Dear Mr Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (the “CFTC”) Regulation §40.6(a), LCH.Clearnet Limited ("LCH"), a derivatives clearing organization registered with the CFTC, is submitting for self-certification changes to its rules allowing Clearing Members to request that LCH requires additional collateral from a Client in order to reduce the stress loss exposure generated by the Client account.

Part I: Explanation and Analysis

The LCH Risk management framework requires that a Clearing Member with aggregate Stress Loss Over Initial Margin (STLOIM) of greater than 45% of the Rates Default Fund on any given business day intra-month is charged the incremental additional margin in the form of Daily Default Fund Additional Margin (DFAM). The STLOIM includes both the stress loss exposure generated by its proprietary account and that of its Client accounts.

LCH is proposing rule changes that will allow a Clearing Member to request that LCH requires additional collateral from a Client, with respect to the stress loss exposure generated by that Client account. The additional margin will be segregated with respect to an individual Cleared Swaps Customer, in the same manner as any other Cleared Swaps Customer Collateral delivered to LCH.

The associated rule changes allow the DFAM to be met by Clients rather than only by the Clearing Member. The additional margin in respect of a Client’s stress loss exposure will have the effect of reducing that Client’s STLOIM, and as such reduce the aggregate stress loss exposure, thereby offsetting the DFAM liability of the Clearing Member. Such additional required Client margin will be capped at each Client’s share of the overall DFAM amount.

The changes will go live on, or after, September 12, 2016.

Part II: Description of Rule Changes

Procedures Section 2C
Section 1 (SwapClear Clearing Service)

This section notes the operating procedures for the SwapClear service in respect to SwapClear Clearing Members ("SCMs"). A new sub-section 1.9.7 has been added to section 1.9 (Initial Margin) noting that, following a request from an SCM LCH, at its sole discretion, may require additional Collateral to cover such Clearing Member’s stress loss exposure with respect to a Client Account.

FCM Procedures

Clause 2.1 (SwapClear section of Product-Specific Procedures)

This section notes the operating procedures for the SwapClear service in respect to Clearing Members that are Futures Commission Merchants ("FCMs"). A new sub-clause (f) has been added to section 2.1.9 (Initial Margin) noting that, following a request from a FCM, LCH, at its sole discretion, may require additional Collateral to cover such FCM’s stress loss exposure with respect to an individual FCM Client Sub-Account.

The text of the changes to Procedures Section 2C is attached hereto as Appendix I and the text of the changes to FCM Procedures is attached hereto as Appendix II.

Part III: Core Principle Compliance

LCH has reviewed the changes to its rules against the Core Principles, in particular F and G, and concluded that compliance with all the requirements and standards therein 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.olver@lch.com.

Yours sincerely

[Signature]

Julian Oliver
Chief Compliance Officer
LCH.Clearnet Limited
Appendix I
Procedures Section 2C
IMMES aims to find risk and initial margin reducing SwapClear Contracts amongst participating SwapClear Clearing Members. IMMES can be run on all SwapClear Contracts of participating SwapClear Clearing Members that are cleared through the SwapClear Service, although the primary focus will be on those that contribute to the largest initial margin requirement. IMMES is available in respect of SwapClear Contracts registered to a SwapClear Clearing Member’s Proprietary Account and/or client account.

SwapClear Clearing Members who wish to obtain further information about, or to participate in, IMMES should contact SwapClear Risk by emailing OTCIRDRisk@lchclearnet.com. To be eligible to participate in IMMES, a SwapClear Clearing Member must enter into an IMMES agreement with the Clearing House (the “IMMES Agreement”).

Step-by-step details

(i) The Clearing House usually conducts the IMMES monthly.

(ii) A reminder that there is an IMMES run taking place is sent out the week before to each SwapClear Clearing Member which is a party to an IMMES Agreement with LCH and each such SwapClear Clearing Member is asked to confirm its participation.

(iii) On the day of the scheduled IMMES run, the Clearing House analyses each participating SwapClear Clearing Member’s portfolio profile to find SwapClear Contracts with equivalent and opposite delta values to compile a list of offsetting trades that are Block IRS Trades and that may be mutually beneficial in terms of initial margin reduction (the “IMMES Trades”).

(iv) The Clearing House then analyses each participating SwapClear Clearing Member’s portfolio (assuming that the IMMES Trades have been entered into) and determines the change in, initial margin and zero yield sensitivity from the IMMES Trades.

