

VIA CFTC PORTAL

December 15, 2021

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

**LCH Limited Self-Certification: ForexClear Fees Update**

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 changes to the ForexClear fee schedule.

**Part I: Explanation and Analysis**

The ForexClear service charges fees to Clearing Members in relation to their activity in eligible deliverable and non-deliverable FX products, as appropriate.<sup>1</sup> These include fixed and variable components and are charged at the Clearing Member Group level. In accordance with an annual review of ForexClear fees that is expected by Clearing Members, LCH will make changes to its ForexClear Fee Schedule.

**Part II: Description of Rule Changes**

The proposed revisions to the ForexClear Fee Schedule include the following:

- Revise certain fees applicable to the Gold tariff (a combined deliverable and non-deliverable products fee) and Zinc tariffs (a deliverable products fee) in accordance with an annual increase.
- Add a reference to a clearing fee holiday for deliverable products, except FX Options, until January 1, 2024. This applies to Clearing Members on the Gold and Zinc tariffs.
- Clarify explanatory notes related to the Gold tariff and Silver, Zinc, and Bronze tariff fee schedules for deliverable and non-deliverable products as applicable; the changes do not impact the economics related to the explanatory notes.

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<sup>1</sup> <https://www.lch.com/services/forexclear/what-we-clear>

- Options fees continue to apply only after the first \$60bn cumulative notional cleared in each calendar year.
- Add a reference to FX Swaps for completeness, where relevant.
- Extend the Silver, Bronze, and Client tariff exemption related to Non-Deliverable Options clearing fees until December 31, 2022.
- Extend the Gold, Silver, Bronze, Zinc and Client tariffs exemption related to the ForexClear Compression Service until January 1, 2023.
- Simplify wording related to clients to eliminate the mention of clearing brokers. Clients access the clearing service through clearing brokers and the current language may imply there are two classes of clients which is not the case.
- Update the ForexClear Non-Deliverable Service section to add that the discount based on cleared volume by trade count currently applied to Silver or Bronze ForexClear Clearing Members will end on December 31, 2022.
- Update the ForexClear Deliverable Service section to revise the fee waiver duration for Silver and Bronze tariffs to the initial three months.
- Throughout update “mn” to “million.”

The changes to the ForexClear fees webpage are set out in **Appendix I**. The changes will be effective not earlier than January 3, 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 L (Public information).

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 considered its public information requirements and believes making the revisions described above will enhance its compliance with Core Principle L. The changes provided for in this submission will be included in LCH’s publicly available ForexClear Fee Schedule, 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 [julian.oliver@lch.com](mailto:julian.oliver@lch.com).

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Julian Oliver', enclosed in a light blue rectangular box.

Julian Oliver  
Chief Compliance Officer  
LCH Limited

**Appendix I**

Website changes (ForexClear fees)

<https://www.lch.com/services/forexclear/fees>

**Fees**

ForexClear Clearing Members may be members of either or both of the ForexClear Deliverable Service and the ForexClear Non-Deliverable Service. ForexClear Clearing Members may choose from a variety of fee tariffs: Gold – Combined Tariff, Bronze, Silver and Zinc. Each tariff covers all house trade registration activity for a ForexClear Clearing Member Group.

**ForexClear Gold Tariff – Combined Non-Deliverable and Deliverable FX Fee**

<b>Annual Tariff*</b>	<b>Options/ NDOs Fee / mn*<u>million</u>**</b>	<b>FX Spot / Forward Hedges/ Swap Hedges and NDF Fee / <u>mn</u>million</b>	<b>FX <del>Forward</del>Forwards and FX Swaps Settlement Fee** <u>mn</u> <u>million</u>***</b>	<b>Annual Fee Cap</b>
GBP 1,250,000	GBP <u>2.50</u>	n/a	0.2 EUR or USD	GBP <del>1,800</del> <u>850</u> ,000

\*The Annual Tariff includes unlimited clearing volumes for FX Swaps, FX Forwards and FX Spot (that (in each case) are not cleared for the purpose of hedging FX Options fees applicable to the) until 1<sup>st</sup> January 2024.

\*\*Options and NDOs fees are applicable after beyond the first \$60bn cumulative notional cleared is included in the ~~GBP 1.25mn fee~~ in each calendar year.

\*\*\*\*\*Only applicable to FX ~~Forward~~Swaps and FX Forwards transactions that (in each case) are not cleared for the purpose of hedging FX Options (which hedging is undertaken either to reduceing initial margin requirements or ~~reducing~~reduce settlement risk-).

**Non-Deliverable FX Only Fees\*\***

<b>Tariff</b>	<b>Annual Tariff</b>	<b>EMTA NDF Fee / <u>mn</u>million</b>	<b>Non-EMTA NDF Fee / <u>mn</u>million</b>
Client	n/a	US\$ 2	US\$ 1
Silver	GBP 825,000	n/a	n/a
Bronze	US\$ 350,000*	US\$ 2	US\$ 1

\*Non-deliverable bronze tariff is capped at US\$1,250,000 per calendar year.

\*\*Silver, Bronze and Client tariffs are exempted from Non-Deliverable Options clearing fees until 31<sup>st</sup> ~~Dec 2021.~~ December 2022.

