the Clearing House.

A Clearing Member that is an insured depository institution under the Federal Deposit Insurance Act it is further required: (i) from the date of entry into the Clearing Membership Agreement (and the grant of any related security interest to the Clearing House), to maintain the Clearing Membership Agreement continuously as an official record of that Clearing Member; and (B) from the date of submission of a transaction for clearing (and the grant of any related security interest to the Clearing House), maintain each agreement evidencing each such transaction continuously as an official record of that Clearing Member.

#### 1.4 Dealer Status Criteria

- 1.4.1 An applicant must satisfy the criteria set out below in order to be considered for admission to the OTC Registers. These requirements are without prejudice to the provisions of the ForexClear Dealer Clearing Agreement, the RepoClear Dealer Clearing Agreement and/or the SwapClear Dealer Clearing Agreement, and must equally be met by Dealers.

The applicant and any controller of the applicant, and those of its staff who exercise an executive or managerial role, must have a high standard of integrity and a level of knowledge, acceptable to the Clearing House, of the nature, risks and obligations of trading foreign exchange transactions, over-the-counter repos and swaps cleared by the Clearing House.

The applicant must be a member of an Approved Trade Matching System (as approved by the Clearing House from time to time).

- (a) For RepoClear, see Section 2B of the Procedures (RepoClear).
- (b) For SwapClear, see Section 2C of the Procedures (SwapClear).
- (c) For ForexClear, see Section 2I of the Procedures (ForexClear).

If the applicant is a bank it must, at all times, be appropriately authorised by the banking supervisors of its home country and additionally meet any notification or authorisation requirements set by banking supervisors in the United Kingdom.

The applicant must maintain a back office:

- (a) remote from both the exchange floor and/or trading desks;
- (b) with adequate systems (including but not limited to computer and communications systems) and records;
- (c) with an adequate number of administrative staff fully conversant with procedures for the management of business transacted in the markets and contracts cleared by the Clearing House in which the applicant participates; and
- (d) with such technology and connectivity as may be stipulated by the Clearing House.

The applicant must have executed and must maintain a ForexClear Dealer Clearing Agreement, a RepoClear Dealer Clearing Agreement and/or a SwapClear Dealer Clearing Agreement ~~in the current standard form~~.

The applicant may specify any number of branches, with agreement from its corresponding Clearing Member, from which it proposes to submit eligible ForexClear Transactions, RepoClear Transactions and/or SwapClear Transactions. It is a requirement that only branches of the same legal entity as the Dealer may be specified. A company which is a different legal entity and which wishes to submit eligible ForexClear, RepoClear and/or SwapClear Transactions for clearing must apply separately for admission to the relevant OTC Register. ForexClear Dealers, RepoClear Dealers and SwapClear Dealers are entitled to remain on the relevant OTC Register for so long as a valid agreement remains in effect. In the event that the relevant agreement for any ForexClear Dealer, RepoClear Dealer or SwapClear Dealer is terminated, then that Dealer will be removed from the relevant OTC Register.

The applicant must at all times respond promptly to enquiries or requests for information made by the Clearing House.

#### 1.4.2 *ForexClear Dealer Status*

**Appendix II**  
LCH Procedures, Section 4: Margin and Collateral  
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**LCH LIMITED**

**PROCEDURES SECTION 4**

**MARGIN AND COLLATERAL**

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The Clearing House gives no undertaking that, on the Default of a Clearing Member, it will not utilise Clearing Clients' Collateral which has been transferred to it by a Clearing Member, before utilising any other form of Collateral the Clearing House may hold.

**Clearing Members are warned that the transfer of Collateral and the grant of a security interest are complex legal matters. The Rulebook and any communication with the Clearing House (whether of an oral or written nature) are not to be taken as legal or other advice. A Clearing Member should seek its own independent professional advice.**

### 1.3 INSTRUCTIONS VIA CMS

The Clearing House will action instructions relating to Collateral that have been input and authorised via the CMS in accordance with, and subject to, this Section 4 of the Procedures.

