

VIA CFTC PORTAL SUBMISSION

21 July 2017

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

Dear Mr. Kirkpatrick:

LCH Limited ("LCH"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification, pursuant to CFTC regulation §40.6(a), Rulebook changes in respect of the ForexClear service. These changes will take effect on or after August 7, 2017.

Part I: Explanation and Analysis

LCH is making small changes to its Rulebook Procedures Section 2I and FCM Procedures in respect of the ForexClear service to ensure alignment between these and the Product Specific Contract Terms and Eligibility Criteria Manual (Schedule 6) and the FCM Product Specific Contract Terms and Eligibility Criteria Manual (Schedule 3). The amendments to Procedures Section 2I and FCM Procedures are set out in Part II below.

Part II: Description of Rule Changes

<i>Procedures Section 2I</i>	<i>Explanation</i>
1.3.3(a)(ii) 1.3.3(b)	<ul style="list-style-type: none"> – Removal of sub-paragraph; and – Insertion of new paragraph which provides for a "Counterparty Technical Validation Check". – Renumbering of sub-paragraphs as a result of above changes.
<i>FCM Procedures</i>	<i>Explanation</i>
2.2.8(a)	<ul style="list-style-type: none"> – Removal of sub-paragraphs (i)-(vii), and – Insertion of new paragraph which provides for a "Counterparty Technical Validation Check". – Renumbering of sub-paragraphs as a result of above changes.

Part III: Core Principle Compliance

LCH has concluded that compliance with the Core Principles will not be adversely impacted by this change, and in particular complies with Core Principles C.

Part IV: Public Information

LCH has posted a notice of pending certification with the CFTC and a copy of this submission on the LCH 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 this change.

Certification

LCH hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in 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

Yours sincerely,



Julian Oliver, Chief Compliance Officer

LCH Rule Submission

Appendix A

Procedures Section 2I (ForexClear Service)



LCH.CLEARNET LIMITED

PROCEDURES SECTION 2I

FOREXCLEAR CLEARING SERVICE

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FXCCMs must not submit instructions to the Clearing House for trades which will not meet the ForexClear Eligibility Criteria. The Clearing House will register a ForexClear Transaction on the basis of the data provided to it by the ForexClear Approved Trade Source System and has no obligation to verify that the details received from the ForexClear Approved Trade Source System in respect of a ForexClear Transaction properly reflect the trade entered into by the relevant FXCCMs.

Application for ForexClear Approved Trade Source System status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of ForexClear Approved Trade Source System currently approved by the Clearing House is available on the Clearing House's website. Where the Clearing House approves additional ForexClear Approved Trade Source System, it will notify FXCCMs via a member circular.

The Clearing House is not able to, and will not, verify the authorisation of the source of any details of any ForexClear Transaction reported to it for registration by the ForexClear Approved Trade Source System. The Clearing House shall have no liability in the event that any FXCCM suffers any loss through the unauthorised input of details into a system of a ForexClear Approved Trade Source System.

Notwithstanding the designation by the Clearing House of a system as a ForexClear Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any ForexClear Approved Trade Source System or the timeliness or otherwise of the delivery of any ForexClear Transaction details by that ForexClear Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FXCCM and the ForexClear Approved Trade Source System and the terms of such relationship may entitle the ForexClear Approved Trade Source System to suspend the ability of an FXCCM to make submissions from time to time.

The Clearing House accepts no liability for any error within or corruption of any data sent by the ForexClear Approved Trade Source System to the Clearing House or to an FXCCM or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any ForexClear Contract(s) on the basis of incorrect or corrupted data sent to it by a ForexClear Approved Trade Source System, the FXCCM(s) concerned shall be bound by the terms of such ForexClear Contract(s), unless the ForexClear Contract is subsequently cancelled in accordance with Regulation 91 (*Cancellation of ForexClear Contracts*).

1.3.3 Trade Validation and Registration

(a) Process Flow Description

- (i) The Clearing House performs a validation check on each trade submitted by FXPs to ensure that each such trade meets the ForexClear Eligibility Criteria and the Counterparty Technical

Validation Check (as defined ~~below~~ in paragraph (b)) and Incremental Risk Checks (as defined ~~at~~ in paragraph ~~(b)~~ (c)) of this Section 1.3.3 (*Trade Validation and Registration*) required for ForexClear Transactions (together the "**Validation Checks**").

