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 on changes to parts of the General Rule book regarding Regulation 46A, Solvency Threatening Treasury Default Loss.

LCH.Clearnet intends the changes to take effect on the 30 June 2015.

Part I: Explanation and Analysis

LCH.Clearnet is clarifying rights exercised under Regulation 46A and Regulation 45, the Clearing House makes a recovery in respect of the Treasury Default, the Clearing House will (after replenishing its own expenses) distribute the net proceeds of such recovery pro rate the amount of the Allocated Loss paid by each Clearing Member and each FCM Clearing Member.

Part II: Description of Rule Changes

LCH.Clearnet Limited Rulebook changes will be made to,

- FCM Regulations - waterfall changes, Regulation 45 (g), Solvency Threatening Treasury Default Loss. Reference “after replenishing its own losses and expenses” to “after replenishing its expenses.”
- General Regulations - Regulation 46A (g) “waterfall changes, after replenishing its own losses and expenses” to “after replenishing its own expenses.”

Black lined versions have been provided for reference, and are included in the appendix of this documentation.

Part III: Core Principle Compliance

The rule amendments and other changes described above relate primarily to LCH.Clearnet’s compliance with Core Principles B (Financial Resources).
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 thereunder.

Should you have any questions please contact me at julian.oliver@lchclearnet.com.

Yours sincerely,

[Signature]
Julian Oliver
Chief Compliance Officer
LCH.Clearnet Limited
Appendix I
(a) In this Regulation:

"Calculation Period" means, in respect of a type of Business, a period of the number of days specified in the "Combined Loss Value" calculation in relation to the Fund Amount of that type of Business and ending on the business day preceding the date on which the Clearing House determines that a Solvency Threatening Treasury Default Loss has occurred (and the terms "Business", "Combined Loss Value" and "Fund Amount" have the meanings set out in the Default Fund Rules);

"Margin Weight" means:

(i) the aggregate of a Clearing Member's total margin requirement (in respect of all of its Proprietary Accounts and all of its Client Accounts) for each type of Business undertaken by the Clearing Member averaged over the relevant Calculation Period preceding a determination of a Solvency Threatening Treasury Default Loss under Regulation 46A(b) below;

divided by

(ii) the total average margin requirement of all Clearing Members (including FCM Clearing Members) during the same period; and

"Treasury Default" means, in connection with the Clearing House's treasury management activities, the default of: (A) an issuer of a debt instrument underlying a treasury management contract; and/or (B) a counterparty to a treasury management contract (including a deposit-taking institution), as determined by the Clearing House in its sole discretion.

(b) In the event of a Treasury Default, the Clearing House may determine in its sole discretion that a loss has been caused by or arises out of a Treasury Default. If the Clearing House so determines, it must determine the quantum of that loss by ascertaining the gross amount of the loss and reducing it by EUR 15 million. The result is referred to as a "Solvency Threatening Treasury Default Loss".

(c) The Clearing House will, in respect of each Clearing Member, determine an amount of the Solvency Threatening Treasury Default Loss to be allocated to that Clearing Member based on that Clearing Member's Margin Weight (an "Allocated Loss"). The day on which the Clearing House determines that a Solvency Threatening Treasury Default Loss has taken place shall be the determination day for the purposes of establishing the Calculation Period.

(d) The maximum Allocated Loss that each Clearing Member can be allocated is equal to: (i) the total Clearing House treasury investment portfolio immediately prior to the Solvency Threatening Treasury Default Loss, reduced by EUR 15 million; multiplied by (ii) that Clearing Member's Margin Weight. For the purpose of the calculation of Margin Weight, the margin requirements for any Clearing Member who has become a defaulter at any point prior to the date of allocation, shall be disregarded.
(e) Each Clearing Member shall pay to the Clearing House within an hour of demand a cash amount equal to its Allocated Loss. The Clearing House shall be entitled to debit such cash amount from the PPS account associated with that Clearing Member's Proprietary Account.

(f) Any determination made by the Clearing House, and any action taken by the Clearing House, pursuant to this Regulation is binding on a Clearing Member and may in no circumstances be challenged or called into question.

(g) If, after exercising its rights under this Regulation, the Clearing House makes a recovery in respect of the Treasury Default, the Clearing House will (after replenishing its own losses and expenses) distribute the net proceeds of such recovery pro rata to the amount of the Allocated Loss paid by each Clearing Member and each FCM Clearing Member in respect of that Treasury Default by crediting the relevant Clearing Member's Proprietary Account. Nothing in this Regulation 46A(g) obliges the Clearing House to pursue any litigation or take other action in order to recover the amounts contemplated hereby.
Appendix II
REGULATION 45  SOLVENCY THREATENING TREASURY DEFAULT LOSS

(a) In this FCM Regulation:

“Calculation Period” means, in respect of a type of Business, a period of the number of days specified in the “Combined Loss Value” calculation in relation to the Fund Amount of that type of Business and ending on the business day preceding the date on which the Clearing House determines that a Solvency Threatening Treasury Default Loss has occurred (and the terms “Business”, “Combined Loss Value” and “Fund Amount” have the meanings set out in the Default Fund Rules);

“Margin Weight” means:

(i) the aggregate of an FCM Clearing Member’s total margin requirement (in respect of all of its Proprietary Accounts and all of its Client Accounts) for each type of Business undertaken by the FCM Clearing Member averaged over the relevant Calculation Period preceding a determination of a Solvency Threatening Treasury Default Loss under Regulation 45(b) below;

(ii) divided by

the total average margin requirement of all FCM Clearing Members and “Clearing Members” under the UK General Regulations during the same period; and

“Treasury Default” means, in connection with the Clearing House’s treasury management activities, the default of: (A) an issuer of a debt instrument underlying a treasury management contract; and/or (B) a counterparty to a treasury management contract (including a deposit-taking institution), as determined by the Clearing House in its sole discretion.

(b) In the event of a Treasury Default, the Clearing House may determine in its sole discretion that a loss has been caused by or arises out of a Treasury Default. If the Clearing House so determines, it must determine the quantum of that loss by ascertaining the gross amount of the loss and reducing it by EUR 15 million. The result is referred to as a “Solvency Threatening Treasury Default Loss”.

(c) The Clearing House will, in respect of each FCM Clearing Member, determine an amount of the Solvency Threatening Treasury Default Loss to be allocated to that FCM Clearing Member based on that FCM Clearing Member’s Margin Weight (an “Allocated Loss”). The day on which the Clearing House determines that a Solvency Threatening Treasury Default Loss has taken place shall be the determination day for the purposes of establishing the Calculation Period.

(d) The maximum Allocated Loss that each FCM Clearing Member can be allocated is equal to: (i) the total Clearing House treasury investment portfolio immediately prior to the Solvency Threatening Treasury Default Loss, reduced by EUR 15 million; multiplied by (ii) that FCM Clearing Member’s Margin Weight. For the
purpose of the calculation of Margin Weight, the margin requirements for any FCM Clearing Member who has become a defaulter at any point prior to the date of allocation, shall be disregarded.

(e) Each FCM Clearing Member shall pay to the Clearing House within an hour of demand a cash amount equal to its Allocated Loss. The Clearing House shall be entitled to debit such cash amount from the PPS account associated with that FCM Clearing Member's Proprietary Account.

(f) Any determination made by the Clearing House, and any action taken by the Clearing House, pursuant to this Regulation is binding on a FCM Clearing Member and may in no circumstances be challenged or called into question.

(g) If, after exercising its rights under this Regulation, the Clearing House makes a recovery in respect of the Treasury Default, the Clearing House will (after replenishing its own losses and expenses) distribute the net proceeds of such recovery pro rata to the amount of the Allocated Loss paid by each FCM Clearing Member and each “Clearing Member” under the UK General Regulations in respect of that Treasury Default by crediting the relevant FCM Clearing Member's Proprietary Account. Nothing in this Regulation 45(g) obliges the Clearing House to pursue any litigation or take other action in order to recover the amounts contemplated hereby.