

**Via CFTC Portal**

21 June 2019

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

**LCH Limited Self-Certification:** Rule changes implementing the ForexClear Settlement Reduction Service

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 to enable the offering of the ForexClear Settlement Reduction Service to FX Options Clearing Members.

**Part I: Explanation and Analysis**

ForexClear Clearing Members clearing FX Options are subject to prescribed Settlement Position Limits ("SPL"). Clearing Members must ensure they remain within their respective SPLs two days ahead of the settlement date (S-2). Under the current settlement framework, in the event a Clearing Member's settlement amount is in excess of its limit, ForexClear invokes the Settlement Reduction Process (SRP) whereby the Clearing Member is obliged to enter into Mandatory Settlement ForexClear Swap Contracts to trade down its settlement exposure. The SRP takes place at 5:00 PM Eastern Standard Time on S-2.

Following feedback received by current and prospective Clearing Members, ForexClear plans to complement the mandatory SRP with a voluntary process, whereby Clearing Members with excess exposures (thereafter "Impacted Clearing Members") are encouraged to trade their settlement exposure earlier in the day on S-2 (i.e. ahead of 5:00 PM Eastern Standard Time). This service is optional and the mandatory SRP will continue to run as per the current process.

The changes will go live on, or after, 8 July 2019.

**Part II: Description of Rule Changes**

Regulation 100 of the LCH General Regulations describes the mandatory SRP in place in ForexClear as part of the FX Options service. The Regulation has been amended in the section "Settlement Position Limit and Settlement Trade-Down" under paragraph (k) to note that, ahead of the SRP, an Impacted Clearing Member may enter into Mandatory Settlement ForexClear Swap Contracts with any other ForexClear Option Clearing Member that has opted-in to the ForexClear Settlement Reduction Service. The effect of this is that the settlement exposure of the Impacted Clearing Member may be reduced within the required limit; if unsuccessful, the mandatory SRP will address any remaining excess.

Regulation 100, as well as Regulation 103 ("Allocation of Mandatory ForexClear Swap Contracts and Mandatory Settlement ForexClear Swap Contracts") and Regulation 105 ("ForexClear Option Service – Authority to Bind ForexClear Option Clearing Members") includes some updated cross references. Further, the Definitions have also been amended with the addition of the term "ForexClear Settlement Reduction Service" and a cross reference in the term "Mandatory Settlement ForexClear Swap Contract".

The Procedures Section 21 ("ForexClear Clearing Service") includes a new section 1.21 titled "ForexClear Settlement Reduction Service" which sets out how the service will work and notes the requirement for Clearing Members to opt in.

### **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**

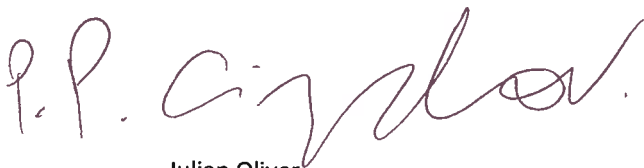
There were no opposing views expressed to LCH by governing board or committee members, members of LCH or market participants that were not incorporated into the rule

### **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 regarding this submission, please contact me at [julian.oliver@lch.com](mailto:julian.oliver@lch.com).

Yours sincerely



Julian Oliver  
Chief Compliance Officer  
LCH Limited

**Appendix I**  
General Regulations



**GENERAL REGULATIONS OF  
LCH LIMITED**

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## REGULATION 1 DEFINITIONS

In these Regulations and the Procedures, except where the context otherwise requires, the following words and expressions shall have the following meanings:

