

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) LCHLTD Date: May 5, 2014

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.

ORGANIZATION LCH.Clearnet Limited

FILING AS A: DCM SEF DCO SDR
ECM/SPDC

TYPE OF FILING

- **Rules and Rule Amendments**

- Certification under § 40.6 (a) or § 41.24 (a)
- “Non-Material Agricultural Rule Change” under § 40.4 (b)(5)
- Notification under § 40.6 (d)
- Request for Approval under § 40.4 (a) or § 40.5 (a)
- Advance Notice of SIDCO Rule Change under § 40.10 (a)

- **Products**

- Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)
- Swap Class Certification under § 40.2 (d)
- Request for Approval under § 40.3 (a)
- Novel Derivative Product Notification under § 40.12 (a)

RULE NUMBERS

No changes to the LCH.Clearnet Rules & Regulations or Procedures.

DESCRIPTION

Self-certification pursuant to §40.6(a) relating to implementation of a margin model floor for the SwapClear Clearing Service.



VIA EMAIL TO: SUBMISSIONS@CFTC.GOV

May 5, 2014

Ms. Melissa Jurgens
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington DC 20581

Dear Ms. Jurgens,

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet Limited ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification changes to the SwapClear Service margin model to add a margin floor. LCH.Clearnet notes that while this change will not result in any change to the LCH.Clearnet Rules and Regulations, it is within the definition of a "Rule" as contained in §40.1(i) and is therefore being submitted for the Commission's review.

Please find attached as an appendix a note setting out the calculation and implementation of the margin floor.

Part I: Explanation and Analysis

SwapClear's current model for initial margin uses expected shortfall over a 10 year look back and mid volatility scaling calibrated to a 99.7% confidence. As at April 2014, the current margin model performed to a 99.9% level of confidence over an 18 month business backtesting lookback.

LCH.Clearnet plans to make a change to the scaling model for historical scenarios to limit pro-cyclical effects.

LCH.Clearnet plans to implement the SwapClear margin floor on May 19, 2014 for margin calls made on May 20, 2014.

Part II: Description of Rule Changes

No changes to the LCH.Clearnet Limited Rulebook or FCM Rulebook, Regulations and Procedures are required to implement the LCRM.

Part III: Certification by LCH.Clearnet

LCH.Clearnet certifies to the CFTC, in accordance with CFTC Regulation §40.6, that the planned changes comply with the Commodity Exchange Act and the CFTC Regulations promulgated thereunder.

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LCH.Clearnet Group Limited | LCH.Clearnet Limited | LCH.Clearnet SA | LCH.Clearnet LLC



LCH.Clearnet further certifies that, upon the submission of this material, in compliance with §39.21 of the Commission's regulations, LCH.Clearnet will post a notice of pending certification with the CFTC and a copy of the submission, excluding the appendix, on LCH.Clearnet's website at [http://www.lchclearnet.com/rules and regulations/ltd/proposed rules.asp](http://www.lchclearnet.com/rules_and_regulations/ltd/proposed_rules.asp)

Part IV: Core Principle Compliance

LCH.Clearnet will continue to comply with all Core Principles following the introduction of the proposed changes to the SwapClear Margin Model. LCH.Clearnet has concluded that its compliance with the Core Principles would not be adversely affected by these changes, in particular Core Principle D. The introduction of the margin floor based on unscaled returns over a ten year lookback is intended to reduce the likelihood of pro-cyclical effects on margin requirements.

Part V: Public Information

LCH.Clearnet, in accordance with Commission Regulation 145.9(d), has respectfully requested confidential treatment under the Freedom of Information Act (the "FOIA"), 5 U.S.C. § 552, for the Appendix to this self-certification submission, including subsequent emails and replies between LCH.Clearnet and Commission staff regarding the introduction of the margin floor. As such the copy of the self-certification submission published on LCH.Clearnet's public website omits the Appendix.

Part VI: Opposing Views

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

Certification

LCH.Clearnet Limited 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 please contact me at julian.oliver@lchclearnet.com.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Julian Oliver'.

Julian Oliver, Director, Compliance and Public Affairs
LCH.Clearnet Limited



Appendix
LCH.Clearnet Limited SwapClear margin floor description