

VIA CFTC PORTAL

13 December 2018

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 changes**

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 changes to the tariffs applicable to the ForexClear clearing service.

**Part I: Explanation and Analysis**

ForexClear is making separate changes to the tariffs applicable to the Non-deliverable Forwards and FX Options products.

Non-deliverable Forwards

The respective fixed annual and monthly fees for the two tariffs available, the Bronze and Silver tariffs, will increase as follows:

Tariff	Monthly		Annual	
	Current	New	Current	New
Bronze	USD 20,833	USD 29,166	USD 250k	USD 350k
Silver	EUR 62,500	GBP 68,750	EUR 750k	GBP 825k

In respect to the Bronze tariff, there will be a reduction in the variable fees: from USD 3 to USD 2 per million notional for Emerging Market (EM) currencies and \$1 per million notional for G10 currencies.

The client clearing fees for EM NDF would also be changed to \$2 per million notional for both tariffs (down from USD 3 for first USD 300bn and then USD 1.5 above USD 300bn). Client clearing fees for G10 NDF will remain at \$1 per million notional.

## FX Options

Following the launch of FX Options in May 2018, ForexClear introduced a fee structure whereby institutions that joined the service within 3 months of the launch date would be subject to lower annual clearing and settlement fees compared to institutions joining beyond that time (i.e. EUR 1,275k vs EUR 1,425k). In 2019, ForexClear will start charging all Clearing Members a single annual fee of £885k, which will be the Silver tariff. Alongside this tariff, ForexClear is introducing a Bronze tariff with a fixed annual fee of \$400k and \$2 per million on options and hedges.

The changes will be effective on, or after, January 1, 2019.

## **Part II: Description of Rule Changes**

There are no changes to the LCH Rulebook, however LCH will make changes to its website to highlight the fee changes explained above (**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.

## **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



Julian Oliver  
Chief Compliance Officer  
LCH Limited

**Appendix I**

Website changes (ForexClear fees)

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

**Non Deliverable FX fees**

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

\*Non deliverable bronze tariff is capped at US\$ 900,000. This is equal to a maximum of US\$ 275bn EM NDF or US\$ 550bn G10 NDF notional cleared or combination thereof.

Deliverable FX Fees

<u>Deliverable</u>	<u>Tariff</u>	<u>Annual Tariff</u>	<u>Monthly Tariff</u>	<u>FX Options Fee / mn</u>	<u>FX spot / forward hedges Fee / mn</u>
	<u>Bronze</u>	<u>US\$ 400,000</u>	<u>US\$ 33,333</u>	<u>US\$ 2</u>	<u>US\$ 2</u>
	<u>Silver</u>	<u>GBP 885,000</u>	<u>GBP 73,750</u>	<u>Na</u>	<u>na</u>

	<b>Member Silver</b>	<b>Member Bronze</b>	<b>Client Clearing</b>
-			
<b>NDF Fixed Monthly Tariff</b>	EUR 62,500	US\$ 20,833	n/a
<b>Fixed Tariff Comparison Annual Cost</b>	EUR 750,000	US\$ 250,000	n/a
<b>EM NDF Variable Tariff Charges</b>	-	-	-
<i>Total Cleared Calendar Year EM Notional (US\$ bn)</i>	<i>-Fee/Mn</i>	<i>-Fee/Mn</i>	<i>Fee/Mn</i>
0-300	Included	US\$ 3.0	US\$ 3.0
≥300	Included	n/a	US\$ 1.5
<b>G10 NDF Variable Tariff Charges*</b>	Included	US\$ 1.0*	US\$ 1.0*

\*G10 NDF Fee holiday until 31 December 2018

## Member fees

A Member Group may choose from two fee tariffs, Bronze or Silver, covering all inter-dealer trade registration activity for a clearing member group.

Where a Member wishes to move from the Bronze Tariff to the Silver tariff, if they give notice by the 20th of the preceding month, they will move to the Silver tariff for 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 not move from the Silver tariff to the Bronze tariff.

## Compression Fees (Member & Client Clearing)

Members and Clients will be charged US\$1 per US\$1million 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. ~~Proprietary trading.~~

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. The Tier applicable to the trade is determined by the YTD notional cleared in the independent Client Clearing portfolio for Client Clearing, or Bronze Members portfolio for Bronze Member Groups prior to that trade clearing. Where a trade results in the YTD notional cleared falling across two fee tiers, the trade will be apportioned between each tier on a pro-rata basis.~~

~~3. ForexClear Client Clearing fees are calculated based on the total cleared notional in a calendar year for each independent Client Clearing portfolio.~~

## ~~Deliverable FX fees~~

### ~~Clearing and Settlement Fees~~

~~FX Option clearing and settlement fees, charged at member group level, cover the trade registration and processing of all eligible FX Option trades and FX Option hedges across all offered currency pairs.~~

~~For institutions that have signed an early commitment letter to join the service and are subsequently accepted as members within 3 months of the launch date, the annual clearing and settlement fees will be: €1,275,000 to the end of the first calendar year.~~

~~For institutions joining 3 months or more after the initial launch date, the annual clearing and settlement fee will be €1,425,000.~~

## 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.