



VIA CFTC PORTAL

10 February 2015

Mr Christopher Kirkpatrick
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington DC 20581

Dear Mr Kirkpatrick

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 its rules which allow Futures Commission Merchants ("FCMs") and SwapClear Clearing Members ("SCMs") to submit for simultaneous clearing a group of two or more transactions (such group being a "Package Transaction").

LCH.Clearnet intends to implement these rule changes on, or after March 9th, 2015.

Part I: Explanation and Analysis

The changes to the Procedures Section 2C and FCM Procedures are being implemented to allow for FCMs and SCMs to present for clearing a Package Transaction. The Package Transaction will be assessed as a group within the real-time trade registration process and registered as a group, with registration being based on the net initial margin impact of the Package Transaction within its portfolio of cleared contracts. Where one or more transactions within a Package Transaction is rejected, the entire Package Transaction will be rejected.

The rulebook provisions also require that, where one constituent transaction within a Package Transaction is a US Trading Venue Transaction or FCM US Trading Transaction (as the case may be) that all constituent transactions within that Package Transaction be a US Trading Venue Transaction or FCM US Trading Venue Transaction. This is in order to ensure compliance with real-time trade registration.

LCH.Clearnet has reserved the right to limit the number of transactions within a Package Transaction but has committed to provide market participants with notice of any such limitation.

Part II: Description of Rule Changes

Procedures Section 2C (SwapClear), Section 1.3.9 and FCM Procedures, Section 2.1.3 (h) have been inserted.

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The changes to the Procedures Section 2C (SwapClear) are included at Appendix I and changes to FCM Procedures are included at Appendix II.

Part III: Core Principle Compliance

LCH.Clearnet has concluded that compliance with the Core Principles will 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 or market participants that were not incorporated into the rule.

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 blue ink that reads 'Julian Oliver'.

Julian Oliver
Chief Compliance Officer
LCH.Clearnet Limited



Appendix I
Procedures Section 2C (SwapClear)



LCH.CLEARNET LIMITED

PROCEDURES SECTION 2C

SWAPCLEAR CLEARING SERVICE

(iii) the Aggregate Backload Margin Threshold.

1.3.7 *Notification*

The Clearing House will send to the originating Approved Trade Source System notification of registration or rejection, as the case may be, and the SwapClear Clearing Members will be notified by the Approved Trade Source System or the ClearLink API or otherwise of the registration or rejection of SwapClear Transactions, or contracts purported as such.

1.3.8 *Rejected Trades*

Trades submitted for registration that do not meet the product or other Eligibility Criteria as set out in the Product Specific Contract Terms and Eligibility Criteria Manual and published on the Clearing House's website from time to time (including a trade submitted by or on behalf of a SwapClear Clearing Member that was executed on (i) a US Trading Venue that was not at the time of execution of such trade an Eligible US Trading Venue in respect of such SwapClear Clearing Member or (ii) a trading venue or facility that had not at the time of the execution of such trade been approved by the Clearing House as a US Trading Venue) or which contain invalid or incomplete message data or with respect to which the Clearing House has not received sufficient Collateral (taking into account MER and/or SwapClear Tolerance, if any) will be rejected, except that such Collateral shall be required to be provided prior to registration as a condition to the registration of such trade only if such trade is a Block IRS Trade. If, at any time, the Clearing House does not register a trade presented for registration it will send to the originating Approved Trade Source System notification of the rejection.

1.3.9 *Package Transactions*

In certain circumstances a SwapClear Clearing Member may, via an Approved Trade Source System, present to the Clearing House, in a single submission, a group of two or more SwapClear Transactions for simultaneous registration (such group of SwapClear Transactions being a "Package Transaction"). A Package Transaction must be identified to the Clearing House at the time of its presentation in the format prescribed by the Clearing House. Where the Package Transaction is not presented in the prescribed format, each constituent SwapClear Transaction within the Package Transaction will be rejected.

Where the Clearing House receives a Package Transaction for registration it shall treat each SwapClear Transaction that forms part of the Package Transaction as a new SwapClear Transaction in accordance with the Rulebook and, where each constituent SwapClear Transaction within the Package Transaction meets the registration requirements as set out in the Rulebook (including a Necessary Consent and the provision of Collateral, where applicable), the Clearing House will simultaneously register all of the SwapClear Transactions within that Package Transaction. Where one or more of the constituent SwapClear Transactions does not meet the Clearing House's

registration requirements then all the constituent SwapClear Transactions of the Package Transaction shall be rejected.

Where a constituent SwapClear Transaction of a Package Transaction is a US Trading Venue Transaction, it is a condition of registration that all of the constituent SwapClear Transactions of such Package Transaction be US Trading Venue Transactions; where such condition is not met, all constituent SwapClear Transactions of the Package Transaction will be rejected. In respect of a Package Transaction comprising SwapClear Transactions that are not executed on any US Trading Venue, the Clearing House will send an Notification to the relevant SwapClear Clearing Member(s) for the acceptance of each such constituent SwapClear Transaction.

In respect of a Package Transaction submitted in a SwapClear Clearing Member's name, such SwapClear Clearing Member's Margin requirement will be assessed based on the net Margin call for all of the constituent SwapClear Transactions of such Package Transaction. Where one or more of the constituent SwapClear Transactions in a Package Transaction is a Block IRS Trade then the relevant SwapClear Clearing Member is required to provide the Clearing House with sufficient Collateral prior to registration of the entire Package Transaction as a condition thereto (taking into account available SwapClear Tolerance, if any).