~~(ii)~~ (ii) The fields checked are as follows:

~~(A)~~ (A) *Counterparties*: ~~(a) are both parties submitting trade particulars FXPs and (b) has each FXCCM in whose name the ForexClear Contract is to be registered not been declared a Defaulter by the Clearing House? (together, the "Counterparty Technical Validation Check");~~

~~(B)~~ (B) *Trade type*: is the instrument type an NDF?

~~(C)~~ (C) *Economic Terms*: does the trade include all the Economic Terms?

~~(D)~~ (D) *Currency Pairs*: are the Reference Currency and the Settlement Currency a Currency Pair (as defined in the Product Specific Contract Terms and Eligibility Criteria Manual).

~~(E)~~ (E) *Settlement Currency*: is the Settlement Currency USD?

~~(F)~~ (F) *Trade tenor eligibility*: does the scheduled Settlement Date fall on a date: (a) not earlier than three business days immediately following the date on which the trade is submitted to the Clearing House for registration (the "**Submission Date**") and (b) not later than the date falling two calendar years plus two business days immediately following the Submission Date? If the ForexClear Transaction arrives after the ForexClear date roll (00:00 local London time), the Submission Date is defined as the next good business day.

~~(G)~~ (G) *Valuation Date and Settlement Date*: do the Valuation Date and Settlement Date for the ForexClear Transaction fall on a valid Business Day for the Currency Pair to which the ForexClear Transaction relates? Does the Settlement Date fall on a valid Business Day after the Valuation Date? FXCCMs should refer to the Relevant EMTA Template for further details of the relevant Business Days for determining the Valuation Date and the Settlement Date.

~~(iii)~~ (ii) Trades that pass the Validation Checks are accepted and two trade records are created for the ForexClear Transaction: one for the ForexClear Contract between the Clearing House and

the first FXCCM to the ForexClear Transaction and the other for the ForexClear Contract between the Clearing House and the second FXCCM to the ForexClear Transaction.

~~(iv)~~(iii) Provided each FXCCM has transferred sufficient Collateral to the Clearing House, the Clearing House will send a message via the ForexClear Approved Trade Source System confirming the registration or, where the trade fails a Validation Check, the trade will be rejected and a status message will be sent to the ForexClear Approved Trade Source System giving a reason for rejection.

~~(v)~~(iv) As provided in paragraph 1.2.5(d) (*Novation and Registration*), in respect of messages confirming registration, the time of dispatch of such message shall be the Registration Time of that ForexClear Contract.

~~(vi)~~(v) The internal sub-account (i.e. FXCCM, branch, or FXD) into which each trade record is booked is derived from the BIC code within the message from the ForexClear Approved Trade Source System. The BIC links to the FXCCM reference data.

~~(vii)~~(vi) Both new trade records arising out of the ForexClear Transaction have the same unique ForexClear ID (the "**ForexClear ID**"). Any further events or actions are applied on the basis of this ForexClear ID, to ensure consistency.

(b) "Counterparty Technical Validation Check." The counterparties to each trade (a) are both parties submitting trade particulars FXPs, (b) are each a Non-Defaulting FXCCM and (c) are approved by the Clearing House to clear the relevant trade type.

~~(b)~~(c) *Incremental Risk Checks*

(i) The Clearing House will apply an "**Incremental Risk Check**" to each individual ForexClear Transaction. The Incremental Risk Check uses a suitable approximation methodology to estimate an FXCCM's Liabilities (including the new ForexClear Transaction) against available Collateral (taking into account any MER Buffer and MCE made available by the Clearing House, if any). However, any ForexClear Transaction submitted by that FXCCM that is risk reducing (i.e. results in a reduction of that FXCCM's Liabilities) will always pass the Incremental Risk Check, even if the FXCCM has not transferred sufficient Collateral in respect of its Liabilities to the Clearing House.

(ii) Both FXCCMs to the ForexClear Transaction must pass the Incremental Risk Check in order for the Clearing House to register two ForexClear Contracts in those FXCCM's names.