**Deliverable FX Only Fees**

<b>Tariff</b>	<b>Annual Tariff</b>	<b>FX Options Fee / <del>million</del></b>	<b>FX Spot / Forward Hedges and Swap Hedges Fee / <del>million</del></b>	<b>FX Forwards and FX Swaps Settlement Fee / <del>million</del>**</b>	<b>Annual Fee Cap</b>
Silver	GBP 885,000	n/a	n/a	0.2 EUR or USD	
Zinc	GBP <del>495,545,000</del> *	GBP 2. <del>50</del>	n/a	0.2 EUR or USD	GBP <del>1,045,145,000</del>
Bronze	US\$ 400,000	US\$ 2	US\$ 2	0.2 EUR or USD	

Note: New Clearing Members of the ForexClear Deliverable Service will be eligible for a fee discount, please refer to 'Fee Discounts'

\* The Zinc Annual Tariff includes unlimited clearing volumes for FX Swaps, FX Forwards and FX Spot that (in each case) are not cleared for the purpose of hedging FX Options) until 1<sup>st</sup> January 2024.

\*\*Only applicable to FX Swaps and FX Forwards transactions that (in each case) are not cleared for the purpose of hedging FX Options (which hedging is undertaken either to reducing initial margin requirements or reducing settlement risk).

**Member Fees**

Where a ForexClear Clearing Member wishes to move from a lower fee tariff to a higher fee tariff, including to the combined Non-Deliverable and Deliverable Gold Tariff, if the Member gives notice by the 20th of the preceding month, it will move to the newly elected fee tariff effective the 1st of the following month. From that month the remaining monthly instalments of the calendar year will be payable at the newly elected fee tariff irrespective of fee amounts already invoiced under the ForexClear Clearing Member's previous fee tariff. ForexClear Clearing Members may only move to a lower fee tariff at the start of the new calendar year.

**Compression Fees (Member & Client Clearing)**

- Gold, Silver, Bronze, Zinc and Client tariffs will not be charged fees for using the ForexClear Compression Service until ~~31st Dec 2021~~ 1<sup>st</sup> January 2023.
- Thereafter, Members and Clients will be charged US\$1 per US\$1 million of notional reduced using ForexClear Compression.
- A cap of US\$500,000 per annum will apply per ForexClear Clearing Member Group for compression of Member Group trades (i.e., proprietary trades).
- There is no cap on compression ~~fees for fees for~~ fees for clients ~~or clearing brokers clearing Client business~~.

**Variable Fee Calculation**

The Variable tariff fees are calculated on each trade as:

- [Notional amount of trade] \* the per million (US\$) notional fee from the relevant tier in the schedule above.
- ForexClear Client Clearing fees are calculated based on the total cleared notional in a calendar month for each independent Client Clearing portfolio.

## Fee Discounts

### ForexClear Non-Deliverable Service

The ForexClear Clearing Member on the Silver or Bronze tariff that clears the most non-deliverable FX volume by trade count with respect to its house (*i.e.*, proprietary) account, including any inter-affiliate trades, will receive a monthly fee discount of £15,000. The discount is applied to the Silver or Bronze ForexClear Clearing Member's monthly fee bill in arrears and will end on 31<sup>st</sup> December 2022.

### ForexClear Deliverable Service

When first ~~electing~~selecting the Deliverable Silver or Bronze tariff, ~~ForexClear Clearing Members of the ForexClear Deliverable Service will be eligible for their~~ first 4-3 months free of clearing fixed and variable fees will be waived.

### Settlement Reduction Fees for the Deliverable Service

LCH will impose a fee as part of the automated settlement reduction process, levied against members who are in breach of relevant settlement limits at end of day on SD-2.

The fee will take the form of a "per unit of notional" charge against settlement amounts in excess of relevant currency settlement limits applied in respect of the excess of member's Settlement Position Amount over the Settlement Position Limit as per table below:

	<b>AUD</b>	<b>CHF</b>	<b>EUR</b>	<b>GBP</b>	<b>JPY</b>
<b>Bps on notional</b>	0.26	0.23	0.2	0.22	0.2

### EMIR Account Structures

For more information on EMIR account structure charges please click [here](#)

### Fee Notes

All fees are billed monthly in arrears.

Fixed Member fees are pro-rated monthly where a Member joins intra year.

A one-off on-boarding fee of \$70,000 will be billed one month in arrears for each new ForexClear Clearing Member, FCM Clearing Member or ForexClear Dealer or Affiliate, which is a member of, or an Affiliated Firm of, a Member Group.

Members clearing both non-deliverable and deliverable FX will be required to pay both non-deliverable and deliverable fees or the combined 'Gold' tariff.

For a member to offer Client Clearing they must be part of a fee-paying Member Group.

Client Clearing fees are billed to Clearing Members.

A "Client Clearing Portfolio" is a separate legally identified Client Account that exists at a specific Clearing Member. A Client Clearing Portfolio is unique to each Clearing Member.

A "Member Group" means a ForexClear Clearing Member or an FCM Clearing Member, its direct and indirect subsidiaries and its direct and indirect holding companies and every direct and indirect subsidiary of each such holding company, from time to time. For the purposes of this definition: (i) 'subsidiary' means a company in which an entity holds more than 50% of the voting rights; and (ii) 'holding company' means a company that holds more than 50% of the voting rights in another entity.

An "Affiliated Firm" in relation to a Member Group means a firm that satisfies both of the following tests:

- A ForexClear Clearing Member or a FCM Clearing Member (or any other member of its Member Group) holds 50% or more of the voting rights in the firm; and
- One or more ForexClear Clearing Members or FCM Clearing Members (or any other member of their Member Group) together hold more than 50% of the voting rights in the firm.

"Voting rights" means the rights conferred on shareholders in respect of their shares or, in the case of a company not having a share capital, on members, to vote at general meetings of the company on all, or substantially all, matters.

Changes in an entity's corporate ownership may lead to changes in the tariff that applies to it.

Terms used herein are as defined in the rulebook of LCH, which you can access from the Quick Links below.