



**Via Electronic Mail**

12 July 2013

Ms. Melissa Jurgens  
Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, DC 20581

**RE: Changes to LCH.Clearnet Limited Initial Margin Model for ForexClear**

Dear Ms. Jurgens,

Pursuant to §40.6(a) of the Commission Regulations, LCH.Clearnet Limited ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), hereby submits for self-certification, amendments to LCH.Clearnet's Initial Margin Methodology utilized by its ForexClear service. LCH.Clearnet notes that while these changes will result in no changes to the LCH.Clearnet Rules and Regulations, they are however within the definition of a "Rule" as contained in §40.1(i) and are therefore being submitted for the Commission's review.

**Part I: Explanation and Rationale for the Amendments**

LCH.Clearnet is making these changes to the ForexClear Initial Margin (IM) Model methodology to meet new European regulations that recommend the use of a 10-year lookback period for calculating volatilities applied to Central Counterparty IM Models. The proposed model change is also consistent with LCH.Clearnet's desire to harmonise IM Models, including lookback periods and the use of Expected Shortfall across its OTC services. LCH.Clearnet plans to implement these changes no later than the close of business on Monday, 29<sup>th</sup> July 2013.

**Description of Changes**

LCH.Clearnet currently uses a 5-year lookback period in the ForexClear IM Model Methodology. The proposed change relates to an extension of the historical lookback period from 5 years to 10 years, along with the implementation of Expected Shortfall (ES). We note that SwapClear and RepoClear have also proposed to adopt this approach<sup>1</sup>.

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<sup>1</sup> LCH.Clearnet notes the SwapClear submission was certified by the Commission on February 6<sup>th</sup>, 2013



Should you have any question regarding this submission please contact me at [julian.oliver@lchclearnet.com](mailto:julian.oliver@lchclearnet.com).

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Julian Oliver".

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

Cc: Mamun Ahmed, LCH.Clearnet  
Gavin Wells, LCH.Clearnet  
Jay Iyer, LCH.Clearnet  
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