

Via CFTC Portal

19 March 2019

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

LCH Limited Self-Certification: rule changes concerning new legislation in the context of the withdrawal of the United Kingdom (“UK”) from the European Union (“EU”)

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 reflect certain changes in the UK Statutory Instruments in the context of the withdrawal of the UK from the EU.

Part I: Explanation and Analysis

In the context of the withdrawal of the UK from the EU, currently scheduled for the end of March, certain UK Statutory Instruments have been drafted under powers conferred by the European Union (Withdrawal) Act 2018. The objective of the UK Statutory Instruments is to address deficiencies in retained EU legislation arising from the UK withdrawal to ensure the legislation continues to operate effectively when the UK is no longer part of the EU. The relevant pieces of legislation that the UK Statutory Instruments amend are:

- Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (“EMIR”)¹
- The Markets in Financial Instruments Regulation (EU) No. 600/2014 of the European Parliament and the Council of 15 May 2014 and all related implementing or supplementary legislation and technical standards (“MiFIR”)²
- The Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (the “UK Settlement Finality Regulations”)³

¹ The respective UK Statutory Instruments are [The Over the Counter Derivatives, Central Counterparties and Trade Repositories \(Amendment, etc., and Transitional Provision\) \(EU Exit\) Regulations 2019](#), [The Central Counterparties \(Amendment, etc., and Transitional Provision\) \(EU Exit\) Regulations 2018 No. 1184](#) and [The Trade Repositories \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2018](#).

² The respective UK Statutory Instrument is [The Markets in Financial Instruments \(Amendment\) \(EU Exit\) Regulations 2018 No. 1403](#).

³ The respective UK Statutory Instrument is [The Financial Markets and Insolvency \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019 \(S.I. 2019 No. 341\)](#).

The proposed rule changes reflect that the definitions of “EMIR” and “MiFID II” in the General Regulations and Sponsored Clearing Regulations of the LCH Rulebook refer to the EU legislation as amended by the relevant UK Statutory Instruments.

Further, LCH proposes to make changes to the Settlement Finality Regulations and Procedures Section 1 (“Clearing Member, non-Member Market Participant and Dealer Status”) of the LCH Rulebook. The changes accommodate the UK Statutory Instrument amending the UK Settlement Finality Regulations, which is designed to introduce a number of adjustments to domestic legislation which relate to the removal of references to EU legislation and agencies in favour of UK ones. In general, these amendments have the effect of treating central counterparties, CSDs and systems located in the European Economic Area (“EEA”) that currently fall within the scope of the EU Settlement Finality Directive⁴ in the same way as other non-UK central counterparties, central securities depositories and systems.

The changes will go live on, or after, 2 April 2019.

Part II: Description of Rule Changes

The General Regulations and the Sponsored Clearing Regulations include updates to the definitions of the terms “EMIR” and “MiFID II”. The amended definitions of the respective legislation include references to the relevant UK legislation and the UK Statutory Instrument in which those EU legislations have been incorporated.

Further, the LCH Settlement Finality Regulations include updates to references made to the UK Settlement Finality Regulations to reflect that they are amended by the relevant UK Statutory Instrument. The updates are in the following sections:

- “Introduction” section
- Definition of “SF Regulations” in paragraph 1.16
- Paragraph 4.3 of section 4 (“Provisions of information”)

Equivalent updates have been made in the Procedures Section 1, under section 1.3.4 (ix) (“Supplementary Criteria Applicable to ForexClear Option Service Applicants”). In addition, in this section a reference to the EU Settlement Finality Directive has been removed as it will no longer apply, following the withdrawal of the UK from the EU when it will be fully replaced by the UK Settlement Finality Regulations.

Separately from the changes made in respect to the UK withdrawal from the EU, the definition of “Securities System Operator” in paragraph 1.12 of the LCH Settlement Finality Regulations has been modified to remove Clearstream Frankfurt, as LCH is ceasing using it as a settlement location.

Part III: Core Principle Compliance

LCH has reviewed the changes against the requirements of the Core Principles, including Core Principle E, and finds that they will continue to comply with all the requirements and standards therein.

⁴ Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems

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 regarding this submission, please contact me at julian.oliver@lch.com.

Yours sincerely



Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I
General Regulations



**GENERAL REGULATIONS OF
LCH LIMITED**

REGULATION 1 DEFINITIONS

In these Regulations and the Procedures, except where the context otherwise requires, the following words and expressions shall have the following meanings:

"Account Balance"	means, in relation to a Relevant Client Clearing Business of a Clearing Member, an Individual Segregated Account Balance, an Indirect Gross Account Balance, a Custodial Segregated Account Balance or an Omnibus Segregated Account Balance
"ACSP Compression Cycle"	means a Multilateral Compression Cycle established by the Clearing House and facilitated by an ACSP nominated by the Clearing House, which shall be open to participation by SwapClear Clearing Members either on their own account or with respect to a SwapClear Clearing Client in accordance with the provisions of Regulation 56 and relevant Compression Documentation
"Account Information Documents"	means the documents called "LCH Account Structures under EMIR" and "Fees for EMIR Segregation Accounts", as published by the Clearing House on its website and made available to Clearing Members and Clearing Clients upon request
"Affected ForexClear Option Clearing Member"	has the meaning assigned to it in Regulation 101
"Affiliated Client Omnibus Net Segregated Account"	means, in relation to a Relevant Client Clearing Business, an account opened within the Clearing House by a Clearing Member on behalf of a group of Affiliated Omnibus Segregated Clearing Clients which is designated by the Clearing House as an Affiliated Client Omnibus Net Segregated Account
"Affiliated Client Omnibus Segregated Account"	means, in relation to a Relevant Client Clearing Business, (i) an Affiliated Client Omnibus Net Segregated Account or (ii) an Omnibus Gross Segregated Account opened on behalf of a group of Affiliated Omnibus Segregated Clearing Clients
"Affiliated Omnibus Net Segregated Clearing Clients"	means Affiliated Omnibus Segregated Clearing Clients in respect of whom the relevant Clearing Member clears Contracts with the Clearing House in an Affiliated Client Omnibus Net Segregated Account

"Eligible Transferor"	means an SCM, acting for its own account or for the account of a SwapClear Clearing Client, that the Clearing House permits, in its sole and absolute discretion, and subject always to compliance with Applicable Law, to transfer all or part of its Transferring SwapClear Contracts to an Eligible Transferee pursuant to Regulation 60 of these Regulations and in accordance with the Procedures and (where applicable) any relevant Collateral Management Agreement
"EMIR"	means Regulation (EU) No 648/2012 of the European Parliament and the Council of 4 July 2012 on OTC Derivatives, Central Counterparties, and Trade Repositories <u>as amended by The Over the Counter Derivatives, Central Counterparties and Trade Repositories (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2019, The Central Counterparties (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2018 and the Trade Repositories (Amendment and Transitional Provision) (EU Exit) Regulations 2018</u>
"End-of-Day Full Transfer"	means an end-of-day transfer of all (and not some) of the SwapClear Contracts from the Transfer Account of an Eligible Transferor of a Carrying Clearing Member to the Transfer Account of an Eligible Transferee of a Receiving Clearing Member and which may, but is not required to, include the transfer of an Associated Collateral Balance (except that no transfer of an Associated Collateral Balance is permitted for transfers between a Proprietary Account of a Carrying Clearing Member to a Proprietary Account of a Receiving Clearing Member without the prior consent of the Clearing House)
"End-of-Day Partial Transfer"	means an end-of-day transfer of some (but not all) of the SwapClear Contracts from the Transfer Account of an Eligible Transferor of a Carrying Clearing Member to the Transfer Account of an Eligible Transferee of a Receiving Clearing Member, where such transfer does not include the transfer of an Associated Collateral Balance
"EONIA"	means in relation to a RepoClear Contribution, the overnight rate as calculated by the European Central Bank and appearing on the Reuters Screen EONIA Page (or, if such a rate is not available, such EONIA-linked rate as may be determined in light of market conditions at such time by the Clearing House and notified by the Clearing House to Clearing Members)
"Equities Business"	means any transaction, obligation or liability arising out of any Equities Contract

"Member" or "Clearing Member"

- (a) subject to (b) means an undertaking (including a firm or company) which is entitled to be party to Contracts with the Clearing House in accordance with a Clearing Membership Agreement and the Procedures or a Co-operating Clearing House, where so agreed with the Co-operating Clearing House (as applicable). For the avoidance of doubt, the terms **"Member"** and **"Clearing Member"** for the purposes of these Regulations, Default Rules and Procedures, do not mean a shareholder of LCH Limited or of any member of LCH Group
- (b) "Clearing Member" includes or means (as the case may be) FCM Clearing Member for the purpose of the Default Rules (including the Rates Service DMP Annex and the ForexClear DMP Annex), the FCM Default Fund Agreement and any other document, rule or procedure as specified by the Clearing House from time to time

"Member Compression Cycle"

means a Multilateral Compression Cycle requested by two or more SwapClear Clearing Members and agreed to by the Clearing House in relation to eligible SwapClear Contracts held by those requesting SwapClear Clearing Members. For the avoidance of doubt, a Member Compression Cycle will not involve any ACSP

"MiFID II"

means ~~the recast Markets in Financial Instruments Directive (Directive 2014/65/EU), Regulation (EU) No. 600/2014 of the European Parliament and the Council of 15 May 2014 and all related implementing or supplementary legislation and technical standards,~~ the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2017 (No 701) and the Data Reporting Services Regulations 2017 (No 699), and the linked Markets in Financial Instruments Regulation (MiFIR) as amended from time to time, MiFIR being amended by The Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018

"Minimum ForexClear Contribution"

means USD 5,000,000

"Minimum Non-Tolerance SwapClear Contribution"

means £10,000,000 (which, for the avoidance of doubt, excludes the £3,000,000 minimum amount payable by an SCM in respect of the SwapClear Tolerance Contribution Amount);

"Minimum RepoClear Contribution"

means EUR 2,500,000

Appendix II
Sponsored Clearing Regulations



**SPONSORED CLEARING REGULATIONS OF
LCH LIMITED**

REGULATION 1 DEFINITIONS

In these SC Regulations and the SC Procedures, except where the context otherwise requires, the following words and expressions shall have the following meanings:

"Affected Agent Member"	means an Agent Member in respect of whom the Clearing House has issued an Agent Close-out Notice
"Affected Contract"	means an open contract registered in the name of a Sponsored Member and attributed to an Affected Agent Member
"Affected (Payment Services) Contracts"	means an open contract registered in the name of a Sponsored Member and attributed to a Resigning (Payment Services) Agent Member
"Affected Portfolios"	means, in respect of each Affected Sponsored Member, all of such Affected Sponsored Member's Affected Contracts attributed to the same Affected Agent Member
"Affected (Paying Agent Resignation) Portfolios "	means, in respect of each Affected (Payment Services) Sponsored Member, all of such Affected (Payment Services) Sponsored Member's Affected (Payment Services) Contracts attributed to same Resigning (Payment Services) Agent Member
"Affected Portfolio Acceptance Window"	means the period of time commencing on the date of the relevant Agent Close-out Notice (as defined below) and expiring 24 hours after such commencement, or such other period of time determined by the Clearing House, as specified by the Clearing House in such Agent Close-out Notice (as defined below)
"Affected Sponsored Member"	means a Sponsored Member that has open contracts registered in its name and attributed to an Affected Agent Member
"Affected (Payment Services) Sponsored Member"	means a Sponsored Member that has open contracts registered in its name and attributed to a Resigning (Payment Services) Agent Member
"Agent Buffer"	means Collateral required to be transferred by an Agent Member to an Agent Buffer Account for the benefit of each of its Sponsored Members and applied by the Clearing House to satisfy any call for margin or Contributions made with respect to its Sponsored Member(s) which the Agent Member has not paid when due

