

VIA CFTC PORTAL SUBMISSION

08 May 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), a Rulebook change to implement an amendment to the remuneration applied to the ForexClear service default fund contributions. LCH intends this change to take effect on or after May 23, 2017.

Part I: Explanation and Analysis

LCH is clarifying the process with respect to the remuneration applied to the ForexClear default fund member contributions, and the rate and spread which may be applied.

Part II: Description of Rule Changes

Accordingly LCH is making a change to its Rulebook Default Rules, specifically Schedule 5 (ForexClear Default Fund Supplement), paragraph F6. A black-line of the applicable section reflecting this amendment is attached as Appendix A.

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 B.

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

Default Rules



LCH.CLEARNET LIMITED
DEFAULT RULES

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SCHEDULE 5
FOREXCLEAR DEFAULT FUND SUPPLEMENT

- F1. In accordance with and subject to Rule F2, the amount of each ForexClear Clearing Member's ForexClear Contributions shall be determined by the Clearing House as soon as practicable after each ForexClear Determination Date as appropriate on the basis of information available as at close of business on such ForexClear Determination Date and notified to such FXCCM as soon as practicable after such determination in accordance with the Procedures.
- F2. Each FXCCM's ForexClear Contribution (other than any ForexClear Unfunded Contribution or any Supplementary Contribution) shall be determined by the Clearing House in accordance with the following provisions:
- (a) determinations will be made by the Clearing House on the date that an FXCCM joins the ForexClear Service, and at the close of business on the first business day of each subsequent month, and otherwise in accordance with paragraph (g) below (each a "**ForexClear Determination Date**") **provided, however, that** following a Default, any such determinations and any such ForexClear Determination Date which might otherwise have occurred under this Rule F2 shall be suspended for the duration of the period (the "**ForexClear Default Period**") commencing on the date of such Default and terminating on the last to occur of the following dates:
 - (i) the date which is the close of business on the day falling 30 calendar days after the ForexClear Default Management Process Completion Date in relation to such Default (or, if such day is not a business day, the next succeeding business day); and
 - (ii) where, prior to the end of the period referred to in (i) above (or such period as has already been extended pursuant to this paragraph (ii)), one or more subsequent Defaults (each a "**Relevant Default**") occur, the date which is the close of business on the day falling 30 calendar days after the ForexClear Default Management Process Completion Date in relation to a Relevant Default which falls latest in time (or, if such day is not a business day, the next succeeding business day);
 - (b) On each business day, the Clearing House will determine a "**Combined Loss Value**" in respect of each of the 30 preceding business days. The Combined Loss Value in respect of a particular day will be the sum of the largest and the second largest stress-testing loss incurred on that day in relation to ForexClear Business (for a given scenario);
 - (c) the "**ForexClear Fund Amount**" shall be calculated in United States dollars ("**USD**") and, for a given ForexClear Determination Date, shall be the largest of the 30 Combined Loss Values determined under paragraph (b) above plus 10 per cent. The ForexClear Fund Amount shall not be less than USD 70 million (the "**ForexClear Fund Floor**");
 - (d) the FXCCM's "**ForexClear Margin Weight**" shall be calculated by dividing the average daily initial margin obligation (as calculated under the Procedures

or other arrangements applicable) which has applied to the FXCCM during the reference period in paragraph (b) above, in respect of all ForexClear Contracts to which the FXCCM is a party by the total of such average daily obligations applied to all Non-Defaulting FXCCMs;

- (e) the FXCCM's "**Preliminary ForexClear Contribution**" shall be calculated by multiplying the ForexClear Fund Amount by the FXCCM's ForexClear Margin Weight;
- (f) if the FXCCM's Preliminary ForexClear Contribution is below the Minimum ForexClear Contribution for the time being, the FXCCM's ForexClear Contribution shall be the Minimum ForexClear Contribution; and
- (g) subject to a suspension pursuant to paragraph (a) above, the Clearing House may recalculate the ForexClear Fund Amount on any business day if the Combined Loss Value differs by more than 25 per cent. from the figure on which the previous ForexClear Contribution determination was based.