For non-cash instructions to transfer securities and triparty Collateral, the details input on the CMS will form the basis of the matching instruction sent to the relevant Depository. Clearing Members must ensure that the details are input correctly in order to avoid unmatched transactions.

For cash instructions via PPS, the details the Clearing Member inputs into the CMS will form the basis of the call or the SWIFT MT202 payment instruction sent to the relevant PPS Bank.

For cash instructions via any real-time gross settlement system (“RTGS”):

1.3.1 ~~The~~ Clearing Member must input the relevant details into the CMS, to ensure that the Clearing House credits/debits the correct amount of cash to the Clearing Member’s Collateral Account;

1.3.2 ~~if~~ ~~If~~ the Clearing House’s policies in respect of concentration limits are satisfied, the Clearing Member will supply the Unique End-to-End Transaction Reference (the “UETR”) of the SWIFT MT202 payment instruction into the UETR field in the CMS. ~~House will then provide the Clearing Member a CMS instruction reference number (the “CMS Reference”); and~~

~~1.3.3 The Clearing Member will then transfer the cash to the Clearing House’s account in the relevant RTGS, inputting the CMS Reference in field 21 of the Clearing Member’s SWIFT MT202 payment instruction.~~

~~1.3.3 If the payment does not match up with an authorised CMS instruction featuring the same UETR, the Clearing House will return the cash to the Clearing Member on or after the cash deadline for the relevant currency, on the business day the payment was credited to the Clearing House’s account in the relevant RTGS.~~

~~If the Clearing Member fails to input the CMS Reference or inputs an incorrect CMS Reference, the Clearing House will return the cash to the~~

~~Clearing Member on or before the relevant currency's cash deadline, on the business day the Clearing Member sent the instruction to the Clearing House via CMS.~~ The deadlines are published at the following link of the Clearing House's web site, under the heading *Cash Collateral Deposit and Withdrawal Cut-Off Times*:

<https://www.lch.com/collateral-management/ltd-collateral-management/ltd-acceptable-collateral/ltd-acceptable-cash>

It is the responsibility of the Clearing Member to input a cancellation request of any incorrectly input instruction and to subsequently input the correct details in a new instruction. Please note that it may not be possible to cancel an instruction (please refer to Section 1.4.7 below for further details).

The Clearing House will update the status of an instruction in the CMS to reflect the status of the corresponding instruction at the relevant Depository, Central Bank or PPS Bank. On settlement of the relevant transaction at the relevant Depository, Central Bank or PPS Bank, the Clearing House will reflect the balance of the securities or cash on the relevant account of the Clearing Member and take them into account for the purposes of calculating the Clearing Member's Current Collateral Value.

The Clearing House will not be liable for any losses to Clearing Members or third parties caused by non-settlement or by a delay in settlement as a result of the actions or omissions of a Depository, Central Bank or PPS Bank or the Clearing Member (save for any liability which may not be excluded by Applicable Law).

#### 1.4 **SETTLEMENT PROCEDURES – SECURITIES PROVIDED BY A CLEARING MEMBER TO THE CLEARING HOUSE ON A BILATERAL BASIS**

All transactions to transfer non-cash Collateral from a Clearing Member to the Clearing House or from the Clearing House to a Clearing Member will be executed free of payment. Members are encouraged to instruct with provisions to allow settlement in late day windows (e.g. Daylight, Priority 90 and other such local market indicators).

##### 1.4.1 *Instruction Deadlines*

Clearing Members may input security instructions via the CMS at any time. Instructions will only be actioned by the Clearing House during operational hours.

The Collateral Operations' operational hours are Monday to Friday 07:00 – 21:00 (UK time).

For settlement in Austraclear, the Collateral Team in Sydney are available Monday to Friday 09:00 – 16:30 (AEST).