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| <b>"Account Balance"</b>                                    | means, in relation to a Relevant Client Clearing Business of a Clearing Member, an Individual Segregated Account Balance, an Indirect Gross Account Balance, a Custodial Segregated Account Balance or an Omnibus Segregated Account Balance   |
| <b>"ACSP Compression Cycle"</b>                             | means a Multilateral Compression Cycle established by the Clearing House and facilitated by an ACSP nominated by the Clearing House, which shall be open to participation by SwapClear Clearing Members either on their own account or with respect to a SwapClear Clearing Client in accordance with the provisions of Regulation 56 and relevant Compression Documentation |
| <b>"Account Information Documents"</b>                      | means the documents called "LCH Account Structures under EMIR" and "Fees for EMIR Segregation Accounts", as published by the Clearing House on its website and made available to Clearing Members and Clearing Clients upon request  |
| <b>"Affected ForexClear Option Clearing Member"</b>         | has the meaning assigned to it in Regulation 101   |
| <b>"Affiliated Client Omnibus Net Segregated Account"</b>   | means, in relation to a Relevant Client Clearing Business, an account opened within the Clearing House by a Clearing Member on behalf of a group of Affiliated Omnibus Segregated Clearing Clients which is designated by the Clearing House as an Affiliated Client Omnibus Net Segregated Account  |
| <b>"Affiliated Client Omnibus Segregated Account"</b>       | means, in relation to a Relevant Client Clearing Business, (i) an Affiliated Client Omnibus Net Segregated Account or (ii) an Omnibus Gross Segregated Account opened on behalf of a group of Affiliated Omnibus Segregated Clearing Clients   |
| <b>"Affiliated Omnibus Net Segregated Clearing Clients"</b> | means Affiliated Omnibus Segregated Clearing Clients in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Affiliated Client Omnibus Net Segregated Account   |

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| <b>"ForexClear Option STM Terms"</b>                    | means the part of the ForexClear Option Contract Terms designated as the ForexClear Option STM Terms by the Clearing House from time to time   |
| <b>"ForexClear Option Transaction"</b>                  | means a contract, meeting the applicable ForexClear Eligibility Criteria for registration as a ForexClear Option Contract, entered into between two ForexClear Participants, of which particulars are presented to the Clearing House for registration in the name of ForexClear Clearing Members in accordance with the Regulations.  |
| <b>"ForexClear Participants (FXPs)"</b>                 | means ForexClear Clearing Members, ForexClear Dealers and ForexClear Clearing Clients and <b>"ForexClear Participant"</b> means any of them  |
| <b>"ForexClear Regulations"</b>                         | means those Regulations which apply to ForexClear Contract as specified in Regulation 90   |
| <b>"ForexClear Service"</b>                             | means the service provided by the Clearing House under the ForexClear Regulations  |
| <b>"ForexClear Settlement Event"</b>                    | means the event or circumstance specified as such in Regulation 100(g)   |
| <b><u>"ForexClear Settlement Reduction Service"</u></b> | <u>has the meaning ascribed to such term in the Procedures</u>   |
| <b>"ForexClear Spot Contract"</b>                       | means a Contract entered into by the Clearing House with a ForexClear Clearing Member on the ForexClear Spot Contract Terms which includes, in the case of the Default Rules (including the ForexClear DMP Annex but excluding, for the avoidance of doubt, the Client Clearing Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time          |
| <b>"ForexClear Spot Contract Terms"</b>                 | means the terms applicable to each ForexClear Spot Contract as set out from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual applicable to ForexClear Spot Contracts  |
| <b>"ForexClear Spot STM Contract"</b>                   | means a ForexClear Spot Contract that is either (i) registered at the Clearing House as a ForexClear Spot STM Contract pursuant to Regulation 91, (ii) converted into a ForexClear Spot STM Contract by the Clearing House pursuant to Regulation 106A, or (iii) a ForexClear Spot STM Contract through novation pursuant to Regulation 12(b), in each case the terms of which therefore include the ForexClear Spot STM Terms |

