

VIA CFTC PORTAL

12 September 2018

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

LCH Limited Self-Certification: Mexican Peso as a same day value currency

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, which confirms the Mexican Peso (“MXN”) is a same day value currency for Protected Payments System (“PPS”) calls and payments.

Part I: Explanation and Analysis

Following the introduction by LCH of clearing MXN interest rate swaps in October 2016, clearing members have the ability to make contributions and settlements in MXN through a PPS account. The value date for PPS calls and payments in MXN is for same day delivery as is the case for CAD, EUR, GBP and USD. LCH proposes to make a change to its Procedures and FCM Procedures to make clear its current operational practice for MXN PPS calls and payments.

The rule changes will go live on, or after, 27 September 2018.

Part II: Description of Rule Changes

Section 1.3.1(g) of Procedures Section 3 (Financial Transactions) and section 3.2.1(f) of the FCM Procedures have been updated to reflect that MXN currency transactions will be processed (with value) by a PPS bank the same business day. This brings the rulebook in line with LCH’s operational practice for such transactions.

The texts of the rule changes are attached hereto as:

- i. **Appendix I**, Procedures Section 3
- ii. **Appendix II**, FCM Procedures

Part III: Core Principle Compliance

LCH has reviewed the changes against the requirements of the Core Principles and finds it 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

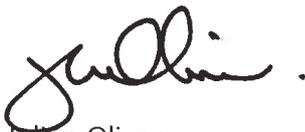
There were no opposing views expressed to LCH by governing board or committee members, members of LCH or market participants that were not incorporated into the rule.

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.

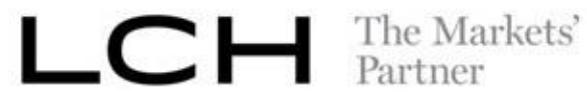
Should you have any questions please contact me at julian.oliver@lch.com.

Yours sincerely



Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I
Procedures Section 3



LCH LIMITED

PROCEDURES SECTION 3

FINANCIAL TRANSACTIONS

Section 4 of the Procedures (*Margin and Collateral*) in respect of a Selected Account in accordance with, and subject to, Section 1.1.2 of Section 4 of the Procedures (*Margin and Collateral*) (each such request, a "**Request**").

A Clearing Member must contact Collateral Operations in order to make a Request (collateral.clientservices@lch.com or +44 (0)20 7426 7505). A Clearing Member represents and warrants to the Clearing House, at the time at which it makes a Request, that the individual making such Request on its behalf is duly authorised to do so.

The Clearing House may, at its discretion, cease to provide the Auto-Repay Service in respect of:

- (i) a Clearing Member, in which case it will notify the affected Clearing Member accordingly; or
 - (ii) any Service or entirely, in which case it will notify the affected Clearing Members and each relevant Regulatory Body accordingly.
- (g) *Value Date*

PPS calls and payments are for same-day value ~~the same day as the day of the~~for CAD, EUR, GBP, MXN and USD, and with value ~~for on~~ the next day for all currencies, subject to ~~Section this paragraph~~ (g). Call instructions issued on a day when the Clearing House is not open for business (e.g. Saturdays) are for value the next day for CAD, EUR, GBP, MXN and USD, and for value two days ~~are after~~ the given instruction for all other currencies. Payment instructions will not be issued on a day when the Clearing House is not open for business.

- (i) If, under ~~Section paragraph~~ (f) above, a PPS call or payment in a particular currency would be due to be made for value on a day ("**Payment Date**") which is a holiday in respect of that currency, the value date for such PPS transaction will be the first day which is not a holiday in respect of that currency occurring after the Payment Date; and
- (ii) in respect of AUD, if the PPS call or payment is instructed on a day which is a holiday for AUD or on a day when the Clearing House is not open for business (e.g. Saturdays), the value date for such PPS call or payment will be the second day which is not a holiday in respect of AUD occurring after the Payment Date.

Example 1: 20 August is a currently a holiday in the USA. The Clearing House is open. 21 August is not a currency holiday in the USA.

On 20 August, the Clearing House will issue USD instructions to PPS banks, and receive confirmation in response to the PPS calls on the same day; the value date for such calls will be 21 August.

Appendix II
FCM Procedures



FCM PROCEDURES OF THE CLEARING HOUSE

LCH LIMITED

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.

In respect of currency holidays for EUR, GBP and USD (“**Major Currencies**”) Clearing Members are required to be able to meet PPS calls in all of the three Major Currencies and therefore must have an account with a PPS Bank in London in each of EUR, GBP and USD. If a Clearing Member's preferred currency is available to be settled on a currency holiday the Clearing House will call such preferred currency.

In the event that such currency is not available to be settled on a particular day the Clearing House will (i) firstly apply excess it may hold in respect of a Clearing Member and then (ii) issue calls in the following order:

- (a) on a USD holiday the Clearing House will issue a call in GBP;
- (b) on a GBP holiday the Clearing House will issue a call in USD
- (c) on an EUR holiday the Clearing House will issue a call in GBP;
and
- (d) on a day which is both a USD holiday and a GBP holiday the Clearing House will issue a call in EUR.

The Clearing House will observe Clearing Member's currency preferences on all days, other than currency holidays.

Confirmation 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). However, the value date for any PPS transactions made on a day which is a bank or public holiday in the country of that currency will be for the next business day on which both the foreign currency center and the Clearing House are open for business. This applies to GBP, CAD, EUR and USD.

Example: 20 August is a public holiday in the USA but not in the UK. 21 August is a normal banking day in the USA.

On 20 August, the Clearing House will issue its normal USD instructions to PPS banks, and receive confirmation in response to the PPS call, for value on 21 August.

Please refer to Clearing Member Circulars for details of Clearing House opening days and currency holidays at the following link:

www.lch.com/member_notices/

(h) *UK Bank Holidays*

The Clearing House does not give value to any currency on a UK bank holiday, if the Clearing House is closed for business on that bank holiday.

However, the Clearing House may sometimes be open for business on a UK bank holiday – in such circumstances PPS calls will be made as normal that day. Value will be given the same day provided that the relevant currency center is open for business.