

VIA CFTC PORTAL

May 12, 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: ForexClear use of EMTA Template Terms within Certain Contracts**

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 revisions to its rules regarding ForexClear’s use of the EMTA Inc. (“EMTA”) template terms within certain contracts.

**Part I: Explanation and Analysis**

In accordance with current LCH rules, the EMTA template terms that are in effect and published on its website on the trade date of a relevant non-deliverable FX forward or non-deliverable FX option transaction are incorporated into the related ForexClear contract terms when such transaction is cleared. LCH proposes an amendment to its rulebook that will enable it to provide otherwise by notice to ForexClear Clearing Members.

The driver for the LCH proposal is a change recently announced by EMTA to its recommended template terms for certain non-deliverable FX transactions denominated in US Dollar-Russian Ruble (“USD-RUB”).<sup>1</sup> The changes announced by EMTA are due to be effective on and from June 6, 2022. LCH wishes to introduce the flexibility not to adopt such changes following feedback received via a Clearing Member consultation, as further set out below.

The current EMTA template terms for USD-RUB non-deliverable FX forward, option and cross currency transactions provides that such transactions are settled using the USD-RUB spot price issued by the Moscow Exchange (“MOEX rate”). However, due to the ongoing geopolitical situation potentially influencing such price, EMTA intends to publish new EMTA template terms on June 6, 2022 with (inter alia) a new settlement rate. Based on extensive engagement and a formal consultation process with Clearing Members, ForexClear may wish not to incorporate the new EMTA template terms into the contract terms of ForexClear USD-RUB non-deliverable FX forward contracts, thereby maintaining the MOEX rate for the settlement of such contracts from June 6, 2022. Under the revised LCH rules, this would be possible and a decision would be reached taking into account risk management considerations. ForexClear will continue to monitor market developments on this topic and may take further actions.

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<sup>1</sup> EMTA market practice number 98.

**An LSEG Business**

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## **Part II: Description of Rule Changes**

The right of LCH to apply (by notice to Clearing Members) alternative terms to those set out in the EMTA template for new non-deliverable ForexClear contracts will be incorporated into the definition of "EMTA Template" in the respective section 'Introduction and Interpretation' of the Procedures Section 2I ("ForexClear Clearing Service") and the FCM Procedures.

The changes to the rules are included as **Appendices I - II** in black line form and will be effective no earlier than May 30, 2022.

## **Part III: Core Principles Compliance**

LCH reviewed the proposed rule changes against the requirements of the Core Principles and finds it will continue to comply with all requirements and standards set forth therein. Specifically, this rule change has potential relevance to Core Principle C (Participant and Product Eligibility), Core Principle D (Risk Management) and Core Principle L (Public Information).

The changes described in this filing do not affect compliance with Core Principle C, and in particular, no changes are made to the LCH Rulebook provisions on product eligibility criteria and specific contract terms to be met by contracts submitted for registration, in accordance with §39.12(b)(6). LCH continues to have appropriate requirements for determining the eligibility of submitted transactions, taking into account LCH's ability to manage the associated risks.

LCH believes the changes described in this filing will not impact LCH's ongoing compliance with the objectives of Core Principle D. The decision to continue to settle USD-RUB NDF against the MOEX rate is consistent with ForexClear operational, risk management, and default management tools.

The changes described in this filing also ensure that LCH meets the objectives of Core Principle L to make publicly available any information that is relevant to participation in the clearing and settlement activities of LCH. LCH considered its public information requirements and believes amending the definition of "EMTA Template" as set out under Part II of this letter maintains its compliance with Core Principle L.

LCH believes these changes are consistent with the requirements of Core Principle C on Participant and Product Eligibility under CFTC regulation §39.12, Core Principle D on Risk Management under CFTC regulation §39.13, and 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,

A handwritten signature in black ink that reads "Michelle Weiler". The signature is written in a cursive, flowing style.

Michelle Weiler  
US Compliance Officer  
LCH Limited

**Appendix I**  
Procedures Section 2I  
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**LCH LIMITED**

**PROCEDURES SECTION 2I**

**FOREXCLEAR CLEARING SERVICE**

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## 1. INTRODUCTION AND INTERPRETATION

These Procedures govern the ForexClear Service, form part of the Rulebook and must be read in conjunction with the other parts of the Rulebook.

Capitalised terms used in these Procedures not otherwise defined herein have the meanings ascribed to them in the Rulebook.