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| <b>"Mandatory ForexClear Swap Limit"</b>               | means, in respect of a given day, a given ForexClear Currency and a given ForexClear Option Clearing Member, the maximum amount of Mandatory ForexClear Swap Transactions denominated in that ForexClear Currency that the Clearing House shall be entitled to enter into on that day on behalf of that ForexClear Option Clearing Member in accordance with Regulation 101(d)(v), as determined in accordance with the Procedures |
| <b>"Mandatory ForexClear Swap Limit Cap"</b>           | means, in respect of a ForexClear Currency and all ForexClear Option Clearing Members, USD1,000,000,000 (or the equivalent denominated in the relevant ForexClear Currency) (as amended from time to time in accordance with the Regulations)  |
| <b>"Mandatory Settlement ForexClear Swap Contract"</b> | means a ForexClear Swap Contract that is entered into for and on behalf of an Impacted and/or Non-Impacted ForexClear Option Clearing Member by the Clearing House acting pursuant to Regulation 100(k), <a href="#">Regulation 100(l)</a> and Regulation 105  |
| <b>"margin"</b>  | means initial margin, variation margin and/or any other amounts required to be transferred and maintained under Regulation 20(a) ( <i>Margin and Collateral</i> )  |
| <b>"Margin Cover"</b>                                  | has the meaning ascribed to such term in Default Rule 15(a)  |
| <b>"market"</b>  | means a futures, options, forward, stock or other market, administered by an Exchange, or an OTC market in respect of which the Clearing House has agreed with such Exchange or, in respect of an OTC market, with certain Participants in that market, to provide clearing services on the terms of these Regulations and the Procedures  |
| <b>"Market Data"</b>                                   | has the meaning assigned to it in Chapter XIV(f)(i)  |
| <b>"market day"</b>                                    | means in respect of a commodity, a day on which the market on which that commodity is dealt in is open for trading   |
| <b>"Market Deviation Notice"</b>                       | has the meaning assigned to it in Chapter XIV(l)   |

The Clearing House shall provide ForexClear Option Clearing Members with no fewer than 10 business days' prior notice of any increase to the Settlement Position Limit or Settlement Position Limit Cap pursuant to paragraph (iv) above.

### **Settlement Position Limit and Settlement Trade-Down**

- (f) At 10:00 AM Eastern Standard Time on each day the Clearing House shall compare:
- (i) the Settlement Position Limit on that day with respect to a given ForexClear Option Clearing Member and a given ForexClear Currency; and
  - (ii) the value of the Settlement Position Amount on that day with respect to that ForexClear Option Clearing Member and that ForexClear Currency.

The "**Settlement Position Amount**" means, with respect to a given day, a given ForexClear Option Clearing Member and a given ForexClear Currency, the net amount of that ForexClear Currency that is or will be payable by that ForexClear Option Clearing Member under all ForexClear Contracts (other than ForexClear NDF Contracts) to which it is a party that have a Settlement Date (as defined in the applicable ForexClear Contract Terms) falling two days after such day.

- (g) If, at 10:00 AM Eastern Standard Time on any day, (f)(ii) exceeds (f)(i) with respect to a ForexClear Option Clearing Member and a given ForexClear Currency, then a ForexClear Settlement Event shall immediately occur with respect to that ForexClear Option Clearing Member (such ForexClear Option Clearing Member, the "**Impacted ForexClear Option Clearing Member**") and that ForexClear Currency.
- (h) The Clearing House shall, immediately upon the occurrence of a ForexClear Settlement Event, give notice in writing (which may be given by electronic messaging system or email) to the Impacted ForexClear Option Clearing Member specifying that a ForexClear Settlement Event has occurred with respect to it. A failure by the Clearing House to deliver, or any delay in the delivery of, the notice required by this paragraph (h) shall not affect the Clearing House's ability to exercise any of its rights under this Regulation 100.
- (i) From the occurrence of the ForexClear Settlement Event to (but excluding) 5:00 PM Eastern Standard Time on the same day, the Impacted ForexClear Option Clearing Member shall be entitled to enter into, and submit for registration by the Clearing House, one or more ForexClear Spot Transactions, *provided however that*, the Clearing House may only register the related ForexClear Spot Contracts arising out of such ForexClear Spot Transaction(s) if:
- (i) such ForexClear Spot Transaction(s) are for the purpose, and will have the effect, of reducing the Impacted ForexClear Option Clearing Member's Settlement Position Amount for that ForexClear Currency, so that immediately after registration of the related ForexClear Spot Contracts, the Settlement Position Amount with respect to that Impacted ForexClear Option Clearing Member and that ForexClear Currency would be less than the Settlement



Position Amount with respect to that Impacted ForexClear Option Clearing Member and that ForexClear Currency immediately prior to registration of such ForexClear Spot Contracts; and

- (ii) the ForexClear Spot Transaction(s) meet the applicable ForexClear Eligibility Criteria in effect on such date.

For the avoidance of doubt, the Clearing House shall be entitled (in accordance with Regulation 16(c)) to refuse to register any new ForexClear Spot Contract notwithstanding that it may satisfy (i) and (ii) above if it considers such action advisable for its own protection or the protection of the relevant market.

