

VIA CFTC PORTAL

10 December 2018

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

### **LCH Limited Self Certification: Rule Changes on Client Account – Account Migration**

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 to include a process for a clearing member (SCM only) to request a client account migration.

#### **Part I: Explanation and Analysis**

LCH currently receive requests to migrate and convert a Client Account to another form of Client Account (from an SCM) via a signed PDF form. This makes translating static data more manual. LCH is proposing to update the Rule Book to allow other ways for an account migration to be requested such that the manual nature of the previous way can be mitigated and reduce any potential operational errors.

The rule changes associated with this new process will go live on, or after, January 1, 2019.

#### **Part II: Description of Rule Changes**

Section 1.4.3 of Procedures Section 2C (“SwapClear Clearing Service”) has been added to provide a process for an SCM to request LCH to migrate and convert a Client Account to another form of Client Account. This also includes the assumptions that the SCM is making when submitting the request.

The texts of the rule changes are attached hereto as:

- i. **Appendix I**, Procedures Section 2C (SwapClear)

#### **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](mailto:julian.oliver@lch.com).

Yours sincerely



Julian Oliver  
Chief Compliance Officer  
LCH Limited

**Appendix I**  
Procedures Section 2C (SwapClear)



**LCH LIMITED**

**PROCEDURES SECTION 2C**

**SWAPCLEAR CLEARING SERVICE**

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Where a constituent SwapClear Transaction of a Package Transaction is an Eligible Trading Venue Transaction, it is a condition of registration that all of the constituent SwapClear Transactions of such Package Transaction be Eligible 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 a Trading Venue, the Clearing House will send a Notification to the relevant SwapClear Clearing Member(s) for the acceptance of each such constituent SwapClear Transaction.

In respect of a Package Transaction presented 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 not a Sub-Block Trading Venue Transaction, 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 or more sub-accounts:

- (a) a position account; and
- (b) one or more collateral accounts (including, where relevant, a Client Buffer Account).

### 1.4.2 *Client Accounts*

- (a) Types of Client Account

Subject to Regulation 11 (*Client Clearing Business*) and Section 1.21 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) Indirect Gross Accounts;
- (iii) Custodial Segregated Accounts;

- (iv) Non-Identified Client Omnibus Net Segregated Accounts;
  - (v) Identified Client Omnibus Net Segregated Accounts;
  - (vi) Affiliated Client Omnibus Net Segregated Accounts;
  - (vii) Omnibus Gross Segregated Accounts; and/or
  - (viii) Indirect Net Accounts.
- (b) Each Client Account will map to two or more sub-accounts:
- (i) one or more a position accounts; and
  - (ii) one or more a collateral accounts.

#### 1.4.3 Client Account – Account Migration

An SCM may request (in such form and manner as the Clearing House may prescribe from time to time) that the Clearing House migrate and convert a Client Account to another form of Client Account (an “Account Migration Request”). In connection with an Account Migration Request, an SCM shall be deemed to make the following agreements, acknowledgements and representations:

- (a) the Account Migration Request is provided on behalf of a SwapClear Clearing Client;
- (b) the requested Client Account changes will not violate or result in the violation of Applicable Law; and
- (c) the Clearing House shall be authorised and entitled to rely conclusively on the instructions of, and information provided by, the given SCM, which shall be solely responsible for all such instructions and information.

## 1.5 Position Accounts

### 1.5.1 SCM Accounts

For identification purposes each SCM is assigned a unique three-character mnemonic. An SCM's position and financial information are further identified by a single character code: C for SwapClear Client Clearing Business; and H for SwapClear Clearing House Business. The H account is obligatory, the C account will be used in respect of any SCM which engages in SwapClear Client Clearing Business.