

VIA CFTC PORTAL

8 Feb 2017

Mr Christopher Kirkpatrick
Commodity Futures Trading Commission
115 21st Street NW
Three Lafayette Centre
Washington DC 20581

LCH Limited Self Certification: Rule changes to reflect SwapClear service being operational at 5 am, in LCH's discretion, and to clarify certain provisions applicable to the Rates service

Dear Mr Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (the "CFTC") Regulation §40.6(a), LCH Limited ("LCH"), a derivatives clearing organization registered with the CFTC, is submitting a rule change for self-certification stating that the SwapClear service may be operational beginning 5 am London time, in LCH's absolute discretion. Separately, LCH proposes to make clarification changes to rules applicable to the SwapClear and Listed Rates services (together "Rates service").

Part I: Explanation and Analysis

SwapClear Opening hours

The rule changes specify that the SwapClear service may be operational beginning 5 am London time, in LCH's absolute discretion. The official opening time remains at 6 am London Time.

Conforming changes for the Rates service

The General Regulations include provisions noting that LCH shall have no liability to any Clearing Member, unless otherwise expressly provided in the rules or in any other agreement to which LCH is party. The proposed change clarifies that Listed Interest Rates Clearing Members are also within the scope of these provisions, along with Clearing Members of any other service.

Further, LCH proposes to delete a redundant sentence in the Procedures of the SwapClear service stating that only Clearing Members are authorised to submit trades for clearing into SwapClear. Currently, SwapClear Dealers can also do so, as noted elsewhere in the same section of the Procedures.

The above changes will go live on, or after, February 27, 2017.

Part II: Description of Rule Changes

SwapClear Opening hours

Procedures section 2C – SwapClear Clearing Service

Section 1.2.2 (Opening hours) has been amended with a footnote to reflect that the SwapClear service may be operational beginning 5 am London time, in LCH's absolute discretion.

FCM Procedures

Section 2.1.2 (b) (Opening Hours) has been amended with a footnote to reflect that the SwapClear service may be operational beginning 5 am London time, in LCH's absolute discretion.

Conforming changes for the Rates service

Regulation 52 in the General Regulations has been amended in paragraphs c) and e) clarifying that Listed Interest Rates Clearing Members are within the scope of that Regulation.

A sentence in section 1.1 (The Clearing Process) of Procedures Section 2C has been deleted as it was redundant; SwapClear Dealers, not just SwapClear Clearing Members, may submit trades for clearing into SwapClear. This change is not relevant in respect of the corresponding FCM Procedures.

The texts of the changes on the SwapClear opening hours are attached hereto as:

- **Appendix I: Procedures section 2C**
- **Appendix II: FCM Procedures**

The texts of the conforming changes for the Rates service are attached hereto as:

- **Appendix III: General Regulation**
- **Appendix IV: Procedures section 2C**

Part III: Core Principle Compliance

LCH has concluded that compliance with the Core Principles will not be adversely affected by these changes.

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 please contact me at julian.oliver@lch.com.

Yours sincerely



Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I
Procedures Section 2C – SwapClear Clearing service



LCH.CLEARNET LIMITED

PROCEDURES SECTION 2C

SWAPCLEAR CLEARING SERVICE

1.2 Operating Times and Calendars

1.2.1 Opening Days

The Clearing House will publish a circular detailing the days on which SwapClear will be open.

1.2.2 Opening Hours

Unless notified otherwise, the SwapClear clearing system will be operational during the following hours:

06:00 London Time to 19:00 New York Time¹

However, SwapClear Clearing Members should note that Necessary Consents in relation to a Notification submitted during a business day shall be accepted by the Clearing House until 19.01 New York time on the following day. The Clearing House will notify SwapClear Clearing Members in the event that the SwapClear clearing system is scheduled for closure for operational or other reasons (including compression runs).

1.2.3 SwapClear Clearing System Calendars

The SwapClear clearing system uses the *SwapsMonitor Financial Calendar* for its processing. This will require all SwapClear Clearing Members to be licensees of the *SwapsMonitor Financial Calendar*. The calendars, as applicable to the SwapClear clearing system, will be available online for inspection and for file download from the SwapClear Clearing Member reporting system (see Section 1.1.3).

1.3 Registration

1.3.1 Executing Parties and Presentation for Clearing

A SwapClear Transaction may be entered into by and presented for clearing by (or on behalf of), any of the following parties: (1) SwapClear Clearing Members (or the SCM Branch of any such a SwapClear Clearing Member); (2) SwapClear Dealers; (3) SwapClear Clearing Clients; and (4) FCM SwapClear Members.

The Clearing House receives details of a new eligible SwapClear Transaction using agreed format messages via an Approved Trade Source System. The Approved Trade Source System will send details of a SwapClear Transaction to the Clearing House once it has been bi-laterally agreed by two Executing Parties, or otherwise executed by or on behalf of two Executing Parties on a US Trading Venue or other similar venue or facility, and will confirm which SwapClear Clearing Member(s) has been elected to register the SwapClear Transaction. For the avoidance of doubt, an Executing Party may appoint a

¹ [The SwapClear clearing system may, in the Clearing House's absolute discretion, be operational beginning 05:00 London Time.](#)

Appendix II
FCM Procedures



**FCM PROCEDURES OF
THE CLEARING HOUSE**

LCH.CLEARNET LIMITED

2.1.2 *Operating Times And Calendars*

(a) *Opening Days*

The Clearing House will publish a circular detailing the days on which the FCM SwapClear clearing system will be open.

