

VIA CFTC PORTAL

16 March 2018

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

LCH Limited Self Certification: Criminal Finance Act amendment rule changes

Dear Mr Kirkpatrick

Pursuant to CFTC regulation §40.6(a), LCH Limited ("LCH"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification changes to its rules resulting from the introduction of the Criminal Finance Act in the United Kingdom in September 2017.

Part I: Explanation and Analysis

The new legislation aims to identify who should be liable for tax evasion and facilitation of tax related crimes, under the UK Criminal Finances Act 2017. In order to protect LCH from becoming liable for the actions of its Clearing Members, LCH proposed changes to its rules in September 2017 which went live post self certification on 26 September 2017. This amendment clarifies an element of those changes by highlighting that the Clearing Member warranty is limited in scope to those activities in relation to its status as Clearing Member only.

The rule changes will go live on, or after, 2 April 2018.

Part II: Description of Rule Changes

Paragraph (e) of Regulation 48 of the General Regulations stipulates that clearing members should not undertake or facilitate tax evasion and should maintain appropriate procedures designed to prevent tax evasion from occurring. This clause has been amended to clarify that a Clearing Member's compliance with this clause is related only to its activities as a Clearing Member.

The text of the changes is attached hereto as **Appendix I**.

Part III: Core Principle Compliance

LCH has reviewed the changes against the requirements of the Core Principles, including Core Principle R, 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 rule.

Certification

LCH hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in the Commission regulation § 40.6, that attached rule 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



Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I
General Regulations



**GENERAL REGULATIONS OF
LCH LIMITED**

**REGULATION 48 INTERPRETATION OF THESE REGULATIONS;
APPLICABLE LAW**

- (a) In the event of inconsistency between the provisions of these Regulations and Exchange Rules, or between these Regulations and the rules or regulations or other contractual provisions of any trading platform or other undertaking, the provisions of these Regulations shall prevail.
- (b) The headings to these Regulations are for convenience only and shall not affect their interpretation.
- (c) Members shall at all times observe, interpret and give effect to the provisions of the Rulebook in a manner which promotes and maintains:
 - (i) the Clearing House's status as a recognised central counterparty under EMIR and a registered derivatives clearing organization under the United States Commodity Exchange Act and any other legal or regulatory status it has from time to time under any other Applicable Law;
 - (ii) the good reputation and integrity of the Clearing House and the Members; and
 - (iii) the Clearing House's obligations under EMIR and any other Applicable Law to act fairly and professionally in accordance with the best interests of Members and, where applicable, Clearing Clients and sound risk management.
- (d) Members shall perform their obligations and exercise their rights under the Rulebook in accordance with Applicable Law.
- (e) Each Member warrants and undertakes that, [in relation to its activities as a Member](#),
 - (i) it shall not undertake any activities that would amount to, or facilitate or otherwise result in another person committing, tax evasion and
 - (ii) it shall maintain reasonable procedures designed to prevent any employees, agents or other persons who perform services for it or on its behalf from undertaking any such activities. Each Member shall give written notice to the Clearing House forthwith of any apparent breach of this clause and shall forthwith on demand supply to the Clearing House any information requested by the Clearing House related to the Member's compliance with this clause.