- (j) Each time a ForexClear Option Clearing Member submits a ForexClear Spot Transaction to the Clearing House for registration pursuant to (i) above, it hereby represents and warrants to the Clearing House that such ForexClear Spot Transaction (either individually or when taken together with other ForexClear Spot Transactions submitted pursuant to (i) above) satisfies the condition in (i)(i) above.

(k) If an Impacted ForexClear Option Clearing Member has opted-in to the Clearing House's ForexClear Settlement Reduction Service, from the occurrence of the ForexClear Settlement Event to (but excluding) 5:00 PM Eastern Standard Time on the same day, the Clearing House shall be entitled to conclude and bind (i) the Impacted ForexClear Option Clearing Member and (ii) any other ForexClear Option Clearing Member that has opted-in to the ForexClear Settlement Reduction Service to one or more Mandatory Settlement ForexClear Swap Contracts, in each case in accordance with the applicable provisions set forth in the Procedures.

(l) If, at 5:00 PM Eastern Standard Time on the day on which the ForexClear Settlement Event has occurred, the ForexClear Settlement Event is continuing, the Clearing House shall be entitled to conclude and bind (i) the Impacted ForexClear Option Clearing Member and (ii) in accordance with the applicable allocation provisions in Regulation 103, any other ForexClear Option Clearing Member(s), to one or more Mandatory Settlement ForexClear Swap Contracts. The Clearing House shall be entitled to levy fees in addition to clearing fees on an Impacted ForexClear Option Clearing Member in connection with a ForexClear Settlement Event (with such fees being determined in respect of the excess of such Impacted ForexClear Option Clearing Member's Settlement Position Amount over the Settlement Position Limit).

(m) Each Mandatory Settlement ForexClear Swap Contract shall (for the avoidance of doubt, entered into pursuant to paragraph (k) or (l) above):

- (i) be between the Impacted ForexClear Option Clearing Member or another ForexClear Option Clearing Member on the one hand, and the Clearing House on the other hand;
- (ii) be concluded only with a view to either (A) reducing the Settlement Position Amount with respect to the Impacted ForexClear Clearing Member and a given ForexClear Currency, or (B) creating corresponding positions for the Clearing House vis a vis the other ForexClear Option Clearing Member(s);

- (iii) be subject to immediate registration with the Clearing House in the name of the relevant ForexClear Option Clearing Member;
- (iv) have an Initial Exchange Date (as defined in the ForexClear Swap Contract Terms) that is the day falling two business days (for the applicable Currency Pair (as defined in the ForexClear Swap Contract Terms)) after the date on which the ForexClear Settlement Event occurred;
- (v) have a Final Exchange Date (as defined in the ForexClear Swap Contract Terms) that is the business day (for the applicable Currency Pair (as defined in the ForexClear Swap Contract Terms)) immediately following the Initial Exchange Date;
- (vi) be executed at the prevailing mid-price (as determined by the Clearing House) ~~that is prevailing at 5:00 PM Eastern Standard Time~~ on the day on which the ForexClear Settlement Event has occurred;
- (vii) meet the Product Eligibility Criteria for a ForexClear Swap Transaction; and
- (viii) with respect to Mandatory Settlement ForexClear Swap Contracts entered into pursuant to paragraph (i) above only, be allocated by the Clearing House to (A) the Impacted ForexClear Option Clearing Member in accordance with this Regulation 100, or (B) the other ForexClear Option Clearing Members in accordance with Regulation 103.

~~(m)~~(n) The Clearing House shall determine the mid-price of a Mandatory Settlement ForexClear Swap Contract under ~~(m)(vi)(m)(vi)(i)(vi)~~ above in its sole and absolute discretion.

~~(n)~~(o) A Mandatory Settlement ForexClear Swap Contract shall not be concluded with, and entered into on behalf of, a Non-Impacted ForexClear Option Clearing Member which has the effect, immediately upon registration of the related ForexClear Swap Contract, that the relevant Settlement Position Limit would be exceeded by the Settlement Position Amount applicable to any ForexClear Currency and that Non-Impacted ForexClear Option Clearing Member.

