

VIA CFTC PORTAL

16 December 2020

Mr Christopher Kirkpatrick
Commodity Futures Trading Commission
115 21st Street NW
Three Lafayette Centre
Washington DC 20581

LCH Limited Self-Certification: ForexClear fees update

Dear Mr Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (the "CFTC") Regulation §40.6(a), LCH Limited ("LCH"), a derivatives clearing organization registered with the CFTC, is submitting for self-certification updates to the ForexClear fee schedule.

Part I: Explanation and Analysis

Currently, Clearing Members are not subject to fees for clearing eligible Non-Deliverable Option ("NDO") contracts and using the ForexClear Compression service until December 31, 2020. LCH intends to extend such fee waivers by a year.

In addition, LCH plans to adjust the "per unit of notional" fees charged in relation to the use of the Settlement Reduction service in place for deliverable FX products. The fee is charged to Clearing Members that use such service following a breach of the relevant settlement limit in a given currency two days ahead of settlement.

Finally, LCH is taking the opportunity to make minor adjustments to the wording in the schedule, mainly specifying the names of the eligible tariffs, where relevant.

The changes will be effective not earlier than December 31, 2020.

Part II: Description of Rule Changes

There are no changes to the LCH Rulebook, however LCH will make changes to its website. The changes to the webpage on ForexClear fees are set out in **Appendix I**).

Part III: Core Principle Compliance

LCH has reviewed the changes against the requirements of the Core Principles and finds that they will continue to comply with all the requirements and standards therein.

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 change.

Certification

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

Should you have any questions please contact me at julian.oliver@lch.com.

Yours sincerely

P.P. 

Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I

Website changes (ForexClear fees)

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

Non-Deliverable FX Fees**

Tariff	Annual Tariff	Monthly Tariff	EM NDF Fee / mn	G10 NDF Fee / mn
Client	n/a	n/a	US\$ 2	US\$ 1
Bronze	US\$ 350,000 *	US\$ 29,166	US\$ 2	US\$ 1
Silver	GBP 825,000	GBP 68,750	n/a	n/a

*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 are exempted from tariffs clearing fees until 31st Dec 2021¹⁰.

Deliverable FX Fees

Tariff	Annual Tariff	Monthly Tariff	FX Options Fee / mn	FX spot / Forward Hedges Fee / mn	**FX Forward Fee / mn
Bronze	US\$ 400,000	US\$ 33,333	US\$ 2	US\$ 2	0.2 EUR or USD
Silver	GBP 885,000	GBP 73,750	n/a	n/a	0.2 EUR or USD

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

**Only applicable to FX Forward transactions that are not cleared for the purpose of hedging FX Options, margin management or settlement management.

Member Fees

Members may be members of either or both of the deliverable and non-deliverable sides of the service. For each of the deliverable and non-deliverable sides, a Member Group may choose from two fee tariffs, Bronze or Silver, covering all house trade registration activity for a Clearing Member Group.

Where a Member wishes to move from the Bronze Tariff to the Silver tariff, if the Member gives notice by the 20th of the preceding month, they will move to the Silver tariff effective the 1st of the following month. From that month the remaining monthly instalments of the calendar year will be payable at the Silver tariff irrespective of fee amounts already invoiced under the Bronze tariff. Members may only move from the Silver tariff to the Bronze tariff for the start of the new calendar year.

Compression Fees (Member & Client Clearing)

- Silver, Bronze and Client tariffs ~~Members and Clients~~ will not be charged fees for using the ForexClear Compression Service until 31st Dec 2021 ~~the end of 2020~~.
- 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 Member group for compression of member group trades.
- No cap is applicable 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 year for each independent Client Clearing portfolio.

Fee Discounts

Non-Deliverable Service

The ForexClear Clearing Member on the Silver or Bronze tariff ~~Clearing Member~~ 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.

Deliverable Service

When first electing the Silver or Bronze tariff, ForexClear Clearing Members ~~Now Clearing Members~~ of the deliverable service will be eligible for their first 4-months free of clearing fees.

Settlement Reduction Fees for the Deliverable Service ~~FX~~

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:

	AUD	CHF	EUR	GBP	JPY
Bps on notional	<u>0.150.26</u>	<u>0.30.23</u>	<u>0.150.2</u>	<u>0.250.22</u>	0.2

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.

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.