20 September 2018

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

LCH Limited Self-Certification: Hong Kong Dollar (HKD) peg with the US Dollar

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 remove LCH’s right to terminate a Hong Kong Dollar ("HKD") SwapClear Contract in the event of changes in the exchange rate between HKD and US Dollar ("USD").

Part I: Explanation and Analysis

Currently, LCH can terminate a HKD SwapClear Contract in the event the exchange rate between the HKD and USD varies from the 7.8:1 peg. LCH has now determined that this termination right (and associated peg) is no longer necessary. LCH proposes to remove this reference in the Product Specific Contract Terms and Eligibility Criteria Manual.

The rule changes will go live on, or after, 05 October 2018.

Part II: Description of Rule Changes

Section 3.2.5 of Schedule 2 (SwapClear) of the “Product Specific Contract Terms and Eligibility Criteria Manual” has been deleted. This section provided LCH the right to terminate a HKD SwapClear Contract in the event the exchange rate between the HKD and USD varies from 7.8:1.

The texts of the rule changes are attached hereto as Appendix I, the Product Specific Contract Terms and Eligibility Criteria Manual.

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

[Signature]

Julian Oliver
Chief Compliance Officer
LCH Limited
Appendix I
The Product Specific Contract terms and eligibility criteria manual
3.2.2 For the purposes of this provision events associated with EMU include those set out in the "EMU Continuity Provision" published by ISDA.

3.2.3 In addition, in relation to an occurrence of an event associated with EMU, the Clearing House may from time to time, by notice delivered to the SwapClear Clearing Members and SwapClear Dealers, give directions as to changes, if any, to these SwapClear Contract Terms and to its Procedures. Any such notice may provide that the changes to the SwapClear Contract Terms, and/or Procedures, may take effect so as to apply to SwapClear Contracts registered in a SwapClear Clearing Member's name at the time such amendment comes into effect if the Clearing House so determines.

3.2.4 The accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by any SwapClear Clearing Member or a SwapClear Dealer shall not invalidate the amendment with which the notice is concerned.

3.2.5 Where a SwapClear Contract is in Hong Kong Dollars, the parties agree that it is a fundamental basis and condition of the contract that at the registration of this SwapClear Contract and for the duration of this contract, the Hong Kong dollar rate of exchange against the US Dollar is 7.8 Hong Kong Dollars to one US Dollar. In the event that such exchange rate should vary for any one or more day at any time during the contract, the Clearing House shall have the right, on the giving of written notice, to terminate this contract forthwith.

3.3 Negative Interest Rates

The "Negative Interest Rate Method" as set out in Article 6.4(b) of the ISDA Definitions, will apply to a SwapClear Contract.

3.4 Withholding Tax Provisions

3.4.1 All payments under the General Regulations, a SwapClear Contract or any SwapClear Transaction will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by Applicable Law, as modified by the practice of any relevant governmental revenue authority, then in effect. If the Clearing House or a Clearing Member is so required to deduct or withhold, then the Clearing House or the Clearing Member ("X") will:

(i) promptly notify the recipient ("Y") of such requirement;

(ii) pay to the relevant authorities the full amount required to be deducted or withheld (in the case of a Clearing Member as X, including the full amount required to be deducted or withheld from any amount paid by the Clearing Member to the Clearing House under Section 3.4.1, Section 2.4.2 or Section 3.4.3) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y; and

(iii) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities.