

**VIA CFTC PORTAL SUBMISSION**

14 December 2017

Mr. Christopher Kirkpatrick  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> 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), fee schedules in respect of the SwapClear and Listed Rates (together “Rates”) service, and the ForexClear service. These changes will take effect on January 3, 2018.

**Part I: Explanation and Analysis**

Under European Commission Directive on *Markets in Financial Instruments (MiFID) (No. 2014/65/EU)*, *Regulation on Markets in Financial Instruments (MiFIR) (No. 600/2014)* with Regulatory Technical Standards and Implementing Technical Standards (together “MiFID II”), LCH is required to grant access to Trading Venues wishing to connect to the CCP (except in certain circumstances as set out in MiFID II). MiFID II also amends the European Market Infrastructure Regulation (“EMIR”) Regulatory Technical Standard No. 149/2013 in relation to indirect client clearing accounts.

The two indirect clearing accounts available are the Indirect Gross Account (“IGA”), and the Indirect Net Account (“INA”)<sup>1</sup>, and LCH is taking this opportunity to clarify its fees for these accounts as shown in Table 1 below.

**Table 1- Indirect Clearing Account Fees (Annual)**

Indirect Net Account (“INA”)		Indirect Gross Account (“IGA”)		
Service	Fees per account	Service	Fees Per Account	Capped cost per package
ForexClear SwapClear Listed Interest Rates*	EUR3,500	ForexClear & SwapClear 1-50 accounts 51-100 accounts 101-200 accounts 200+ accounts	€3,500	€100,000
	EUR3,500		€2,000	€120,000
	GBP1,000		€1,200	€150,000
	€750		–	
		Listed Interest Rates	£3,000	–

\*If the first OSA for a clearing member is an INA this will be charged at £0, and then within subsequent OSA arrangements will be annual fee of £1,000 per INA.

Additionally, in accordance with MiFID II requirement LCH will publish the fees for Trading Venues requesting access to the SwapClear, Listed Rates and ForexClear services as shown in Table 2.

<sup>1</sup> The INA is an Omnibus Segregated Account (“OSA”).

**Table 2 – Trading Venue Fees**

Service	Fee
ForexClear	No fee applies.
SwapClear	No fee applies.
Listed Rates	<p>No fee applies. However, LCH will require a trading venue to reimburse it for any implementation, ongoing support or other costs which LCH incurs in providing such trading venue access to LCH. These costs cannot be known definitively prior to such access and will vary according to the specific trading venue.</p> <p>The main features of a trading venue which will impact such costs are set out below. This list is not exhaustive and should be used as a guide only.</p> <p><b>(a) Product type</b></p> <p>Any product traded on the trading venue which will be cleared within the Listed Interest Rates service will be subject to the full risk assessment process required by LCH (even where such product is similar to a product already cleared by LCH). This assessment includes (but is not limited to):</p> <ul style="list-style-type: none"> <li>• Sourcing historical data followed by time series validation;</li> <li>• Curve definition and calibration;</li> <li>• Valuation and risk model development;</li> <li>• Stress testing and inclusion of the product(s) in the default management framework.</li> </ul> <p>The work required to complete this process will vary depending on the number of products and their similarities to products already cleared by LCH.</p> <p><b>(b) Operational process</b></p> <p>LCH has a standard clearing process within the Listed Interest Rates service, which includes (but is not limited to) the following aspects:</p> <ul style="list-style-type: none"> <li>• Trade management and post trade rules;</li> <li>• Position management including transfer and close out rules;</li> <li>• Expiry processing;</li> <li>• Delivery management including physical delivery settlements with CSDs.</li> </ul> <p>Any deviation from the standard LCH clearing process will impact the implementation costs.</p> <p><b>(c) Market data</b></p> <p>A trading venue must provide, for each product to be cleared with LCH, the methodology for price calculation, market data collection and (where appropriate) the elicitation of the cheapest to deliver bonds. This methodology will need to be tested and approved by LCH. In addition, the source and quality of market data will need to be demonstrable to LCH.</p> <p><b>(d) Testing and connectivity</b></p> <p>LCH has standard APIs and connectivity profiles for trade flow, data and member connectivity. If these do not fit the specific trading venue and/or its requirements, LCH will need to review them and assess the impact. There is an expectation there will be a period of testing of trading venue and member connectivity and of any new process specific to the trading venue. Depending on the complexity and trading venue requirements, this period may vary and will therefore also impact the implementation costs.</p>

**Part II: Description of Rule Changes**

No changes are required to the current LCH Rulebook as a result of these fees.

**Part III: Core Principle Compliance**

LCH has concluded that compliance with the Core Principles will not be adversely impacted by these changes, and maintains compliance with the Core Principles, in particular with Core Principles C and L.

**Part IV: Public Information**

LCH has posted a copy of this submission pending certification 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 these changes.

**Certification**

LCH hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in CFTC regulation §40.6, that attached rule submissions comply 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](mailto:julian.oliver@lch.com)

Yours sincerely,



Julian Oliver  
Chief Compliance Officer