The Clearing House may limit the number of SwapClear Transactions that may be included in a Package Transaction by way of member circular.

1.4 Proprietary Accounts and Client Accounts

1.4.1 Proprietary Accounts

A SwapClear Clearing Member may request that the Clearing House opens one or more Proprietary Accounts in respect of its House Clearing Business.

Each Proprietary Account will map to two sub-accounts:

- (a) a position account; and
- (b) a collateral account.

1.4.2 Client Accounts

(a) Types of Client Account

Subject to Regulation 11 (*Client Clearing Business*) of the General Regulations and Section 1.20 below, a SwapClear Clearing Member may request that the Clearing House opens, in respect of its Client Clearing Business, one or more:

- (i) Individual Segregated Accounts;
- (ii) Non-Identified Client Omnibus Net Segregated Accounts;



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:

07:30 London time to 19:00 hours New York time (a “**Business Day**”).

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 00:01 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*

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

(b) *Conditions to Registration*

Non-FCM US Trading Venue Transactions

In respect of an FCM SwapClear Transaction that is not an FCM US Trading Venue Transaction, following receipt of information from the FCM Approved Trade Source System the Clearing House will notify the relevant FCM Clearing Member(s), via member reports, the

For any FCM SwapClear Transaction which is a Backloaded Trade, where one leg is to be registered as a Non-FCM SwapClear Contract, the UK General Regulations and UK General Procedures will apply with respect to such registration of the Non-FCM SwapClear Contract.

The Clearing House shall publish the following via member circular:

- (A) times of Backload Registration Cycles;
- (B) the Individual Backload Value Threshold; and
- (C) the Aggregate Backload Margin Threshold.

(f) *Notification*

The Clearing House will notify FCM Clearing Members of the registration or rejection of FCM SwapClear Transactions, or contracts purported as such, via the SwapClear FCM Clearing Member Reporting System (see Section 2.1.1(c)) and the originating FCM Approved Trade Source System messaging service for onward transmission to the submitting FCM Clearing Member.

(g) *Rejected Trades*

Trades submitted for registration that do not meet the product or other eligibility criteria prescribed from time to time by the Clearing House (including a trade submitted by or on behalf of an FCM Clearing Member that was executed on a (i) US Trading Venue that was not at the time of execution of such trade an FCM Eligible US Trading Venue in respect of such FCM Clearing Member or (ii) trading venue or facility that had not at the time of the execution of such trade been approved by the Clearing House as an FCM US Trading Venue) or which contain invalid or incomplete message data, or with respect to which the Clearing House has not been furnished with sufficient Margin (taking into account available SwapClear Tolerance, if any), will be rejected, except that such Margin shall be required to be furnished prior to registration as a condition to the registration of such trade only if such trade is a Block IRS Trade. If, at any time, the Clearing House does not register a trade presented for registration it will notify the contracting parties of the reasons for rejection.

(h) Package Transactions

In certain circumstances an FCM Clearing Member may, via an FCM Approved Trade Source System, present to the Clearing House, in a single submission, a group of two or more FCM SwapClear Transactions for simultaneous registration (such group of FCM SwapClear Transactions being a "Package Transaction"). A Package Transaction must be identified to the Clearing House at the time of its presentation in the format prescribed by the Clearing House. Where the Package Transaction is not presented in the prescribed format, each

constituent FCM SwapClear Transaction within the Package Transaction will be rejected.

Where the Clearing House receives a Package Transaction for registration it shall treat each FCM SwapClear Transaction that forms part of the Package Transaction as a new FCM SwapClear Transaction in accordance with the FCM Rulebook and, where each constituent FCM SwapClear Transaction within the Package Transaction meets the registration requirements as set out in the FCM Rulebook (including an FCM Acceptance and the provision of Collateral, where applicable), the Clearing House will simultaneously register all of the FCM SwapClear Transactions within that Package Transaction. Where one or more of the constituent FCM SwapClear Transactions does not meet the Clearing House's registration requirements then all the constituent FCM SwapClear Transactions of the Package Transaction shall be rejected.

Where a constituent FCM SwapClear Transaction of a Package Transaction is an FCM US Trading Venue Transaction, it is a condition of registration that all of the constituent FCM SwapClear Transactions of such Package Transaction be FCM US Trading Venue Transactions; where such condition is not met, all constituent FCM SwapClear Transactions of the Package Transaction will be rejected. In respect of a Package Transaction comprising FCM SwapClear Transactions that are not executed on any FCM US Trading Venue, the Clearing House will send an FCM Notification to the relevant FCM Clearing Member(s) for the acceptance of each such constituent FCM SwapClear Transaction.

In respect of a Package Transaction submitted in an FCM Clearing Member's name, such FCM Clearing Member's Margin requirement will be assessed based on the net Margin call for all of the constituent FCM SwapClear Transactions of such Package Transaction. Where one or more of the constituent FCM SwapClear Transactions in a Package Transaction is a Block IRS Trade then the relevant FCM Clearing Member is required to provide the Clearing House with sufficient Collateral prior to registration of the entire Package Transaction as a condition thereto (taking into account available SwapClear Tolerance, if any).

The Clearing House may limit the number of FCM SwapClear Transactions that may be included in a Package Transaction by way of member circular.

2.1.4 ***Allocation Notices***

In respect of an Allocation Notice, the Clearing House will notify the relevant Pre-Allocation FCM Clearing Member and Post-Allocation FCM Clearing Member via member reports, the SwapClear API or otherwise, that an Allocation Notice has been submitted to allocate some or all of notional value of an Unallocated FCM SwapClear