- (iii) If either (or both) FXCCM(s) to a ForexClear Transaction fail(s) the Incremental Risk Check(s), then the ForexClear Transaction will be rejected immediately, and a rejection message will be issued to the ForexClear Approved Trade Source System indicating which (or both) FXCCM(s) has failed the Incremental Risk Check(s).

~~(e)~~(d) *Registration*

- (i) Once it is confirmed that the transaction has passed the Validation Checks for the relevant FXCCMs, the Clearing House:
 - (A) registers each ForexClear Transaction as two ForexClear Contracts and changes the status for each ForexClear Transaction to "NOVATED" and informs the ForexClear Approved Trade Source System; and
 - (B) in respect of relevant ForexClear Contracts being cancelled, cancels the relevant ForexClear Contracts and changes the ForexClear Contract status of each relevant ForexClear Contract to "CANCELLED".
- (ii) The Clearing House acknowledges the ForexClear Contract status and sends a message to the ForexClear Approved Trade Source System that the ForexClear Transaction/ForexClear Contract (as the case may be) is either "NOVATED" or "CANCELLED" as appropriate.

1.3.4 *Manual Trade Rejection, Novation and Cancellation (Exceptional Event)*

- (a) From time to time, as an exceptional event, it may be necessary for the Clearing House to: (i) reject a trade submitted for registration; (ii) register a ForexClear Transaction; or (iii) accept or reject a cancellation request for a ForexClear Contract or a ForexClear Transaction, in each case manually prior to a Margin Run, (e.g. in the case of a default event, when a ForexClear Transaction needs to be registered immediately to expedite the hedging and auction process or to reject a ForexClear Transaction received from a defaulted FXCCM).
- (b) The Clearing House acknowledges the action and sends a status message to the ForexClear Approved Trade Source System of either "REJECTED" in respect of trades being manually rejected; "NOVATED" in respect of trades being manually registered; and "CANCELLED" in respect of a ForexClear Contract or a ForexClear Transaction being manually cancelled, as appropriate.

LCH Rule Submission

Appendix B

FCM Procedures



FCM PROCEDURES OF THE CLEARING HOUSE

LCH LIMITED

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FX FCMs must not submit instructions to the Clearing House for trades which will not meet the FCM ForexClear Eligibility Criteria. The Clearing House will process any FCM ForexClear Transaction reported to it by an FCM Approved Trade Source System on an “as is” basis, and subject to the FCM Regulations and these FCM Procedures, will register any such FCM ForexClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and approved by the relevant FCM Clearing Member. The Clearing House has no obligation to verify that the details received, properly reflect the trade entered into by the relevant Executing Parties.

The Clearing House accepts no liability for any error within or corruption of any data sent by an FCM Approved Trade Source System to the Clearing House or to an FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM ForexClear Contract on the basis of incorrect or corrupted data sent to it by an FCM Approved Trade Source System and accepted by an FCM Clearing Member, the FCM Clearing Member concerned shall be bound by the terms of such FCM ForexClear Contract, unless the FCM ForexClear Contract is subsequently cancelled in accordance with FCM Regulation 49 (*Cancellation of FCM ForexClear Contracts*).

FCM Clearing Members shall ensure that transaction details accepted for registration are accepted by appropriately authorized personnel. Apart from the foregoing acceptance, the Clearing House is not able to, and will not, verify the authorization of the source of any details of any transaction reported to it for registration by any FCM Approved Trade Source System. The Clearing House shall have no liability in the event that any FCM Clearing Member suffers any loss through the unauthorized acceptance of an FCM Notification.

2.2.8 Trade Validation and Registration

(a) Process flow description

The Clearing House performs a validation check on each trade submitted by FXPs to ensure that each such trade meets the FCM ForexClear Eligibility Criteria and the Counterparty Technical Validation Check (as defined below) and Incremental Risk Checks (as defined in Section ~~2.2.8(b)~~~~2.2.8(b)~~ required for FCM ForexClear Transactions (together the “**Validation Checks**”).