"Defaulting Sponsored Member"	means a Sponsored Member who is a Defaulter
"Depository"	means a collateral agent, depository or custodian or other service
"Determination Date"	means the date for calculation of a Contribution other than an Unfunded Contribution or a Supplementary Contribution, as provided for in the RepoClear Default Fund Supplement to the Default Rules, and includes a RepoClear Determination Date
"Economic Terms"	means that part of the RepoClear Contract Terms, RepoClear GC Contract Terms, as the case may require, designated as Economic Terms by the Clearing House from time to time
"EMIR"	means Regulation (EU) No 648/2012 of the European Parliament and the Council of 4 July 2012 on OTC Derivatives, Central Counterparties, and Trade Repositories <u>as amended by The Over the Counter Derivatives, Central Counterparties and Trade Repositories (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2019, The Central Counterparties (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2018 and the Trade Repositories (Amendment and Transitional Provision) (EU Exit) Regulations 2018</u>
"€GC Trade"	<p>means a trading activity in which a Sponsored Member or a RepoClear Participant ("the First Participant") offers to sell (or buy) an agreed value of securities comprised in a €GC Basket (as defined in the SC Procedures or, if applicable, the Procedures), to be allocated in accordance with the SC Procedures and, if applicable, the General RepoClear Procedures applicable to RepoClear €GC Contracts, and another Sponsored Member or RepoClear Participant ("the Second Participant") offers to buy (or sell, as the case may be) the securities so allocated, on the conditions that:</p> <p>(a) at the end of a specified period of time, the Second Participant sells (or buys, as the case may be) Equivalent Securities (as such term is used in the RepoClear €GC Contract Terms) and the First Participant buys (or sells, as the case may be) those Equivalent Securities;</p> <p>(b) the understanding of the parties is that their obligations during the term of the transaction will be represented by a series of overnight</p>

Event with respect to Contracts registered in the name of such Sponsored Member and attributed to such Affected Agent Member; and (ii) the Back-up Paying Agent Services in accordance with the SC Rulebook, only where there has been a Paying Agent Resignation with respect to Contracts registered in the name of such Sponsored Member and attributed to such Resigning (Payment Services) Agent Member.

- (e) Where an Agent Member performing the Agent Member Services ceases to have Agent Member status of the Clearing House, whether due to an Agent Close-out Event or where the Clearing House has revoked Agent Member status and a Non-Affected Agent Member commences providing the Back-up Agent Services; if such Non-Affected Agent Member ceases to have Agent Member status of the Clearing House, the Affected Sponsored Member must appoint a new Agent Member to perform the Back-up Agent Services by the close of business on the next Business Day after the date of default or revocation, as applicable.
- (f) A Sponsored Member shall be a principal to and not an agent in respect of any Contract registered in its name with the Clearing House. In performing its obligations and exercising its rights under these SC Regulations, the Clearing House shall take no account of any right or interest which any person other than: (i) a Sponsored Member or its corresponding Agent Member may have in any Collateral transferred by such Sponsored Member or its corresponding Agent Member in satisfaction of such Sponsored Member's obligations to the Clearing House and in accordance with these SC Regulations and the SC Procedures; and (ii) a Sponsored Member or its corresponding Agent Member may have in any Contributions it has made for such Sponsored Member.
- (g) The Sponsored Member joins the Clearing House as a Clearing Member as described in Article 2-(14) of EMIR and as such is responsible for discharging the obligations that arise from its participation in the Clearing House. The Sponsored Member is required to discharge the obligations that arise from its participation as a Clearing Member of the Clearing House, including nominating an Agent Member that will provide services including but not limited to the provision of Contributions. A Sponsored Member that does not meet its Sponsored Member obligations pursuant to the SC Rulebook (including when its Agent Member is in default ('Agent Close-out')) is at risk of being declared in default by the Clearing House.