Instruction deadlines are available on the LCH website at the following location:

**Appendix III**  
Product Specific Contract Terms and Eligibility Criteria Manual  
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**PRODUCT SPECIFIC CONTRACT TERMS AND ELIGIBILITY CRITERIA  
MANUAL**

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- (a) “Following” or “Following Business Day Convention” (see Section 2.3.2 of the ISDA Definitions for definition);
- (b) “Modified Following” or “Modified Following Business Day Convention” (see Section 2.3.3 of the ISDA Definitions for definition); or
- (c) “Preceding” or “Preceding Business Day Convention” (see Section 2.3.4 of the ISDA Definitions for definition).

For inflation swaps and vanilla interest rate swaps with constant notional principal, SwapClear does not support trades where a different business day convention is used for:

- (a) fixed period end dates and the termination date; or
- (b) float period end dates and the termination date.

### 2.1.3 ~~Minimum Residual Term, Designated Maturity and Calculation Periods~~ Additional Criteria

A SwapClear Transaction must also meet the additional criteria that is specified on the Clearing House website, in respect of a minimum residual term of the transaction, designated maturities, fixing dates and calculation periods, to be eligible for clearing with the Clearing House.

**Appendix IV**  
FCM Product Specific Contract Terms and Eligibility Criteria Manual  
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FCM PRODUCT SPECIFIC CONTRACT TERMS AND ELIGIBILITY CRITERIA  
MANUAL

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For inflation swaps and vanilla interest rate swaps with constant notional principal SwapClear does not support trades where a different business day convention is used for:

- (i) fixed period end dates and the termination date; or
- (ii) float period end dates and the termination date.

(c) ~~*Minimum Residual Term, Designated Maturity and Calculation Periods*~~ *Additional Criteria*

An FCM SwapClear Transaction must also meet the additional criteria that is specified on the Clearing House website, in respect of a minimum residual term of the transaction, designated maturities, fixing dates and calculation periods, to be eligible for clearing with the Clearing House.

(d) *Up-Front Fees – Eligibility of FCM SwapClear Transactions*

Any up-front fees due under an FCM SwapClear Transaction will form part of the first Variation Margin payment made in connection with such FCM SwapClear Transaction.

FCM SwapClear Transactions with respect to which an FCM Client or an Affiliate is an Executing Party and which are denominated in a One-Day Currency where the up-front fee is due to settle on the day of registration are not eligible for clearing.

FCM SwapClear Transactions with respect to which an FCM Client or an Affiliate is an Executing Party and which are denominated in a Two-Day Currency where the up-front fee is due to settle on the day of registration, or the day following registration, are not eligible for clearing.

A Backloaded Trade will not be eligible for clearing and will be rejected upon presentation in the event that it is presented after a Backload Registration Cycle and as a result would not be ‘parked’ for registration until the following Business Day and as a result of being ‘parked’ it would no longer be eligible for clearing under these criteria.

For the purposes of this paragraph (f):

- “**One-Day Currency**” means GBP, USD, CAD, MXN or EUR; and
- “**Two-Day Currency**” means any other eligible currency.

**Appendix V**  
FCM Procedures  
*Changed Pages*



**FCM PROCEDURES OF THE CLEARING HOUSE**

**LCH LIMITED**

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The Clearing House will calculate all coupon payments for FCM SwapClear Contracts that are non-deliverable interest rate swaps, including the Fixed Amount or Floating Amount payable under any such FCM SwapClear Contract, in USD, and all amounts due or payable under such FCM SwapClear Contracts must be paid in USD.

#### 2.1.9 *Initial Margin*

The Clearing House will require FCM Clearing Members to furnish it with Initial Margin. This amount will be determined by the prevailing market conditions and the expected time to close out the portfolio. The Portfolio Approach to Interest Rate Scenarios (PAIRS) will be used to calculate Initial Margin requirements for FCM SwapClear Contracts.

Separate Initial Margin calculations are performed for an FCM Clearing Member's house "H" and client "C" accounts and, within a "C" account, separately in respect of each FCM Client Sub-Account therein. No offset between the "C" and "H" accounts is permitted.

