

VIA CFTC PORTAL

18 November 2022

Mr. Christopher Kirkpatrick
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington, DC 20581

LCH Limited Self-Certification: ForexClear NDO and Compression Service Fee Holiday Extension and Removal of Fee Discount for Non-Deliverable products

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 website changes to accommodate an extension of the ForexClear fee holiday for Non-Deliverable Options (NDOs) and the ForexClear compression service, as well as a removal of a monthly fee discount for the Clearing Member clearing the most non-deliverable FX volume by trade count.

Part I: Explanation and Analysis

The ForexClear service charges fees to Clearing Members in relation to their activity in eligible deliverable and non-deliverable FX products, as appropriate¹. These include fixed and variable components and are charged at the Clearing Member Group level. LCH will extend a fee holiday for NDOs and the ForexClear compression service, as well as removal a monthly fee discount for the Clearing Member clearing the most non-deliverable FX volume by trade count.

Part II: Description of Rule Changes

There are no rulebook changes as part of this change, only the ForexClear website on fees will be updated as a result. The changes will include:

- Under the Non-deliverable FX only fees section, the exemption from NDOs clearing fees for Silver, Bronze and Client Tariffs will be **extended until 31 December 2023** from 31 December 2022.

¹ [Fees | LCH Group](#)

An LSEG Business

- Under the *Compression Fees (Member & Client Clearing)* section, Gold, Silver, Bronze, Zinc and Client Tariffs will not be charged for using the ForexClear Compression Service **until 1st January 2024**, from 1st January 2023.
- Under the *Fee Discounts* section for *ForexClear Non-Deliverable Service*, the current monthly fee discount of £15,000 for the Clearing Member clearing the most non-deliverable FX volume by trade count will be removed all together. This had been introduced previously as a temporary discount.

The changes to the ForexClear fees webpage are set out in **Appendix I**. The changes will be published on the webpage no earlier than December 8, 2022.

Part III: Core Principle Compliance

LCH reviewed the proposed changes against the requirements of the Core Principles and finds it will continue to comply with all the requirements and standards set forth therein. Specifically, these rule changes have potential relevance to Core Principle L under CFTC regulation §39.21 (Public information).

The changes described in this filing ensure that LCH meets the objectives of Core Principle L (§39.21) on Public information, which requires DCOs to make available publicly each clearing and other fee charged to Clearing Members. Publishing the changes to ForexClear clearing fees in a timely manner will provide sufficient information to market participants to enable them to identify and evaluate accurately the costs associated with using its services.

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 aleksandra.wojcik@lseg.com.

Yours sincerely,



Aleksandra Wojcik
Compliance Officer
LCH Limited

Appendix I

Website changes (ForexClear fees)

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

Fees

ForexClear Clearing Members may be members of either or both of the ForexClear Deliverable Service and the ForexClear Non-Deliverable Service. ForexClear Clearing Members may choose from a variety of fee tariffs: Gold – Combined Tariff, Bronze, Silver and Zinc. Each tariff covers all house trade registration activity for a ForexClear Clearing Member Group.

ForexClear Gold Tariff – Combined Non-Deliverable and Deliverable FX Fee

Annual Tariff*	Options/ NDOs Fee / million**	FX spot / Forward Hedges/ Swap Hedges and NDF Fee / million	FX Forwards and FX Swaps Settlement Fee** / million***	Annual Fee Cap
GBP 1,250,000	GBP 2.50	n/a	0.2 EUR or USD	GBP 1,850,000

*The Annual Tariff includes unlimited clearing volumes for FX Swaps, FX Forwards and FX Spot (that (in each case) are not cleared for the purpose of hedging FX Options) until 1st January 2024.

**Options and NDOs fees are applicable beyond the first \$60bn cumulative notional cleared in each calendar year.

*** Only applicable to FX Swaps and FX Forwards transactions that (in each case) are not cleared for the purpose of hedging FX Options (which hedging is undertaken either to reduce initial margin requirements or reduce settlement risk).

Non-Deliverable FX Only Fees**

Tariff	Annual Tariff	EMTA NDF Fee / million	Non-EMTA NDF Fee / million
Client	n/a	US\$ 2	US\$ 1
Silver	GBP 825,000	n/a	n/a
Bronze	US\$ 350,000*	US\$ 2	US\$ 1

*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 clearing fees until 31st December 2023.

Deliverable FX Only Fees

Tariff	Annual Tariff	FX Options Fee / million	FX spot / Forward Hedges and Swap Hedges Fee / million	FX Forward Settlement Fee / million**	Annual Fee Cap
Silver	GBP 885,000	n/a	n/a	0.2 EUR or USD	
Zinc	GBP 545,000*	GBP 2.50	n/a	0.2 EUR or USD	GBP 1,145,000
Bronze	US\$ 400,000	US\$ 2	US\$ 2	0.2 EUR or USD	

Note: New Clearing Members of the ForexClear Deliverable Service will be eligible for a fee discount - please refer to 'Fee Discounts'

* The Zinc Annual Tariff includes unlimited clearing volumes for FX Swaps, FX Forwards and FX Spot that (in each case) are not cleared for the purpose of hedging FX Options) until 1st January 2024.

**Only applicable to FX Swaps and FX Forwards transactions that (in each case) are not cleared for the purpose of hedging FX Option (which hedging is undertaken either to reduce initial margin requirements or reduce settlement risk).

Member Fees

Where a ForexClear Clearing Member wishes to move from a lower fee tariff to a higher fee tariff, including to the combined Non-Deliverable and Deliverable Gold Tariff, if the Member gives notice by the 20th of the preceding month, it will move to the newly elected fee tariff effective the 1st of the following month. From that month the remaining monthly instalments of the calendar year will be payable at the newly elected fee tariff irrespective of fee amounts already invoiced under the ForexClear Clearing Member's previous fee tariff. ForexClear Clearing Members may only move to a lower fee tariff at the start of the new calendar year.

Compression Fees (Member & Client Clearing)

- Gold, Silver, Bronze, Zinc and Client tariffs will not be charged fees for using the ForexClear Compression Service until 1st January 2024.
- Thereafter, 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 ForexClear Clearing Member Group for compression of Member Group trades (i.e. proprietary trades).
- There is no cap on compression fees for clients.

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 month for each independent Client Clearing portfolio.

Fee Discounts

ForexClear Non-Deliverable Service

~~The ForexClear Clearing Member on the Silver or Bronze tariff 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 and will end on 31st December 2022.~~

ForexClear Deliverable Service

When first selecting the Deliverable Silver or Bronze tariff, the first 3 months of fixed and variable fees will be waived.

Settlement Reduction Fees for the Deliverable Service

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	0.26	0.23	0.2	0.22	0.2

EMIR Account Structures

For more information on EMIR account structure charges please click [here](#)

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 or the combined 'Gold' tariff.

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.