

VIA CFTC PORTAL

15 October 2020

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

**LCH Limited Self-Certification: ForexClear tariff waiver for Non-deliverable Options**

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 an amendment to the ForexClear fee schedule regarding Non-deliverable Options ("NDOs").

**Part I: Explanation and Analysis**

From October 19, LCH plans to extend the ForexClear product offering to include non-deliverable European Vanilla FX Options on five G10 currency pairs (AUD/USD, EUR/USD, GBP/USD, USD/JPY, USD/CHF) and four EM currency pairs (USD/BRL, USD/INR, USD/KRW, USD/TWD).

LCH proposes not to apply fees to Clearing Members clearing NDOs until December 31, 2020. After such date, NDOs will be subject to the current fee plan applicable to the non-deliverable products<sup>1</sup>.

The changes will be effective not earlier than October 29, 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.

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<sup>1</sup> Under the current plan, the fees differ according to the tariff chosen by Clearing Members (i.e. Bronze or Silver) and may consist of an annual charge and a charge based on the clearing activity.

**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](mailto: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

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

\*Non-deliverable bronze tariff is capped at US\$ 1,250,000 per calendar year.

\*\* Non-Deliverable Options are exempted from tariffs until 31<sup>st</sup> December 2020.

## Deliverable FX Fees

Deliverable*	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	na	na	0.2 EUR or USD

\*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)**

Members and Clients will not be charged fees for using the ForexClear Compression Service until 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

1. [Notional amount of trade] \* the Per Million (US\$) Notional fee from the relevant Tier in the schedule above.
2. 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**

The 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 Clearing Member's monthly fee bill in arrears.

#### **Deliverable**

New Clearing Members of the deliverable service will be eligible for their first 4-months free.

### **Settlement Reduction Fees for Deliverable 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:

	<b>AUD</b>	<b>CHF</b>	<b>EUR</b>	<b>GBP</b>	<b>JPY</b>
<b>Bps on notional</b>	0.15	0.3	0.15	0.25	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.