The Clearing House reserves the right to require additional amounts of Margin from a specific FCM Clearing Member or from all FCM Clearing Members in accordance with FCM Regulation 14 (*Margin and Collateral*).

##### (a) *Liquidity Multiplier*

Risk Management applies a liquidity multiplier based on Worst Case Loss (WCL) exceeding certain thresholds on the FCM Clearing Member's whole portfolio and individual currencies. The threshold amounts and multipliers are reviewed on an on-going basis. FCM Client accounts are treated as independent accounts for purposes of liquidity and will be called only in the event that the individual account exceeds the relevant threshold.

##### (b) *Intra-day Margin Calls*

In accordance with the Clearing House's FCM Regulations, the Clearing House is entitled to make additional margin calls for payment the same day (intra-day margin calls) where it is considered necessary. Intra-day margin calls can be called at any time throughout the Business Day. Intra-day margin calls will usually be made via the Protected Payments System (PPS) (see Section 2.1.10).

In certain circumstances, the Clearing House may wish to make a call for additional funds after the ~~closure of UK PPS facilities cut-off time of 08:00 New York time at 16:00 hours, London time.~~ In this event, the Clearing House will require payment of additional funds through PPS facilities in the USA (see Section 3.2.1). Members must ensure, in these circumstances, that they are in a position to fund such calls through their nominated US PPS account within one hour of the call.

Collateral to replenish the ForexClear Tolerance utilized by an FX FCM at (i) the last ITD/Ad-hoc Day Margin Run and EOD Margin Run of each Business Day and (ii) in the event an FX FCM utilizes at least 75% of its ForexClear Tolerance during a business day, at the next relevant ITD/Ad-hoc Day Margin Run. Any failure of an FX FCM to satisfy a call for Collateral relating to ForexClear Tolerance may give rise to a Default by such FX FCM.

The Clearing House will not apply ForexClear Tolerance for FCM ForexClear Contracts with a Trade Date earlier than the previous Business Day.

(d) *Completion Margin*

The Clearing House shall calculate and call each FX FCM for “**completion margin**.” Completion margin is a component of each FX FCM’s initial margin obligation, and represents potential increases in an FX FCM’s initial margin obligations due to position changes resulting from next-day fixing. Completion margin is calculated as the incremental difference between an FX FCM’s aggregate initial margin obligations on its FCM ForexClear Contracts and its initial margin obligations in relation to FCM ForexClear Contracts due to fix the next Business Day.

(e) *Intra-day Margin Calls*

In accordance with the Clearing House's FCM Regulations, the Clearing House is entitled to make additional margin calls for furnishing of Margin on the same day (intra-day margin calls) where it is considered necessary. Intra-day margin calls may be called at any time throughout the business day (08:30 to 21:00 hours, London time). Intra-day margin calls will usually be made via the Protected Payments System (PPS) (see Section 2.2.25(c)).

In certain circumstances, the Clearing House may wish to make a call for additional Margin after the ~~closure of UK PPS facilities cut-off time of at 16:00~~ 08:00 hours, ~~London-New York~~ time. In this event, the Clearing House will require payment of additional funds through PPS facilities in the USA (see Section 3.2). Members must ensure, in these circumstances, that they are in a position to fund such calls through their nominated US PPS account within one hour of the call.

2.2.13 *Initial Margin Management Events Service (“IMMES”)*

IMMES aims to find risk and IM reducing FCM ForexClear Contracts and ForexClear Contracts among participating FXCCMs. IMMES can be run on all Currency Pairs that are cleared through the FCM ForexClear Service, although the primary focus will be on those Currency Pairs that contribute to the largest IM requirement. IMMES is available in respect of an FX FCM's house account only.

rate agreements, (iii) fees, charges, levies and rebates, and (iv) interest on cash balances and Price Alignment Amount); and

- (b) cover ledger (which is used to record all other items).

Liabilities arising from trading activity are recorded against the relevant Margin account only.