(v) The SwapClear Clearing Members on either side of the trades (which may include an FCM SwapClear Clearing Member (as defined in the FCM Rulebook)) are advised of the economic details of the IMMES Trades, and their respective identities and contact details.

(vi) The SwapClear Clearing Members may but are not required to enter into the IMMES Trades. Any IMMES Trades entered into must be submitted to the Clearing House for registration.

1.9.7 Collateral for Stress Loss Exposure

(i) In response to a request from a SwapClear Clearing Member, the Clearing House may, in its sole discretion, require
1.10 **Tenor Basis Risk Margin Add-on**

An add-on margin requirement will be applied in respect of tenor basis risk.

1.11 **Intra-Day Margin Call: Collateral Management**

The methods for covering intra-day margin calls are set out in Section 1.11 of Procedure 4 (*Margin and Collateral*).

1.12 **Price Alignment Interest (PAI) Rate**

The calculation of PAI and Price Alignment Amount shall use the applicable interest rate specified and published on the Clearing House's website.

The Clearing House shall not change the interest rates used for the calculation of PAI and Price Alignment Amount in respect of USD, EUR, GBP, JPY and CHF without the consent of all SwapClear Clearing Members holding open contracts in such currencies.

1.13 **Transfer of SwapClear Contracts between Client Accounts and Proprietary Accounts**

1.13.1 If at any time an early termination date (howsoever described) occurs in respect of one or more of the transactions between a SwapClear Clearing Member and a SwapClear Clearing Client in respect of which such SwapClear Clearing Member (i) is a party to Related SwapClear Contracts and (ii) at the time of such early termination date, is not a Defaulting SCM, that SwapClear Clearing Member may instruct the Clearing House to transfer the relevant Related SwapClear Contracts from its Client Account to its Proprietary Account.

For the purposes of this Section 1.13.1 below a "**Related SwapClear Contract**" means, in respect of a transaction between a SwapClear Clearing Member and a SwapClear Clearing Client which has been terminated on an early termination date, the open position represented by the SwapClear Contract entered into with the Clearing House by such SwapClear Clearing Member on behalf of the relevant SwapClear Clearing Client on equal and opposite terms to such transaction.

A transfer pursuant to this Section 1.13.1 will be subject to receipt by the Clearing House of the following:

(a) a copy of the notice from the relevant SwapClear Clearing Member to the relevant SwapClear Clearing Client or from the relevant SwapClear Clearing Client to the relevant SwapClear Clearing Member designating the relevant early termination date or, if such early termination date has occurred automatically, evidence of the relevant event of default or termination event;
Appendix II
FCM Procedures
FCM PROCEDURES OF
THE CLEARING HOUSE
LCH.CLEARNET LIMITED
The FCM SwapClear Clearing Members may but are not required to enter into the IMMES Trades. Any IMMES Trades entered into must be submitted to the Clearing House for registration.

(f) **Collateral for Stress Loss Exposure**

(i) In response to a request from an FCM Clearing Member, the Clearing House may, in its sole discretion, require additional Collateral to cover such FCM Clearing Member's stress loss exposure with respect to an FCM Client Sub-Account.

2.1.10 **Intra-Day Margin Call: Collateral Management**

(a) **General – Intra-day Margining**

Following an intra-day margin call and unless notified otherwise by an FCM Clearing Member at the time of an intra-day margin call the Clearing House will deduct cash, in the appropriate currency, directly from the relevant FCM Clearing Member's PPS account to cover the Margin needed to meet that intra-day margin call.

Cash payments in respect of intra-day Margin requirements are accepted only in USD by the Clearing House.

It is the responsibility of the FCM to ensure that they have sufficient cash funds in place with their PPS bank(s) in order to avoid any intra-day liquidity issues.

2.1.11 **Compression**

(a) Pursuant to FCM Regulation 46(m) (Registration of FCM SwapClear Contracts; Novation and Post-Novation Compression; SwapClear Accounts), an FCM Clearing Member may compress existing FCM SwapClear Contracts in accordance with that FCM Regulation. There are two options available to an FCM Clearing Member that wishes to compress existing FCM SwapClear Contracts:

(i) an FCM Clearing Member can request that all FCM SwapClear Contracts entered into (i) on behalf of a designated FCM Client or (ii) in such FCM Clearing Member's Proprietary Account be considered for compression by the Clearing House. Such a request shall be reconsidered by the Clearing House automatically each day (and the results notified to the FCM Clearing Member after the applicable scheduled compression run) until the FCM Clearing Member notifies the Clearing House to discontinue such compression of FCM SwapClear Contracts. FCM Clearing Members should contact the