



VIA CFTC Portal

25 February 2025

Mr Christoper Kirkpatrick

Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington, DC 20581

LCH Limited Self-Certification: Mandatory ForexClear Swap Limit Cap

Dear Mr Kirkpatrick,

Pursuant to the Commodity Futures Trading Commission (“CFTC”) Regulation §40.6(a), LCH Limited (“LCH”), a derivatives clearing organization registered with the CFTC, is submitting for self-certification changes to its Rulebook to amend the definition of a Mandatory ForexClear Swap Limit Cap to reflect the recently changed limit.

Part I: Explanation and analysis

LCH has received feedback from several ForexClear Option Clearing Members suggesting that LCH should consider reducing the number of Mandatory Settlement ForexClear Swap Contracts that it registers. This is one of the tools used by LCH in response to a “ForexClear Settlement Event”.

A “ForexClear Settlement Event” occurs where the Settlement Position Amount in respect of a ForexClear Option Clearing Member (i.e. the payment amount by said member in a currency in two business days’ time in relation to its ForexClear Deliverable Contracts) exceeds its Settlement Position Limit set by LCH. A “Mandatory Settlement ForexClear Swap Contract” is a ForexClear Contract that LCH registers in the name of a ForexClear Option Clearing Member that is subject to an order to reduce (and roll to a future date) the amount payable by it, thereby reducing its Settlement Position Amount.

Accordingly, if LCH increases the Settlement Position Limit applicable to its ForexClear Option Clearing Members, then there are likely to be fewer ForexClear Settlement Events and, in turn, LCH is less likely to need to register Mandatory Settlement ForexClear Swap Contracts. The Mandatory ForexClear Swap Limit Cap is a component in calculating Settlement Position Limits and therefore must be increased to achieve the aim of reducing ForexClear Settlement Events.

LCH therefore increased the Mandatory ForexClear Swap Limit Cap from USD 1billion to USD 2billion (or the equivalent denominated in the relevant ForexClear Currency) using the mechanism under General Regulation 100(d). This entails a unanimous decision from a ballot of all ForexClear Option Clearing Members, which was successful. The increase became effective on and from 20 January



2025 and was notified to all members in advance of this. LCH will therefore, update the definition of Mandatory ForexClear Swap Limit Cap to reflect the changed cap.

Part II: Description of Rule Changes

The definition of “Mandatory ForexClear Swap Limit Cap” will be amended under the definitions in the General Regulations of LCH Limited to replace the reference to “USD1,000,000,000 (or the equivalent denominated in the relevant ForexClear Currency) with USD2,000,000,000 (or the equivalent denominated in the relevant ForexClear Currency).

The change to the LCH General Regulations is included as **Appendix I** in black line form. The change will be effective not earlier than **11 March 2025**.

Part III: Core Principles Compliance

LCH reviewed the proposed change against the requirements of the Core Principles and finds it will continue to comply with all the requirements and standards set forth therein. Specifically, this rule change has potential relevance to Core Principles D (Risk Management) and Core Principle E (Settlement Procedures).

Core Principle D in general requires a DCO to ensure risks are management through appropriate tools and procedures, and specifically also requires a DCO to take additional actions with respect to clearing members based on the application of objective and prudent risk management standards. By utilising and actively amending Settlement Position Limits (whilst retaining the right to amend such limits without member consent in its sole and absolute discretion if it is considered advisable for the protection of the CCP) LCH is demonstrating that it remains responsive to the growth of the ForexClear service and the subsequent increases in settlement requirements of its members. It is therefore objectively and prudently acting to reduce the interference with members’ own risk management processes.

Core Principle E broadly requires DCOs to complete money settlement in a timely and final manner, to limit the DCO’s exposure to settlement bank risks, to accurately record fund flows and to comply with the terms of any netting or offset arrangements. More specifically for the Mandatory ForexClear Swap Limit Cap, CFR Title 17 §39.14 provides that, for physical delivery such that ForexClear offers, a DCO must ensure that the risks of such obligation are identified and managed. ForexClear’s Settlement Position limits are used to monitor against such risks for positions settling in two business days. Members are issued a ‘Net Initial Positions Report’ detailing net cashflows, which is used to drive such members’ internal liquidity requirements. By increasing the Mandatory ForexClear Swap Limit Cap, LCH is increasing the settlement certainty on behalf of members by decreasing the likelihood of ForexClear Settlement Events being called. This also reduces Operational Complexity within the ForexClear Service as less Mandatory Swaps will have to be booked.

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: [Proposed Rule Changes | LSEG](#)



Part V: Opposing Views

There were no opposing views expressed to LCH by governing board of committee members, members of LCH or market participants that were not incorporated into this proposal.

Certification

LCH hereby certifies to the CFTC, pursuant to the procedures set forth in CFTC Regulation §40.6, that the attached submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Definitions

Words which begin with a capital letter, but are not defined, in this document shall have the meaning specified in the General Regulations of the LCH Rules, which rulebook is located at: [LCH Ltd Rulebook | LSEG](#).

Should you have any questions, please contact me at james.woolley@lseg.com

Yours sincerely,

James Woolley
Regulatory Compliance Analyst
LCH Limited



Appendix I
General Regulations
Pages to be revised

**GENERAL REGULATIONS OF
LCH LIMITED**

"Listed Interest Rates Service"	means the Service provided by the Clearing House under the Listed Interest Rates Regulations
"lot"	means the standard unit or quantity prescribed by an Exchange, with the approval of the Clearing House, as the trading unit of an exchange contract. In relation to a contract other than an exchange contract, the standard unit or quantity prescribed by the relevant contract terms
"LSE"	means the London Stock Exchange plc or any successor in title
"Mandatory ForexClear Swap Contract"	means a ForexClear Swap Contract that is entered into for and on behalf of an Affected and/or Non-Affected ForexClear Option Clearing Member by the Clearing House acting pursuant to Regulation 101(d)(v) or Regulation 101(h) and Regulation 105
"Mandatory ForexClear Swap Limit"	means, in respect of a given day, a given ForexClear Currency and a given ForexClear Option Clearing Member, the maximum amount of Mandatory ForexClear Swap Transactions denominated in that ForexClear Currency that the Clearing House shall be entitled to enter into on that day on behalf of that ForexClear Option Clearing Member in accordance with Regulation 101(d)(v), as determined in accordance with the Procedures
"Mandatory ForexClear Swap Limit Cap"	means, in respect of a ForexClear Currency and all ForexClear Option Clearing Members, USD 2 ⁴ ,000,000,000 (or the equivalent denominated in the relevant ForexClear Currency) (as amended from time to time in accordance with the Regulations)
"Mandatory Settlement ForexClear Swap Contract"	means a ForexClear Swap Contract that is entered into for and on behalf of an Impacted and/or Non-Impacted ForexClear Option Clearing Member by the Clearing House acting pursuant to Regulation 100(k), Regulation 100(l) and Regulation 105