### 3.1.4 **Financial Transaction Reporting**

Banking reports are generated each day and provide members with data relating to but not limited to: liabilities by market, cash balances, non-cash balances, cash posting and interest rates.

All reports are available via the Member Reporting Web Site (Member Live site) and can be downloaded via the user interface or directly to Member back-office systems via an SFTP connection.

Details of valuations, cover instructions and cash and non-cash balances are available through the Clearing Management System.

A “Banking Reports Reference Pack” can be requested from the LCH Client Training Team. This contains definitions and examples of each of the available reports.

Details of cover balances, valuations and instructions are also available using the on-line Collateral Management System (CMS).

## 3.2 **Protected Payments System**

The Clearing House operates a direct debit system, known as the protected payments system (“PPS”), for the transfer of funds to and from FCM Clearing Members. The PPS is a recognized interbank payments system overseen by the Bank of England.

PPS is operated in London (“UK PPS”) and the United States (“US PPS”). In this Section, a day on which the PPS is open is referred to as a “**working day**”.

~~FCM Clearing Members should note that~~ The PPS (both in London and in the US) is a system for facilitating payment to the Clearing House of moneys due from FCM Clearing Members to the Clearing House and vice versa. The giving of a commitment by a participating bank through the PPS to make any payment, and the receipt of that commitment by the Clearing House, is not to be regarded as satisfaction of any payment due to the Clearing House.

Each FCM Clearing Member remains fully responsible for the payment to the Clearing House of all moneys due to the Clearing House as required, *inter alia*, by the FCM Clearing Membership Agreement, clearing extension documentation and the applicable provisions of the FCM Rulebook. Payment is only completed when the funds have been credited for value to the relevant Clearing House bank account, and any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

### 3.2.1 **PPS Mandates**

#### (a) *Introduction*

An FCM Clearing Member is required to maintain a:

- (i) US dollar PPS account with any US PPS bank; and
- (ii) PPS bank account with any UK PPS bank in EUR, USD and GBP, and each currency in which it incurs settlement obligations, and provides Securities Collateral, to the Clearing House. An FCM Clearing Member may use different UK PPS banks for different currencies.

Please refer to the following link for details:

[www.lch.com/risk\\_management/ltd/pps/](http://www.lch.com/risk_management/ltd/pps/)

FCM Clearing Members are responsible at all times for ensuring that their PPS bank accounts have sufficient funds or credit lines to be able to meet calls from the Clearing House.

Any bank charges connected with the holding of any PPS bank accounts or related to any activity on that account must be paid by the FCM Clearing Member holding the relevant account PPS mandates.

The GBP non-segregated PPS account will, *inter alia*, be used to process Contributions for all services other than the ForexClear Service. For ForexClear Service, the USD non-segregated PPS account is used.

Where applicable, all PPS accounts that hold FCM Client Funds must be segregated in accordance with the FCM Regulations and the applicable provisions of the CEA and CFTC Regulations, including but not limited to Part 1, Part 22 and Part 190 of such regulations. Furthermore, PPS accounts that contain FCM Client Funds held with respect to Futures/Options Contracts may not contain FCM Client Funds held with respect to Cleared Swaps, unless permitted under the CEA or CFTC Regulations.

Each FCM Clearing Member is required to complete a standard form UK PPS Mandate and US PPS Mandate (copies are available from [treasury.ops.uk@lch.com](mailto:treasury.ops.uk@lch.com)) for each bank branch at which they wish to operate an account before clearing can commence. The original of the mandate must be signed by a person with the appropriate authority within the FCM Clearing Member institution and then forwarded to the relevant bank. A copy must also be forwarded at the same time to the Clearing House Onboarding Department.

(b) *Currency Conversion*

The Clearing House supports cross currency collateral, which allows the FCM Clearing Member to elect to use cash cover denominated in one currency in respect of initial and contingent margin liabilities calculated in another currency. FCM Clearing Members must nominate the currency in which they wish to cover margin liabilities by prior arrangement with ~~LCH Limited~~ the Clearing House's Treasury Operations.