Appendix III
Settlement Finality Regulations

LCH Limited

CLEARING HOUSE SETTLEMENT FINALITY REGULATIONS

Introduction

The Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (S.I. 1999 No. 2979) (~~the "SF Regulations"~~) implemented the Settlement Finality Directive (Directive 98/26/EC) of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems (the "SF Directive"). To ensure the continuation of UK settlement finality protections after the UK's exit from the European Union, The Financial Markets and Insolvency (Settlement Finality) Regulations 1999 were amended by The Financial Markets and Insolvency (Amendment and Transitional Provision) (EU Exit) Regulations 2019 (S.I. 2019 No. 341). In these Settlement Finality Regulations, S.I. 1999 No. 2979 as amended by S.I. 2019 No. 341 are referred to as the "SF Regulations".

~~The SF Directive seeks~~ The SF Regulations seek to reduce the risks associated with participation in payment and securities settlement systems by minimizing the disruption caused by insolvency proceedings brought against a participant in such a system. The protection provided by the SF Regulations is given to any system which has been designated as a "designated system" by the Financial Conduct Authority or the Bank of England as the "designating authority".

In order to obtain such designation the Clearing House is required to satisfy the relevant designating authority that the requirements of the Schedule to the SF Regulations, and certain other matters, are satisfied in respect of the Clearing House.

These Settlement Finality Regulations (which form part of these Regulations) have been promulgated by the Clearing House in order to meet such of those requirements as are not addressed elsewhere in these Regulations.

1. Definitions

- 1.1 **"Concentration Bank"** means a bank or other credit institution which has a current agreement with the Clearing House to participate in the Clearing House Protected Payments System (as described in the Regulations) as a concentration bank.
- 1.2 **"Institution"** shall have the same meaning as in the SF Regulations.
- 1.3 **"The Clearing House System"** means the standardized formal arrangements, common rules, procedures as described in the Regulations, Procedures and service descriptions (each as amended from time to time) published from time to time by the Clearing House pursuant to which LCH acts as clearing service provider, and related functionality which:
- (a) enable the Clearing House in operating its Clearing House Protected Payments System to give instructions to place at the disposal of its Members (as set out the Regulations) amounts of money on the accounts of certain banks or other credit institutions; and
 - (b) enable Members through the Clearing House Protected Payments System to give instructions to place at the disposal of the Clearing House (as set out in the Regulations) amounts of money on the accounts of certain banks or other credit institutions; and
 - (c) enable Members to give instructions to place amounts of money at the disposal of the Clearing House through crediting a nominated cash account provided by a Settlement Service Provider to the Clearing House; and

- (i) an instruction given by the Clearing House to a Concentration Bank by means of a SWIFT message or other means to place at the disposal of the Clearing House (by crediting a nominated account of the Clearing House at a PPS Bank) an amount of money to be debited from a nominated account held by the Clearing House at that Concentration Bank; or
 - (j) an instruction given by or on behalf of a Member by means of a SWIFT message or other means to a Member Settlement Bank to place at the disposal of the Clearing House (through crediting a nominated cash account provided by a Settlement Service Provider to the Clearing House) an amount of money to be debited from a nominated account held by that Member at such Member Settlement Bank; or
 - (k) an instruction by the Clearing House for itself and on behalf of a Member authorising the exercise of the Clearing House's powers under Regulation 101 to effect the discharge of certain payment obligations of that Member to the Clearing House and the corresponding assumption of another payment obligation of that Member to the Clearing House, arising upon the occurrence of a ForexClear Liquidity Event in accordance with Regulation 101 in relation to that Member; or
 - (l) an instruction given by the Clearing House to a Concentration Bank or a central bank by means of a SWIFT message or other means to place at the disposal of the Clearing House (through crediting a nominated cash account provided by a Settlement Service Provider to the Clearing House) an amount of money to be debited from a nominated account held by the Clearing House at that Concentration Bank or central bank; or
 - (m) an instruction given by the Clearing House to a Settlement Service Provider by means of a SWIFT message or other means to place at the disposal of a Member (by crediting a nominated cash account held by that Member at a Member Settlement Bank) an amount of money to be debited from a nominated account provided by that Settlement Service Provider to the Clearing House; or
 - (n) an instruction given by the Clearing House to a Settlement Service Provider by means of a SWIFT message or other means to place at the disposal of the Clearing House (by crediting a nominated cash account held by the Clearing House at a Concentration Bank or a central bank) an amount of money to be debited from a nominated account provided by that Settlement Service Provider to the Clearing House.
- 1.10 **"Procedures"** means the practices and procedures of the Clearing House, as amended from time to time, including but not limited to the Procedures.
- 1.11 **"Regulations"** means the General Regulations, Default Rules and Procedures of the Clearing House as amended from time to time and **"the Procedures"** shall mean that part of the Regulations by that name.
- 1.12 **"Securities System Operator"** means:
- (a) an operator of a securities depository and/or securities settlement system (including but not limited to Euroclear UK & Ireland Ltd, Euroclear Bank, ~~Clearstream Frankfurt~~ and Clearstream Luxemburg); or
 - (b) a bank or other credit institution (including but not limited to the National Bank of Belgium and Deutsche Bank AG) which provides securities holding and/or securities settlement services to the Clearing House as a nominee or otherwise through its participation in any securities settlement system or otherwise.