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~~The fields checked are as follows:~~

- ~~(i) **Counterparties:** (a) are both parties submitting trade particulars FXPs and (b) has each FXCCM in whose name the FCM ForexClear Contract is to be registered not been declared a defaulter by the Clearing House? (together, the “**Counterparty Technical Validation Check**”);~~

- ~~(ii) — **Trade type:** is the instrument type an NDF?~~
- ~~(iii) — **Economic Terms:** does the trade include all the Economic Terms (as defined in Part A of Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual)?~~
- ~~(iv) — **Currency Pairs:** are the Reference Currency and the Settlement Currency a Currency Pair (as defined in Schedule 2 to the FCM Product Specific Contract Terms and Eligibility Criteria Manual)?~~
- ~~(v) — **Settlement Currency:** is the Settlement Currency USD?~~
- ~~(vi) — **Trade tenor eligibility:** does the scheduled Settlement Date fall on a date: (a) not earlier than three Business Days immediately following the date on which the trade is submitted to the Clearing House for registration (the "**Submission Date**") and (b) not later than the date falling two calendar years plus two Business Days immediately following the Submission Date? If the FCM ForexClear Transaction arrives after the ForexClear date roll (22.00 hours, London time), the Submission Date is defined as the next good business day.~~
- ~~(vii) — **Valuation Date and Settlement Date:** do the Valuation Date and Settlement Date for the FCM ForexClear Transaction fall on a valid Business Day for the Currency Pair to which the FCM ForexClear Transaction relates? Does the Settlement Date fall on a valid Business Day after the Valuation Date? FXCCMs should refer to the Relevant EMTA Template for further details of the relevant Business days for determining the Valuation Date and Settlement Date.~~

Trades that pass the Validation Checks are accepted and two trade records are created for the FCM ForexClear Transaction: one for the FCM ForexClear Contract between the Clearing House and the first FX FCM to the FCM ForexClear Transaction and the other for the FCM ForexClear Contract between the Clearing House and the second FX FCM to the FCM ForexClear Transaction (or the ForexClear Contract between the Clearing House and the ForexClear Clearing Member to the corresponding ForexClear Transaction pursuant to the UK General Regulations).

"Counterparty Technical Validation Check." The counterparties to each trade (a) are both parties submitting trade particulars FXPs, (b) are each a Non-Defaulting FX FCM and (c) are approved by the Clearing House to clear the relevant trade type.

Provided each FXCCM has sufficient Margin, the Clearing House will send a message via the FCM Approved Trade Source System confirming the registration or, where the trade fails a Validation Check, the trade will be rejected and a status message will be sent to the FCM Approved Trade Source System giving a reason for rejection.

As provided in Section 2.2.7, in respect of messages confirming registration, the time of dispatch of such message shall be the Registration Time of that FCM ForexClear Contract.

The account (H or C) and sub-account (if applicable) into which each trade record is booked is derived from the BIC/unique identifier code within the message from the FCM Approved Trade Source System. The BIC links to the FX FCM reference data.

Both new trade records arising out of the ForexClear Transaction have the same unique ForexClear ID (the “**ForexClear ID**”). Any further events or actions are applied on the basis of this ForexClear ID, to ensure consistency.

(b) *Incremental Risk Checks*

The Clearing House will apply an “**Incremental Risk Check**” to each individual FCM ForexClear Transaction. The Incremental Risk Check uses a suitable approximation methodology to estimate an FX FCM's Liabilities (including the new FCM ForexClear Transaction) against available Margin (taking into account any MER Buffer and MCE made available by the Clearing House, if any). However, any FCM ForexClear Transaction submitted by that FXCCM that is risk reducing (i.e. results in a reduction of that FX FCM's Liabilities) will always pass the Incremental Risk Check, even if the FX FCM does not have sufficient Margin for its Liabilities.

Both FXCCMs to the FCM ForexClear Transaction must pass the Incremental Risk Check in order for the Clearing House to register two FCM ForexClear Contracts (or one FCM ForexClear Contract and one Non-FCM ForexClear Contract, as applicable) in those FXCCM's names.

If either (or both) FXCCM(s) to an FCM ForexClear Transaction fail(s) the Incremental Risk Check(s), then the FCM ForexClear Transaction will be rejected immediately, and a rejection message will be issued to the FCM Approved Trade Source System indicating which (or both) FXCCM(s) has failed the Incremental Risk Check(s).

(c) *Registration*