(b) *Opening Hours*

Unless notified otherwise, the FCM SwapClear clearing system will be operational during the following hours:

~~05~~06:00 London time to 19:00 hours New York time (a “**Business Day**”)¹.

However, FCM Clearing Members should note that FCM Acceptances of an FCM Notification submitted during a Business Day shall be accepted by the Clearing House until 19:01 New York time on the following day. The Clearing House will notify FCM Clearing Members in the event that the FCM SwapClear clearing system is scheduled for closure for operational or other reasons (including compression runs).

(c) *FCM SwapClear Clearing System Calendars*

The FCM SwapClear clearing system uses the SwapsMonitor Financial Calendar for its processing. This will require all FCM Clearing Members to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the FCM SwapClear clearing system, will be available online for inspection and for file download from FCM Clearing Member Reporting (see Section 2.1.1(c)).

2.1.3 *Registration*

(a) *Submission for Registration*

Prior to and as a precondition to the registration of an eligible FCM SwapClear Transaction, the relevant FCM Clearing Member must provide notice to and receive approval from the Clearing House (or have previously provided such notice and received such approval), in such form as determined by the Clearing House in its sole discretion, with respect to each type of FCM SwapClear Contract to be submitted for registration (be it with respect to tenor, currency or other eligibility criteria). Notwithstanding anything herein to the contrary, if (i) notification pursuant to this paragraph is not received by the Clearing House, (ii) the relevant FCM Clearing Member does not receive approval from the Clearing House to register the relevant type of SwapClear Contract or (iii) such approval granted pursuant to this

¹ [The FCM SwapClear clearing system may, in the Clearing House’s absolute discretion, be operational beginning 05:00 London Time.](#)

Appendix III
General Regulations



**GENERAL REGULATIONS OF
LCH.CLEARNET LIMITED**

REGULATION 52 EXCLUSION OF LIABILITY

- (a) Without prejudice to the provisions of Regulations 2 and 32 and 52(e) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any Member or to any other person (including, without limitation, any Clearing Client of a Member) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a Member or any other person, as the case may be, as a result of: any suspension, restriction or closure of the market administered by an Exchange, an ATP or a Co-operating Clearing House, whether for a temporary period or otherwise or as a result of a decision taken on the occurrence of a market emergency; any failure by the Clearing House or an Exchange or a Co-operating Clearing House or an ATP or its operator or the relevant approved agent or the Approved EquityClear Settlement Provider to supply each other with data or information in accordance with arrangements from time to time established between any or all of such persons; the failure of any systems, communication facilities or technology supplied, operated or used by the Clearing House, an Exchange, or a Co-operating Clearing House; any event which is outside the control of the Clearing House; any act or omission of an Exchange, or a Co-operating Clearing House in connection with a Co-operating Clearing House Contract or any contracts made on such terms, including, without limitation, any error in the establishment of a settlement price made by an Exchange; any act or omission of the Clearing House, an Exchange, or a Co-operating Clearing House (as the case may be) in connection with the operation of a Link or the arrangement for the transfer of Contracts under a Link.
- (b) Neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability to a Member or any other person (including, without limitation, a SwapClear Dealer, or a RepoClear Dealer or a ForexClear Dealer) in respect of any dispute arising from or in relation to any OTC Transaction, Eligible EnClear Trade, or an ATP Match including, but not limited to, any dispute as to the validity or otherwise of such OTC Transaction, Eligible EnClear Trade, the terms of such OTC Transaction, Eligible EnClear Trade, trade or ATP Match, or whether any alleged agreement or arrangement constitutes an OTC Transaction or Eligible EnClear Trade.
- (c) Without prejudice to the provisions of Regulation 2 and Regulation 52(e), neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any SwapClear Clearing Member, [Listed Interest Rates Clearing Member](#), RepoClear Clearing Member, EquityClear Clearing Member, LCH EnClear Clearing Member, ForexClear Participant or to any other person (including, without limitation, a SwapClear Dealer or a RepoClear Dealer) in contract, tort (including without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of: any suspension of an OTC Service or the EquityClear Service or the LCH EnClear Services (or any part thereof), whether for a temporary period or otherwise, a step taken by the Clearing House under Regulation 16(i), Regulation 37, Regulation 38, Regulation 55(h), or Regulation 72 or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House or the relevant approved agent; the occurrence of any event which is outside the control of the Clearing House;

or any exercise by the Clearing House of its discretion under the Regulations, or any decision by the Clearing House not to exercise any such discretion.