~~(o)~~(p) At the time and in the manner specified in the Procedures, the Clearing House shall notify each Non-Impacted ForexClear Option Clearing Member and the Impacted ForexClear Option Clearing Member of the Mandatory Settlement ForexClear Swap Contracts (if any) that it has entered into for and on its behalf.

~~(p)~~(q) Each ForexClear Option Clearing Member agrees and acknowledges that the Mandatory Settlement ForexClear Swap Contract entered into on its behalf by the Clearing House shall constitute part of that ForexClear Clearing Member's ForexClear Clearing House Business and shall be recorded in that ForexClear Clearing Member's Proprietary Account. In no circumstance shall a Mandatory Settlement ForexClear Swap Contract be recorded in a ForexClear Clearing Member's Client Account.

~~(q)~~(r) For as long as a ForexClear Settlement Event is continuing with respect to a ForexClear Option Clearing Member and a given ForexClear Currency, the Clearing

House shall be entitled, in its sole and absolute discretion, to refuse to register any new ForexClear Contract in respect of any ForexClear Transaction denominated in that ForexClear Currency that is submitted by that ForexClear Option Clearing Member, other than (i) any ForexClear NDF Transaction, (ii) any ForexClear Transaction that is expressly permitted by this Regulation 100 or Regulation 101, (iii) any ForexClear Spot Transaction or ForexClear Deliverable Forward Transaction arising pursuant to the exercise of a ForexClear Option Contract under Regulation 96, or (iv) any ForexClear Transaction permitted under Regulation 98. If a ForexClear Settlement Event is still continuing at 5:00 PM Eastern Standard Time on the day on which the ForexClear Settlement Event has occurred, it will only cease to be continuing when the Clearing House registers the necessary Mandatory Settlement ForexClear Swap Contracts in accordance with this Regulation.

### Settlement Exposure Limit

~~(s)~~ Each time a ForexClear Option Clearing Member submits a ForexClear Transaction (other than a ForexClear NDF Transaction) for registration with the Clearing House (either as a new ForexClear Transaction or in connection with a transfer in accordance with Regulation 18), which would, if registered, have a Settlement Date falling more than two days after the date of registration, the Clearing House shall compare:

- (i) the Settlement Exposure Limit on that day with respect to that ForexClear Option Clearing Member and the relevant ForexClear Currency; and
- (ii) the value of the Settlement Exposure Amount on that day with respect to that ForexClear Option Clearing Member, that ForexClear Currency and that Settlement Date.

The "**Settlement Exposure Amount**" means, with respect to a given day of determination, a given ForexClear Option Clearing Member a given ForexClear Currency, and a given Settlement Date, the net expected amount of that ForexClear Currency that the Clearing House has determined, in its sole and absolute discretion, is or will be payable by that ForexClear Option Clearing Member on that Settlement Date under all ForexClear Contracts (other than ForexClear NDF Contracts) to which it is a party.

~~(s)~~(t) If, in relation to a ForexClear Option Clearing Member and a given ForexClear Currency, either:

- (i) the most recent calculation undertaken by the Clearing House under (r) indicates that ~~(s)(ii)(s)(ii)(r)(ii)~~ exceeds ~~(s)(i)(s)(i)(r)(i)~~ for any Settlement Date and that ForexClear Currency; or
- (ii) that ForexClear Option Clearing Member submits for registration a ForexClear Transaction that, immediately following its registration, would have the effect that ~~(s)(ii)(s)(ii)(r)(ii)~~ would exceed ~~(s)(i)(s)(i)(r)(i)~~ for the relevant Settlement Date and that ForexClear Currency,

then the Clearing House shall be entitled, in its sole and absolute discretion, to refuse to register any new ForexClear Contract for that ForexClear Option Clearing Member that may, if registered, result in that ForexClear Option Clearing Member having to

pay a net amount in that ForexClear Currency to the Clearing House under such ForexClear Contract on the applicable Settlement Date, other than (A) any ForexClear NDF Transaction, (B) any ForexClear Transaction that is expressly permitted by this Regulation 100 or Regulation 101, (C) any ForexClear Spot Transaction or ForexClear Deliverable Forward Transaction arising pursuant to the exercise of a ForexClear Option Contract under Regulation 96, or (D) any ForexClear Transaction permitted under Regulation 98.