References to "**Sections**" shall mean sections in these Procedures.

References to "**Business Day**", "**Calculation Agent**", "**Disruption Fallback**", "**Notional Amount**", "**Reference Currency**", "**Settlement Currency**", "**Settlement Currency Amount**", "**Settlement Date**", "**Settlement Rate**", "**Settlement Rate Option**", "**Trade Date**", "**Valuation Date**", and "**Valuation Postponement**" shall carry the meanings given to them in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time with respect to the relevant Currency Pair.

References to "**business day**" shall carry the meaning given to it in the Rulebook.

References to "**Currency Pair**" are to the relevant currency pairs specified in the Schedule to the ForexClear Regulations.

"**EMTA**" means EMTA Inc., the trade association for the emerging markets that was formerly known as the Emerging Markets Traders Association, or any successor entity.

"**EMTA Template**" means, where applicable, the template terms for a Non-Deliverable FX Transaction or Non-Deliverable Currency Option Transaction for a particular Currency Pair that are in effect and published by EMTA on its website on the relevant Trade Date, unless specified otherwise by the Clearing House by member notice to its FXCCMs.

"**ForexClear Margin or Settlement Currency**" means

- (a) in the case of a ForexClear Non-Deliverable Contract, USD; or
- (b) in the case of a ForexClear Deliverable Contract, the ForexClear Currency or ForexClear Currencies elected as such by the FXCCM party to such ForexClear Contract at registration of such ForexClear Contract, provided that the Clearing House has permitted such currency or currencies to be chosen for such purpose.

"**LCH Non-EMTA Contract Template**" means, where applicable, the template terms for a ForexClear Transaction for a particular Currency Pair that are set forth in the LCH Non-EMTA NDF Contract Terms or LCH Non-EMTA NDO Contract Terms.

"**NPV Payment**" means, in respect of a business day and a ForexClear STM Contract that is settled-to-market daily in accordance with Regulation 106A, the amount or amounts paid by either the relevant FXCCM or the Clearing House to the other on such business day in respect of the change in the net present value of that ForexClear

**Appendix II**  
FCM Procedures  
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**FCM PROCEDURES OF THE CLEARING HOUSE**

**LCH LIMITED**

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## 2.2 FOREXCLEAR

### 2.2.1 *Introduction and Interpretation*

This Section 2.2 of the FCM Procedures governs the FCM ForexClear Service and must be read in conjunction with the other parts of the FCM Rulebook.

A reference to an “**FXCCM**” is generic and encompasses both ForexClear Clearing Members (as defined in the UK General Regulations) and FCM ForexClear Clearing Members.

References to “**Business Day**”, “**Calculation Agent**”, “**Currency Pair**”, “**Disruption Fallback**”, “**Notional Amount**”, “**Reference Currency**”, “**Settlement Currency**”, “**Settlement Currency Amount**”, “**Settlement Date**”, “**Settlement Rate**”, “**Settlement Rate Option**”, “**Trade Date**”, “**Valuation Date**”, and “**Valuation Postponement**” shall have the meanings given to them in the FCM ForexClear Contract Terms.

References to “**business day**” shall carry the meaning given to it in the Rulebook.

“**EMTA**” means EMTA Inc., the trade association for the emerging markets that was formerly known as the Emerging Markets Traders Association, or any successor entity.

“**EMTA Template**” means, where applicable, the template terms for a Non-Deliverable FX Transaction or Non-Deliverable Currency Option Transaction for a particular Currency Pair that are in effect and published by EMTA on its website on the relevant Trade Date, unless specified otherwise by the Clearing House by member notice to its FCM ForexClear Clearing Members.

“**LCH Non-EMTA Contract Template**” means, where applicable, the template terms for an FCM Transaction for a particular Currency Pair that are set forth in the LCH Non-EMTA NDF Contract Terms or LCH Non-EMTA NDO Contract Terms.

“**Relevant EMTA Template**” means, for a particular FCM ForexClear Contract, the EMTA Template that is incorporated by reference into the FCM ForexClear Contract Terms applicable to such Contract, together with any amendments thereto as set out in the FCM ForexClear Contract Terms.

“**Submission Date**” means the date on which a given trade is submitted to the Clearing House for registration.

Unless otherwise specified, all times are in local London time.

The liability of the Clearing House is as set out in Regulation 32 (*Exclusion of Liability*), which applies to these FCM Procedures in its entirety unless provided otherwise.