

Via CFTC Portal

(*) Confidential treatment requested

12 January 2015

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

Dear Ms. Abadi,

Pursuant to CFTC regulation §40.6(a) of the Commission regulations, LCH.Clearnet SA ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), hereby submits for self certification, an amendment to a collateral haircut add-on, to be implemented and become effective on 28 January 2015.

Part I: Explanation and Analysis

LCH.Clearnet currently applies sovereign credit add-ons to countries with internal credit score (ICS) 4 or worse.

In order to comply with EMIR requirements, LCH.Clearnet has developed a new credit risk add-on framework to avoid procyclicality effects, and sensitive enough to reflect credit risk but at the same time be sufficiently stable.

The new methodology and governance process to evaluate the risk that would arise in case of a sovereign default will be based on the AIRBA (Advanced Internal Rating Based Approach - Asymptotic Single Risk Factor/Vasicek Model).

The credit risk add-on calculated according to this methodology will be added to the base add-on to form the total haircut applied to the market value of the bond to calculate the value of the collateral deposited by the member.

Part II: Description of Rule Changes

This Submission does not require any changes to the Rulebook. LCH.Clearnet has communicated all related material, detailing the change, to the CFTC via emails. Confidential treatment is requested for all related materials.

Part III: Core Principle Compliance

LCH.Clearnet will continue to comply with all Core Principles following the introduction of this change and has concluded that its compliance with the Core Principles would not be adversely affected by this change.

Part IV: Public Information

LCH.Clearnet has posted a notice of pending certification with the CFTC and a copy of the submission on LCH.Clearnet's website at:

<http://www.lchclearnet.com/rules-regulations/proposed-rules-changes>

Part V: Opposing Views

There were no opposing views expressed to LCH.Clearnet by governing board or committee members, members of LCH.Clearnet that were not incorporated into the rule.

Certification

LCH.Clearnet SA 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: françois.faure@lchclearnet.com.

A handwritten signature in blue ink, appearing to read 'Faure', written over a horizontal line.

Francois Faure
Chief Compliance Officer
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