## REGULATION 103 ALLOCATION OF MANDATORY FOREXCLEAR SWAP CONTRACTS AND MANDATORY SETTLEMENT FOREXCLEAR SWAP CONTRACTS

### *Mandatory Settlement ForexClear Swap Contracts*

- (a) If, following the occurrence of a ForexClear Settlement Event with respect to a ForexClear Option Clearing Member and a given ForexClear Currency, the Clearing House determines that, in accordance with Regulation 100(k)~~Regulation 100(l)~~~~Regulation 100(k)~~, it shall conclude one or more Mandatory Settlement ForexClear Swap Contracts, it shall allocate the Mandatory Settlement ForexClear Swap Contracts arising between it and the applicable ForexClear Option Clearing Members in respect of that ForexClear Settlement Event in accordance with the below, subject always to the provisions of Regulation 108:
- (i) first, the Clearing House shall allocate such Mandatory Settlement ForexClear Swap Contracts amongst all ForexClear Option Clearing Members that are Impacted ForexClear Option Clearing Members in respect of any ForexClear Settlement Event that has occurred on the relevant day (and regardless of the ForexClear Currency that is the subject of such a ForexClear Settlement Event) in the proportions and in the ForexClear Currencies that the Clearing House determines acting in its sole and absolute discretion; and
  - (ii) second, if having allocated Mandatory Settlement ForexClear Swap Contracts in accordance with (i) above, the Settlement Position Amount (denominated in any ForexClear Currency) of any of the Impacted ForexClear Option Clearing Members identified in (i) above exceeds the relevant Settlement Position Limit applicable to that Impacted ForexClear Option Clearing Member (such excess, the "**Remaining SPA Shortfall**"), the Clearing House shall allocate such Mandatory Settlement ForexClear Contracts amongst all other ForexClear Option Clearing Members in the proportions and in the ForexClear Currency the Clearing House determines acting in its sole and absolute discretion, until there is no Remaining SPA Shortfall in respect of any ForexClear Option Clearing Member.

### *Mandatory ForexClear Swap Contracts*

- (b) If, following the occurrence of a ForexClear Liquidity Event with respect to a ForexClear Option Clearing Member and a given ForexClear Currency, the Clearing House determines that, in accordance with Regulation 101(d)(v), it shall conclude one or more Mandatory ForexClear Swap Contracts, it shall allocate the Mandatory ForexClear Swap Contracts arising between it and the applicable ForexClear Option Clearing Members in respect of that ForexClear Liquidity Event in accordance with the below, subject always to the provisions of Regulation 108:
- (i) first, the Clearing House shall allocate such Mandatory ForexClear Swap Contracts amongst all ForexClear Option Clearing Members that are Affected ForexClear Option Clearing Members in respect of any ForexClear Liquidity Event that has occurred on the relevant day (and regardless of the ForexClear Currency that is the subject of such a ForexClear Liquidity Event) in the

proportions and in the ForexClear Currencies that the Clearing House determines acting in its sole and absolute discretion; and

- (ii) second, if having allocated Mandatory ForexClear Swap Contracts in accordance with (i) above, there remains some Relevant FX Liabilities (denominated in any ForexClear Currency) of the Affected ForexClear Option Clearing Member(s) identified in (i) above that have not been extinguished, the Clearing House shall allocate such Mandatory ForexClear Contracts amongst all other ForexClear Option Clearing Members in the proportions and in the ForexClear Currency the Clearing House determines acting in its sole and absolute discretion, until there are no Relevant FX Liabilities outstanding.

