

VIA CFTC Portal

15 August 2018

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

LCH Limited Self Certification: Rule changes related to the identification to LCH of a client's backup Clearing Member(s)

Dear Mr Kirkpatrick

Pursuant to CFTC regulation §40.6(a), LCH Limited ("LCH"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification changes to its rules regarding the identification to LCH of a client's backup Clearing Member(s). The change does not apply to Clearing Members which are Futures Commission Merchants ("FCMs") and their clients.

Part I: Explanation and Analysis

In the event of a Clearing Member default, LCH would seek to transfer any relevant contracts in one of more clients' accounts opened by the defaulter to an alternative solvent Clearing Member (the "Backup Clearing Member"). Each LCH clearing service requires those clients wishing to appoint one or more backup Clearing Members to complete an "Appointment Notice" that identifies such Clearing Members. In order to formalise this process, LCH proposes to amend the General Regulations by adding the definition of an "Appointment Notice" and a reference to it in the definition of "Backup Clearing Member".

The rule changes will go live on, or after, August 29, 2018.

Part II: Description of Rule Changes

A new definition of the term Appointed Notice has been added to the General Regulations to note that such LCH notice is for the purpose of a client appointing one or more Backup Clearing Members. The definition of Backup Clearing Member now notes that such Member is identified to LCH in an Appointment Notice.

The text of the changes to the General Regulations is attached hereto as **Appendix I**.

Part III: Core Principle Compliance

LCH has reviewed the changes against the requirements of the Core Principles and finds that they will continue to comply with all the requirements and standards therein.

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.oliver@lch.com.

Yours sincerely



Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I
General Regulations



**GENERAL REGULATIONS OF
LCH LIMITED**

"Applied Collateral Excess Proceeds"

means, where the Clearing House has sold, disposed of or appropriated all or any part of the non-cash Collateral held by a Clearing Member and/or a Custodial Segregated Client with the Clearing House in an exercise of its powers under the Deed of Charge entered into with the relevant Clearing Member or the Client Charge entered into with the relevant Clearing Member and such Custodial Segregated Client, the amount (if any) of realisation proceeds from such sale or disposal remaining after the Clearing House has applied the same in or towards discharge of the relevant obligations to the Clearing House or, in the case of an appropriation, an amount of such non-cash Collateral (or, where the amount in question is less than the minimum denomination of the relevant non-cash Collateral which can be delivered, cash) having a value equal to the excess (if any) of the value of the appropriated non-cash Collateral (as determined by the Clearing House in accordance with the relevant Deed of Charge, Client Charge or Collateral Management Agreement) over the relevant obligations to the Clearing House which have been discharged by that appropriation

"Applied FCM Buffer"

has the meaning assigned to it in the FCM Regulations

"Appointment Notice"

means an appointment notice which is in the form prescribed and made available by the Clearing House for the purpose of a Clearing Client appointing one or more Backup Clearing Member(s)

"approved agent"

means a person appointed by the Clearing House to perform certain functions on its behalf in respect of an ATP

"Approved Compression Services Provider (ACSP)"

means an entity other than the Clearing House which is approved by the Clearing House for the facilitation of Multilateral Compression in relation to eligible SwapClear Contracts in accordance with Regulation 56 and relevant Compression Documentation.

"Approved EquityClear Settlement Provider ("ASP")"

means the operator of the securities depository and/or securities settlement system prescribed by the Clearing House from time to time for the provision of settlement services in respect of specified EquityClear Contracts

"Approved EquityClear Trading Platform ("ATP")"

means any trading platform approved as such from time to time by the Clearing House in respect of the EquityClear service

"Approved LCH SDR"

means any swap data repository approved by the Clearing House from time to time for the submission of swap data by SwapClear Clearing Members and ForexClear Clearing Members

"Automated Trading System"	means an automated trading system in respect of which the Clearing House has an agreement with the operator thereof and in respect of which the Clearing House has notified RepoClear Participants in accordance with the Procedures
"Automatic Early Termination Event"	has the meaning ascribed to such term in Rule 5 of the Default Rules
"Backup Clearing Member"	means the Clearing Member(s) <u>(a)</u> indicated by a Clearing Client as acting as such, and <u>(b)</u> notified to the Clearing House from time to time <u>in an Appointment Notice and in accordance with the procedure determined by the Clearing House</u>
"Backup Client"	means an Indirect Gross Account Clearing Client identified by a Clearing Member to the Clearing House for the purposes of a transfer of Related Contracts pursuant to a Client to Client Porting
"Backload Registration Cycle"	has the meaning assigned to it in the Procedures
"Backloaded Registration Trade"	has the meaning assigned to it in the Procedures
"Block IRS Trade"	means a trade the notional amount of which is at or above the minimum block size established by the CFTC pursuant to CFTC Regulation 43.6 for the interest rate asset class and in effect as of the date of submission of such trade to the Clearing House for registration
"Board"	means the board of directors or other governing body (whether called a board, a committee or otherwise) of an Exchange
"Bond Trade"	means a trading activity in which a RepoClear Participant offers to sell RepoClear Eligible Securities, and another RepoClear Participant offers to purchase those RepoClear Eligible Securities, and a trade subsequently ensues
"Bulk Event"	has the meaning as described in Regulation 60(f)
"Bulk Event Cycle"	has the meaning as described in Regulation 60(f)
"Bulk Threshold"	means the threshold (defined as a given number of SwapClear Contracts) established from time to time by the Clearing House in its sole and absolute discretion to distinguish Intra-Day Bulk Transfers from Intra-Day Non-Bulk Transfers and notified to SwapClear Clearing Members