- (d) Without prejudice to Regulation 52(c) and Regulation 52(e), unless otherwise expressly provided in the Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH.Clearnet Group shall have any liability under any circumstances (including, without limitation, as a result of any negligence by the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives), to any Member, or a SwapClear Dealer, a RepoClear Dealer, or a ForexClear Dealer for any indirect or consequential loss or damage, or loss of anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such Member, SwapClear Dealer, RepoClear Dealer, or a ForexClear Dealer, and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH.Clearnet Group Limited, or their respective officers, employees, agents or representatives.
- (e) Nothing in this Regulation 52 shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or wilful default on the part of the Clearing House. The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House, for any fraud or wilful default on the part of the Clearing House, for any gross negligence or wilful misconduct on the part of the Clearing House in connection with the operation of the Portfolio Margining Service, if any, offered to Clearing Members from time to time, and for any actions that it may take on the basis of advice given to it by the Rates Service DMG, and for the accuracy of the information that it distributes to the SwapClear Clearing Members [and/or Listed Interest Rates Clearing Members](#) in connection with the Rates Service DMP pursuant to the Rates Service DMP Annex in the Default Rules, and for any actions that it may take on the basis of advice given to it by the ForexClear DMG, and for the accuracy of the information that it distributes to the ForexClear Clearing Members in connection with the ForexClear DMP pursuant to the ForexClear DMP Annex in the Default Rules.
- (f) Without prejudice to the provisions of Regulation 2 and Regulation 32 and Regulation 52(e) neither the Clearing House, nor any other member of the LCH.Clearnet Group shall have any liability whatsoever to any Member or to any other person (including, without limitation, any Clearing Client of a Member or a member of a Co-operating Clearing House or any Clearing Client of such member) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a Member or any other person, as the case may be, as a result of the failure of any systems, communication facilities or technology supplied, operated or used by LSE or as a result of any negligence, wrongdoing, or other act, error, failure or omission on the part of LSE, in supplying any services to the Clearing House with regard to the LSE Derivatives Markets Services or as a result of or in connection with any inconsistency or conflict between any provision contained in the LSE Derivatives Markets Rules on the one hand and any provision of these Regulations, Default Rules and Procedures and any other Clearing House documentation on the other hand.

- (g) For the purposes of the Contracts (Rights of Third Parties) Act 1999, save as is expressly set out herein, these Regulations, Default Rules and Procedures do not create any rights in any persons who is/are not a Member/s.
- (h) Without prejudice to Regulation 2 and Regulation 52(e), neither the Clearing House, nor any other member of the LCH.Clearnet Group, shall have any liability whatsoever to any Member or to any other person (including, without limitation, any client of a Member) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a Member or any other person as the case may be, as a result of any service failure, whether complete or partial, of any payment or securities services provider, including (without limitation) any Securities System Operator, custodian, settlement agent, securities depository, securities settlement system, settlement facility or central bank.

Appendix IV
Procedures Section 2C - SwapClear Clearing Service



LCH.CLEARNET LIMITED

PROCEDURES SECTION 2C

SWAPCLEAR CLEARING SERVICE

1. SWAPCLEAR CLEARING SERVICE

1.1 The Clearing Process

The SwapClear Service is an interface that processes and stores all SwapClear Transactions received from an Approved Trade Source System.

Those authorised by the Clearing House to submit trades for clearing in the SwapClear Service fall into two categories – SwapClear Clearing Members (SCMs) and SwapClear Dealers (SDs). SCMs are clearing members who have applied and have been accepted by the Clearing House to clear in the SwapClear Service. SDs are not clearing members but have met the criteria for registration as a SwapClear Dealer and have entered into a SwapClear Dealer Clearing Agreement with an SCM and the Clearing House. Subject to obtaining approval from the Clearing House's Membership Department an SCM may offer certain SwapClear Client Clearing Services to its clients (SwapClear Clearing Clients). SwapClear Client Clearing Services are provided to SwapClear Clearing Clients through an Individual Segregated Account or an Omnibus Segregated Account. SCMs should contact the Clearing House's Membership Department for further details of the SwapClear Client Clearing Service and the Clearing House's approval process (+44 (0)20 7426 7949; membership@lchclearnet.com).

~~Only SwapClear Clearing Members are authorised by the Clearing House to submit trades for clearing in the SwapClear Clearing System.~~

An SCM Branch must always be the same legal entity as the SCM and, subject to authorisation by the Clearing House, it may present SwapClear Transactions to the Clearing House, for registration as SwapClear Contracts in the name of the SCM, using its own BIC code.

Therefore, where a SwapClear Transaction is presented for clearing by an SCM Branch, it is deemed to have been presented by, and in the name of, the SCM of which it is part for registration.

1.1.1 *SwapClear Service Functions*

The following functions are performed within the SwapClear Service:

- (a) processing and settlement of coupon payments;
- (b) processing and settlement of consideration (fee) payments;
- (c) calculation of initial and variation margin requirements;
- (d) calculation of the net present value of SwapClear Transactions;
- (e) calculation of the cumulative net present value of certain SwapClear Transactions;
- (f) calculation of MER requirements and SwapClear Tolerance Limits;