**REGULATION 105 FOREXCLEAR OPTION SERVICE – AUTHORITY TO BIND FOREXCLEAR OPTION CLEARING MEMBERS**

- (a) Each ForexClear Option Clearing Member (acting individually) hereby appoints the Clearing House, with full and power and authority of that ForexClear Option Clearing Member, to act as its agent for the following purposes only:
- (i) at any time following the occurrence of a ForexClear Liquidity Event or Settlement Cycle Failure (and where such ForexClear Liquidity Event or Settlement Cycle Failure is continuing, as applicable), to enter into, in the name of, and on behalf of, the ForexClear Option Clearing Member, one or more Mandatory ForexClear Swap Contracts on such terms as the Clearing House shall in its sole and absolute discretion determine, *provided however that*:
- (A) if the ForexClear Option Clearing Member is a Non-Affected ForexClear Option Clearing Member in respect of that ForexClear Liquidity Event, the Clearing House shall not have the authority to enter into any Mandatory ForexClear Swap Contract that would, (i) upon its registration by and with the Clearing House, cause the Net Settlement Amount in relation to the ForexClear Option Clearing Member on the relevant day and in relevant ForexClear Currency to exceed the Settlement Position Limit applicable to the ForexClear Option Clearing Member and the relevant ForexClear Currency on such day, or (ii) exceed the Mandatory ForexClear Swap Limit applicable to that Non-Affected ForexClear Option Clearing Member and the relevant ForexClear Currency; and
- (B) the terms of the Mandatory ForexClear Swap Contract shall be subject to Regulation 101;
- (ii) at the time permitted by Regulation 100(k) and/or Regulation 100(l) in respect of a ForexClear Settlement Event, to enter into, in the name of, and on behalf of, the relevant ForexClear Option Clearing Member, one or more Mandatory Settlement ForexClear Swap Contracts on such terms as the Clearing House shall in its sole and absolute discretion determine, provided however that:
- (A) if the ForexClear Option Clearing Member is a Non-Impacted ForexClear Option Clearing Member in respect of that ForexClear Settlement Event, the Clearing House shall not have the authority to enter into any Mandatory Settlement ForexClear Swap Contract that would, upon its registration by and with the Clearing House, cause the Net Settlement Amount in relation to the ForexClear Option Clearing Member on the relevant day and in relevant ForexClear Currency to exceed the Settlement Position Amount applicable to the ForexClear Option Clearing Member and the relevant ForexClear Currency on such day; and
- (B) the terms of the Mandatory Settlement ForexClear Swap Contracts shall be subject to Regulation 100;

- (iii) to register any Mandatory ForexClear Swap Contracts or Mandatory Settlement ForexClear Swap Contracts entered into under this Regulation in the ForexClear Option Clearing Member's Proprietary Account; and
- (iv) to (A) execute in the ForexClear Option Clearing Member's name and on the ForexClear Option Clearing Member's behalf any document, contract, deed or other agreement, or (B) do, or cause to be done, any acts, in each case as the Clearing House determines (acting reasonably) to be lawfully necessary to give effect to the Mandatory ForexClear Swap Contracts and/or Mandatory Settlement ForexClear Swap Contracts entered into with such ForexClear Option Clearing Member.



**Appendix II**  
Procedures Section 2I



**LCH LIMITED**

**PROCEDURES SECTION 2I**

**FOREXCLEAR CLEARING SERVICE**

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## 1.2 Service Scope

1.2.1 **Eligibility:** ForexClear Transactions may be submitted for clearing through the ForexClear Service. To be eligible to be registered as a ForexClear Contract, a trade must meet the applicable ForexClear Eligibility Criteria (as set out in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time).

### 1.2.2 *Service Operating Hours*

(a) *Opening Days:* The ForexClear Service will be open each day, except weekends, Christmas Day and New Year's Day.

(b) *Opening Hours:* The ForexClear Service will be open between 20:00 local London time Sunday night and 01:00 local London time Saturday morning ("**Opening Hours**"). The ForexClear Service will not accept ForexClear Transactions outside of these hours.

### 1.2.3 *Accounts*

(a) *Proprietary Accounts and Client Accounts*

(i) **Proprietary Accounts**

An FXCCM may request that the Clearing House opens one or more Proprietary Accounts in respect of its House Clearing Business.

Each Proprietary Account will map to two sub-accounts

(A) a position account; and

(B) a collateral account

(ii) **Client Accounts**

(A) **Types of Client Account**

Subject to Regulation 11 (*Client Clearing Business*) and Section 1.12 (~~*ForexClear Client Clearing*~~*ForexClear Client Clearing*) below, an FXCCM may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

(1) Individual Segregated Accounts;

(2) Indirect Gross Accounts;

(3) Non-Identified Client Omnibus Net Segregated Accounts;

