

VIA CFTC PORTAL

9 June 2016

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

LCH.Cleernet Limited Self-Certification:

Dear Mr Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (the "CFTC") Regulation §40.6(a), LCH.Cleernet Limited ("LCH"), a derivatives clearing organization registered with the CFTC, is submitting for self-certification changes to its rules to reflect a reporting obligation of certain non-Yen SwapClear transactions to the Japanese Financial Services Agency ("JFSA") and to add a reference to the appointment of an administrator in respect of a Clearing Member in its Default Rules.

Part I: Explanation and Analysis

LCH is proposing rule changes providing that LCH must report the details of all non-Yen SwapClear transactions of a SwapClear Clearing Member where such Clearing Member has a branch operating in Japan, unless it provides LCH with the following:

- (i) Confirmation that the Clearing Member does not execute any SwapClear transactions through its Japanese branch; or
- (ii) Details of the identifier through which the Clearing Member executes all of the SwapClear transactions of its Japanese branch. In this case, only the SwapClear transactions associated with that identifier will be reported to the JFSA by LCH.

Secondly, an unrelated clarifying amendment will be made to the Default Rules to add that, in addition to other insolvency proceedings, the appointment of an administrator is also an event that may indicate that a Clearing Member is or is likely to become unable to meet its obligations in respect of one or more contracts. The clarification has been added in response to legal counsel received on the New Zealand insolvency regime and does not change LCH's current practice.

The changes will go live on, or after, June 24, 2016.

Part II: Description of Rule Changes

Procedures Section 2C (SwapClear clearing service) has been updated under section 1.1.4 (Clearing House Reporting) to reflect how LCH would comply with the JFSA's reporting requirement in respect to the relevant non-Yen SwapClear transactions. The changes are included in **Appendix I**.

In addition, paragraph 5(j) of the Default Rules has been updated to define the appointment of an administrator in respect of a Clearing Member as an "Automatic Early Termination Event". The changes are included in **Appendix II**.

The text of the changes is attached hereto as appendices as noted above.

Part III: Core Principle Compliance

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

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.lchclearnet.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 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.Clearnet Limited

Appendix I
Procedures Section 2C (SwapClear)

report to a trade repository or similar body the details of a SwapClear Contract and any modification or termination of such contract without duplication and no later than the working day following the conclusion, modification or termination of such contract, in line with the requirements of Applicable Law.

(b) The Clearing House will report to the Japanese Financial Services Authority (the “JFSA”) details of all non-Yen SwapClear Transactions of a SwapClear Clearing Member where such SwapClear Clearing Member has a branch operating in Japan, unless such SwapClear Clearing Member provides the Clearing House with one of the following:

(i) Confirmation that it does not execute any SwapClear Transactions through its Japanese branch (such that no SwapClear Transactions will be reported to the JFSA by the Clearing House); or

(ii) Details of the identifier through which the relevant SwapClear Clearing Member executes all of the SwapClear Transactions of its Japanese branch (such that only the SwapClear Transactions associated with that identifier will be reported to the JFSA by the Clearing House).

SwapClear Clearing Members shall notify the Clearing House in the event of any changes to its reporting obligations pursuant to this Section 1.1.4(b).

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:

05:00 London Time to 19:00 New York Time

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).

Appendix II
Default Rules

Also, the Clearing House may from time to time by publication in a circular to Clearing Members specify criteria (including but not limited to the jurisdiction of incorporation of a Clearing Member) according to which an event under subparagraphs (i) to (p) below will constitute an "**Automatic Early Termination Event**":

- (a) the Clearing Member fails duly to perform its obligations under or is otherwise in breach of, the Regulations, the FCM Regulations, the Procedures, or any of the terms of any agreement, understanding or arrangement with the Clearing House or the right of the Clearing Member to receive a transfer or termination, close-out and re-establishment of Contracts pursuant to a Link has been suspended under Co-operating Clearing House Rules;
- (b) the Clearing Member is in breach of the terms of membership of, or is declared to be in default by, or is suspended or expelled from membership of, an Exchange, a Co-operating Clearing House or any other recognised, designated or overseas investment exchange or clearing house;
- (c) the Clearing Member is in breach of any Exchange Rules, Co-operating Clearing House Rules or the rules of any recognised, designated or overseas investment exchange or clearing house;
- (d) the Clearing Member is in breach of the terms of membership of, or is refused an application for or is suspended or expelled from membership of, a Regulatory Body or is in breach of the rules of a Regulatory Body to which it is subject or its authorisation by a Regulatory Body is suspended or withdrawn;
- (e) a Regulatory Body takes or threatens to take action against or in respect of the Clearing Member under any statutory provision or process of law;
- (f) the Clearing Member is in default in the payment of any sum whatsoever due and payable to the Clearing House;
- (g) the Clearing Member is in default in making or accepting a tender (or Delivery Notice) pursuant to Regulation 28 (*Obligation to Make and Accept Tender under Cleared Exchange Contracts*) or FCM Regulation 20 (*Obligation to Make and Accept Delivery Notice Under FCM Exchange Contracts*) or in performing an open contract subject to tender (or an FCM Exchange Contract Subject to Delivery Notice) or a delivery contract (or a Physically-Settled FCM Exchange Contract);
- (h) the Clearing Member fails to pay any sum due and payable, or is otherwise in default under the terms of any agreement or threatens to suspend payment or to default under the terms of any agreement;
- (i) in respect of the Clearing Member, a bankruptcy petition is presented or a bankruptcy order is made or a voluntary arrangement is approved;
- (j) in respect of the Clearing Member, a receiver, manager, [administrator](#) or administrative receiver is appointed or a composition or scheme of arrangement is approved by the court;