F3. For the purposes of the calculations under Rule F2:

- (a) references to "ForexClear Clearing Members" or "FXCCMs" do not include references to Defaulting FXCCMs (apart from any Defaulting FXCCM in respect of which the Clearing House permits the application of Rule F2) or persons which were formerly FXCCMs but are not FXCCMs at the ForexClear Determination Date at which the relevant determination is made;
- (b) contributions shall be rounded upwards, if not already such a multiple, to the next integral multiple of one thousand US dollars;
- (c) no account shall be taken, in calculating initial margin or ForexClear Margin Weight under Rule F2 of any offsets applied in calculating initial margin obligations imposed on an FXCCM in respect of ForexClear Contracts, which may otherwise be permissible under the Procedures or other arrangements applicable;
- (d) **provided that** the FXCCM is not a Defaulter, the amount of its ForexClear Contribution shall be calculated in accordance with and subject to Rule F2. The provisions of Rule F1, Rule F2, this Rule F3 and Rule F5 do not apply to a Defaulting FXCCM, unless the Clearing House so permits in any particular case; and
- (e) notwithstanding Rule 25 of the Default Rules, if an FXCCM notifies the Clearing House on the ForexClear Default Management Process Completion Date that it wishes to resign from the ForexClear Service, such FXCCM, assuming all other requirements for termination of membership have been satisfied by the next following ForexClear Determination Date, shall cease to be an FXCCM for the purpose of Rule F2 on and from the date upon which its ForexClear Contribution is repaid to it by the Clearing House and such payment will be made by the Clearing House following the subsequent ForexClear Determination Date in accordance with the Procedures.

- F4. Without prejudice to any other requirements which the Clearing House may impose, the amount of the ForexClear Contribution of a New Member shall be the sum of (a) the Minimum ForexClear Contribution and (b) any supplementary sum determined by the Clearing House in its discretion and notified to the New Member. The Clearing House shall determine the amount of such supplementary sum by reference to the actual or expected level of clearing activity of the New Member.
- F5. Upon determination of the amount of a ForexClear Contribution in accordance with Rule F2:
- (a) if the amount of the ForexClear Contribution of an FXCCM immediately before close of business on the relevant ForexClear Determination Date exceeds the amount of the FXCCM's ForexClear Contribution determined under Rule F2 as at close of business on that day, the excess shall be paid by the Clearing House to such FXCCM in USD in accordance with the Procedures;
 - (b) if the amount of the ForexClear Contribution of an FXCCM immediately before close of business on the relevant ForexClear Determination Date is the same as the amount of the FXCCM's ForexClear Contribution as so determined under Rule F2 as at close of business on that day, no sum shall then be payable by or to such FXCCM in respect of its Contribution; and
 - (c) if the amount of the ForexClear Contribution of an FXCCM immediately before close of business on the relevant ForexClear Determination Date is less than the amount of the FXCCM's ForexClear Contribution as so determined under Rule F2 as at close of business on that day, the shortfall shall be paid by such FXCCM to the Clearing House in USD in accordance with the Procedures.

The provisions of this Rule do not apply to a Defaulting FXCCM, unless the Clearing House so permits in any particular case.

- F6. On any day, interest shall accrue on the amount of each ForexClear Contribution held by the Clearing House, to the extent that it has not been applied under Rule 19 or Rule 21 of the Default Rules, at such rate as determined by the Clearing House from time to time in light of market conditions and notified by the Clearing House to FXCCMs and in such manner as provided by the Procedures, provided that the rate of interest for any particular day shall be based on a short-term interest rate of the ForexClear Contribution currency, as applicable, plus or minus a spread, ~~provided that the rate of interest for any particular day shall not be less than the Fed Funds Rate published on that day (or, in relation to any day for which the Fed Funds Rate is not available, the Fed Funds Rate most recently published before such day).~~ Interest shall be payable in arrears and shall be paid on the date or dates specified by the Procedures. In these Default Rules, any interest which has accrued under this Rule shall not be regarded as being part of the ForexClear Contribution.

- F7.
- (a) After a Default, unless and until the Clearing House has repaid a Defaulter's ForexClear Contribution (or the remaining part thereof, as applicable), the