- 1.18.1 In connection with ForexClear Spot Contracts, ForexClear Deliverable Forward Contracts, ForexClear Option Contracts and ForexClear Swap Contracts, where applicable, the following Relevant FX Liabilities are payable to CLS by FXCCMs in accordance with the Procedures and/or instructions from the Clearing House:
- (a) Initial Exchange Amounts, Final Exchange Amounts and amounts owed under the Economic Terms of ForexClear Spot Contracts and ForexClear Deliverable Forward Contracts; and
  - (b) Premiums under ForexClear Option Contracts,
- 1.18.2 in each case net of any return of aggregate variation margin or NPV Payments denominated in the same currency and due on the same day.
- 1.18.3 Each ForexClear Option Clearing Member warrants that the Relevant FX Liabilities that are paid to CLS pursuant to Section 1.18.2 are transferred free from any proprietary, equitable or other similar interest of any person.
- 1.18.4 Each ForexClear Option Clearing Member shall at all times maintain complete and accurate written records of all Payment Transfer Orders given by it (or on its behalf) to its Member Settlement Bank(s) in respect of all amounts under all of the ForexClear Contracts (other than ForexClear NDF Contracts) registered in its name from time to time. Upon demand by the Clearing House, a ForexClear Option Clearing Member shall immediately provide all such records to the Clearing House.
- 1.19 Settlement Limits for ForexClear Option Contracts, ForexClear Deliverable Forward Contracts, ForexClear Spot Contracts and ForexClear Swap Contracts**
- 1.19.1 Subject to the Regulations, the Clearing House shall, in its sole and absolute discretion, determine from time to time the Settlement Position Limit and Settlement Exposure Limit in respect of each ForexClear Clearing Member and each ForexClear Currency. The Clearing House shall notify each ForexClear Clearing Member of the Settlement Position Limit and Settlement Exposure Limit applicable to it via the ForexClear Service Portal.
- 1.19.2 If, on a given day, at 10:00AM Eastern Standard Time, the Settlement Position Limit of a ForexClear Clearing Member and a given ForexClear Currency Pair is exceeded by the Settlement Position Amount on that day with respect to that ForexClear Clearing Member and that ForexClear Currency Pair, the Clearing House may take the actions specified in Regulation 100 or such other actions as it deems necessary, including requesting that ForexClear Clearing Member to transfer extra Collateral in respect of Initial Margin.
- 1.20 Mandatory ForexClear Swap Limit**
- 1.20.1 Subject to the Regulations, the Clearing House shall, in its sole and absolute discretion, determine from time to time the Mandatory ForexClear Swap Limit in respect of each ForexClear Clearing Member and each ForexClear Currency. The Clearing House shall notify each ForexClear Clearing Member of the

Mandatory ForexClear Swap Limits applicable to it via the ForexClear Service Portal.

### 1.21 ForexClear Settlement Reduction Service

1.21.1 The Clearing House offers an optional “ForexClear Settlement Reduction Service” to ForexClear Option Clearing Members to facilitate the registration of ForexClear Transactions in connection with a ForexClear Settlement Event.

1.21.2 ForexClear Option Clearing Members who wish to opt-in to the ForexClear Settlement Reduction Service must provide notice to the Clearing House (the form and manner of such notice shall be prescribed by the Clearing House from time to time). The Clearing House may accept a request to join the ForexClear Settlement Reduction Service in its sole discretion.

1.21.3 From the occurrence of a ForexClear Settlement Event to (but excluding) 5:00PM Eastern Standard Time on the same day, the Clearing House may bind and conclude one or more Mandatory Settlement ForexClear Swap Contracts between the Impacted ForexClear Option Clearing Member or any other ForexClear Option Clearing Member who has opted-in to the ForexClear Settlement Reduction Service on the one hand, and the Clearing House on the other hand, in each case on such terms as the Clearing House shall in its sole and absolute discretion determine (but, subject in all cases to the requirements set forth in Regulations 100 and 105).

1.21.4 Following the conclusion of the given ForexClear Settlement Event, the Clearing House shall provide notice to each ForexClear Option Clearing Member specifying the Mandatory Settlement ForexClear Swap Contracts (if any) entered into on behalf of such ForexClear Option Clearing Member. The Clearing House shall prescribe the form and manner of such notice from time to time in its sole discretion.

1.21.5 The Clearing House does not guarantee the conclusion of the given ForexClear Settlement Event through the process set forth in paragraph 1.21.3 above.