1.13 “Securities Transfer Order” means

- (a) an instruction, given by the Clearing House on its own behalf or on behalf of a Member or Non-Member Participant, to a Securities System Operator to transfer the title to or interest in securities to a Member, a Non-Member Participant, the Clearing House or other person by means of a book entry on the register maintained by that Securities System Operator, or otherwise; or
- (b) an instruction given by a Member or Non-Member Participant to a Securities System Operator to transfer the title to or interest in securities to the Clearing House by means of a book entry on the register maintained by that Securities System Operator, or otherwise; or
- (c) an instruction in the form of an electronic message forwarded by or on behalf of a Member or Non-Member Participant to the Clearing House containing data constituting particulars of an exchange contract for the transfer of Securities, RepoClear Transaction, Bond Trade, Repo Trade, EquityClear ATP Match, Eligible RepoClear GC Transaction or LSE Derivatives Markets Orderbook Match, submitted for registration by the Clearing House in accordance with the provisions of the Regulations; or
- (d) an open Cleared Exchange Contract for the transfer of Securities, a RepoClear Contract, a RepoClear GC Contract, an EquityClear Contract, or LSE Derivatives Markets Cleared Exchange Contract for the transfer of Securities which has been registered by the Clearing House.

1.14 “**Settlement Finality Directive**” means Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems.

1.15 “**Settlement Service Provider**” means CLS Bank International or any other entity approved by the Clearing House from time to time for the provision to the Clearing House of settlement services in connection with settlements under the ForexClear Service not taking place through the Clearing House Protected Payment System.

1.16 “**SF Regulations**” means The Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (S.I. 1999 No. 2979), [as amended by The Financial Markets and Insolvency \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019 \(S.I. 2019 No. 341\)](#).

1.17 “**Transfer Order**” includes a Payment Transfer Order or a Securities Transfer Order.

2. Transfer Orders – Specific Provisions

2.1 A Transfer Order takes effect and enters the Clearing House System in accordance with the following:

- (a) Payment Transfer Orders
 - (i) A Payment Transfer Order of the type set out in sections 1.9(a), 1.9(b), 1.9(c), 1.9(d), 1.9(h), 1.9(i), 1.9(l), 1.9(m) and 1.9(n) above takes effect and enters the Clearing House System when the relevant SWIFT message, or other electronic message or fax or other communication is sent by the Clearing House.

- 2.5 (a) For the purposes of this section 2.5 “Onward Instruction” shall mean any instruction to a securities settlement system, which is given by a Securities System Operator of the kind referred to in section 1.12(b) above, and through which that Securities System Operator gives effect to a Securities Transfer Order given to it by the Clearing House.
- (b) Where a Securities Transfer Order is given by LCH to a Securities Systems Operator of the kind referred to in section 1.12(b), that Securities Transfer Order shall be irrevocable from the time after which any Onward Instruction may not be revoked by that Securities Systems Operator as prescribed by the rules or other requirements of the securities settlement system to which such Onward Instruction is submitted.
- 2.6 Settlement of a Payment Transfer Order of the type set out in section 1.9(j) and section 1.9(l) that:
- (a) takes effect and enters the Clearing House System on any business day (the “**Settlement Day**”); and
- (b) results in an amount of money being credited to a nominated cash account provided by a Settlement Service Provider to the Clearing House,