(c) *Morning PPS Calls*

FCM Clearing Members' liabilities are calculated overnight. Should the relevant liability not be covered by acceptable forms of Collateral held by the Clearing House (see section 3.3) any shortfall is called through UK PPS with separate calls made for each currency. ~~It is the responsibility of e~~ Each FCM Clearing Member ~~must~~ ensure that its UK PPS bank(s) meets all payment instructions received from the Clearing House. Confirmation of payments, as notified, must be received by the Clearing House from the relevant PPS bank(s) by 09:00 London time, or within one hour of a subsequent call, on the day on which the PPS call is made. Payments will only be recognized for this purpose if the relevant PPS bank (i) has performed its concentration function (being the transfer of net funds from the PPS bank to a central account in the name of the Clearing House) (ii) has made such payments, and (iii) any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

Where payments are due to an FCM Clearing Member, payments will be recognized as soon as payment instructions in respect of that payment have been given to a PPS bank. For this purpose, a payment instruction will only be recognized to the extent that the Clearing House has taken steps to transfer to the PPS bank any such sums as may be necessary to enable that payment instruction to be performed by the PPS bank.

(d) *Intra-day PPS Calls*

The intra-day margin call by the Clearing House is for intra-day Margin payments. ~~Only USD can be used to cover Margin requirements intra-day. Between 14:30 and 16:00 hours (London time) only USD will be called in London.~~

~~Normally t~~ The Clearing House will call intra-day margin through UK PPS accounts, except ~~where the Clearing House it~~ wishes to make such an intra-day call after the UK PPS closes cut-off time (16:00/08:00 London-New York time), in which case such a call will be made upon the FCM Clearing Member's nominated US PPS account.



Only USD will be called by default during the hours of UK PPS for each mnemonic/sub-account. FCM Clearing Members may request a change to the default currency no later than 09:30 London time in order for the change to be ~~undertaken~~ implemented the following day. FCM Clearing Member's may submit a request to change their currency at the following link:

[www.lch.com/risk\\_management/ltd/preferential\\_currency\\_for\\_intraday\\_margin\\_calls\\_form.asp](http://www.lch.com/risk_management/ltd/preferential_currency_for_intraday_margin_calls_form.asp)

The Clearing House has the ability to call US dollars in respect of an intra-day margin call up until 16:00 New York time (21:00 London time).

The Clearing House must receive confirmation of payment from the FCM Clearing Member's nominated PPS bank(s) within one hour of receipt of the intra-day call by the relevant bank branch.

Failure of a bank to confirm a PPS call within one hour may result in the FCM Clearing Member being declared in default. Late confirmation of PPS calls are reported to the regulators of the LCH Group.

(e) *Auto repay*

FCM Clearing Members may request that they are automatically repaid any excess USD cash balances that remain on their accounts at the end of each day. FCM Clearing Members must contact Treasury Operations in order to have auto-repay applied to their accounts. (LCHOperations-Treasury@lch.com or telephone +44 (0)20 7426 7505). In certain circumstances and following notification to one or more Regulatory Bodies, the Clearing House may disable the auto-repay functionality for all FCM Clearing Members of a clearing service. The Clearing House will notify FCM Clearing Members via Clearing Member Circular in the event that the functionality is disabled. This Section 3.2.1(e) only applies to Proprietary Accounts.

(f) *Value Date*

Although confirmation from the banks that PPS payments will be made must be received within the deadlines set out in Sections 3.2.1(c) and 3.2.1(d), subject to Section 3.2.1(h), all currency transactions are processed by PPS with next business day value with the exception of the following currencies: CAD, EUR, GBP, MXN and USD, which are processed with value for the same business day.

(g) *Foreign Bank Holidays*

The Clearing House has made arrangements with UK PPS banks to operate the PPS on all UK banking days including foreign bank holidays.