shall be complete only at the earlier of (i) the settlement of all Payment Transfer Orders given by the Clearing House to that Settlement Service Provider together having the effect on that Settlement Day of reducing the balance on such nominated cash account provided by the Settlement Service Provider to zero, and (ii) the end of the business day, where the relevant “business day” for these purposes only shall begin at the start of the relevant calendar day and shall end at the latest time at which the Clearing House actually ceases settlement operations for that Settlement Day.

3. **Prohibition of Revocation of Transfer Orders**

A Transfer Order shall not be revoked or purport to be revoked by a Participant (or by any liquidator or other insolvency office-holder appointed with regard to any undertaking operated by a Participant) after the time specified in section 2 above as being the time when such instruction becomes irrevocable.

4. **Provision of information**

- 4.1 A Participant shall, within 14 days of being requested to do so by any person (“the applicant”) and upon being paid such reasonable charge as the Participant may require, provide to the applicant the following information:
- (a) details of the systems which are designated for the purposes of the Settlement Finality Directive in which the Participant, as the case may be, participates; and
- (b) information about the main rules governing the functioning of those systems.
- 4.2 Nothing in this section 4 shall require the Participant to provide any of the above information to an applicant where, or to the extent that, such request is frivolous or vexatious.
- 4.3 Each Participant shall promptly supply to the Clearing House such information as the Clearing House may require from time to time in order for LCH to meet its obligations as the operator of a system designated under the Financial Markets and Insolvency (Settlement Finality) Regulations 1999, as amended by The Financial Markets and Insolvency (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

Appendix IV

Procedures Section 1 (“Clearing Member, non-Member Market Participant and Dealer Status”)



LCH LIMITED

PROCEDURES SECTION 1

**CLEARING MEMBER, NON-MEMBER MARKET
PARTICIPANT AND DEALER STATUS**

state of the European Union, or the equivalent of a credit institution or an investment firm licensed by the competent authorities of a country outside the European Union and which is subject to prudential rules considered by the Clearing House to be at least as stringent as those applicable to credit institutions and investment firms within the European Union; and

- (d) in the event of a default, be able to receive from the Clearing House and to process SwapClear Contracts, and any associated hedge trades, in FPML format or in separated value electronic format.

Membership criteria for FCM Clearing Member status are contained in the Clearing House's FCM Regulations.

1.3.4 *Supplementary Criteria Applicable to ForexClear Option Service Applicants*

In addition to the criteria set out in these Procedures as being applicable to ForexClear Clearing Members, a Clearing Member that wishes to use the ForexClear Option Service must satisfy the requirements in this section, which shall be without prejudice to any other membership or participation requirements applicable to a Clearing Member under the Regulations, the Procedures and/or any Clearing Membership Agreement.

A ForexClear Clearing Member that wishes to be designated as a ForexClear Option Clearing Member shall apply to the Clearing House in the manner prescribed by the Clearing House from time to time. That Clearing Member must, at the point of application and at all times thereafter, satisfy, in a manner satisfactory to the Clearing House, the following conditions (together, the "**ForexClear Option Service Membership Requirements**"):

- (i) the Clearing Member must be a ForexClear Clearing Member;
- (ii) the Clearing Member must at all times have primary nostro accounts in place with a bank satisfactory to the Clearing House to record, effect and receive payments denominated in each ForexClear Currency;
- (iii) the Clearing Member must at all times be able to demonstrate to the Clearing House that it or its designated settlement agent is capable of effecting timely payments within the applicable real-time gross settlement system for each ForexClear Currency;
- (iv) the Clearing Member must at all times be able to demonstrate to the Clearing House that it has back-up account arrangements in place with a bank satisfactory to the Clearing House to record, effect and receive payments denominated in each ForexClear Currency in the event that its primary nostro is unavailable;
- (v) prior to the date on which the Clearing Member is designated as a ForexClear Option Clearing Member, the Clearing Member shall pay to the Clearing House:

- (A) an amount of cash denominated in Australian Dollars equal to the AUD ForexClear Liquidity Fund Contribution applicable to that Clearing Member;
 - (B) an amount of cash denominated in Euros equal to the EUR ForexClear Liquidity Fund Contribution applicable to that Clearing Member;
 - (C) an amount of cash denominated in Sterling equal to the GBP ForexClear Liquidity Fund Contribution applicable to that Clearing Member; and
 - (D) an amount of cash denominated in Swiss Francs equal to the CHF ForexClear Liquidity Fund Contribution applicable to that Clearing Member.
- (vi) prior to the date on which the Clearing Member is designated as a ForexClear Option Clearing Member, the Clearing Member shall pay to the Clearing House the ForexClear Option Service Default Fund Contribution;
- (vii) the Clearing Member must at all times either:
- (A) have access to, and have all necessary documentation (if any) in place with, a third party provider approved by the Clearing House as being responsible for communicating, matching and facilitating the exercise and/or expiry of each ForexClear Option Contract to which it is a party; and
 - (B) have direct access to the ClearLink API, or similar direct communication methods as offered under the ForexClear Service, for the purpose of communicating directly with the Clearing House regarding exercise and/or expiry of each ForexClear Option Contract to which it is a party,
- (viii) the Clearing Member must enter into, deliver, and maintain, any agreement, deed, form or other document that is required by the Clearing House from time to time in connection with the ForexClear Option Service;
- (ix) the Clearing Member must not be a Defaulting Clearing Member;
- (x) the Clearing Member must participate in testing and trialling as requested by the Clearing House from time to time in connection with the ForexClear Option Service;
- (xi) the Clearing Member must be an “institution” or a “participant” within the meaning of The Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (S.I. 1999 No. 2979), as amended by The Financial Markets and Insolvency

~~(Amendment and Transitional Provision) (EU Exit) Regulations 2019 (S.I. 2019 No. 341) and Settlement Finality Directive (Directive 98/26/EC) of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems; and~~

- (xii) the Clearing Member must satisfy all other requirements and eligibility criteria that may be applicable to it from time to time under the Regulations, the Procedures and/or the Clearing Membership Agreement.

A Clearing Member's status as a ForexClear Option Clearing Member is, at all times, subject to the condition precedent that it satisfies, in a manner satisfactory to the Clearing House, the ForexClear Option Service Membership Requirements in effect at the applicable time.

The Clearing House may, from time to time, publish a list of Clearing Members who are eligible to use the ForexClear Option Service.

1.3.5 *Supplementary Criteria Applicable to ForexClear Applicants*

In addition to the minimum Net Capital Requirements as set out in Section 1.7.2, an applicant must satisfy the following criteria:

- (a) successfully participate, or demonstrate that it has: (i) an affiliated ForexClear Clearing Member ("FXCCM") that can successfully participate; or (ii) an LCH Approved Outsourcing Party that can successfully participate, in a ForexClear "fire drill" run by the Clearing House which shall involve submitting a bid for a notional portfolio of trades within specific currency pairs in a specified timeframe. Submission of a bid outside the timeframe specified by the Clearing House or submitting a bid that is unreasonable will constitute a failure of the "fire drill" and the applicant's FXCCM application will not be approved;
- (b) be able to participate or demonstrate that it has: (A) an affiliated FXCCM that can successfully participate; or (B) an LCH Approved Outsourcing Party that can successfully participate, in the ForexClear default management process as operated by the Clearing House;
- (c) have, within its corporate group, at least one credit institution or investment firm licensed by the competent authorities of a member state of the European Union, or the equivalent of a credit institution or an investment firm licensed by the competent authorities of a country outside the European Union and which is subject to prudential rules considered by the Clearing House to be at least as stringent as those applicable to credit institutions and investment firms within the European Union; and