

VIA CFTC PORTAL

01 February 2018

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

LCH Limited Self-Certification: Approved Compression Service Providers (ACSPs) changes

Dear Mr Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (the "CFTC") Regulation §40.6(a), LCH Limited ("LCH"), a derivatives clearing organization registered with the CFTC, is submitting for self-certification changes to the procedures of the existing third party vendor compression service within LCH's SwapClear service so that multiple vendors can offer runs in the same currency on the same day.

Part I: Explanation and Analysis

SwapClear currently operates a specific business process and control to prevent more than one Approved Compression Service Provider (ACSP) from operating runs in the same currency on the same day. Going forward, LCH proposes to allow more than one of the ACSPs to perform a run on the same day in the same currency allocating operational capacity to each one if required. This change will enable more member choice and competition.

The changes will be effective on, or after, February 18, 2019.

Part II: Description of Rule Changes

There are no changes to the LCH Rulebook, however LCH will make changes to its website to highlight the new choices available to ACSPs. There are other minor tidying up of webpage as shown in **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 change.

Certification

LCH hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in Commission Regulation § 40.6, that the attached 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

Website changes (ACSPs webpage)

<https://www.lch.com/services/swapclear/essentials/approved-compression-service-providers>

LCH's process for confirming proposed ACSP's cycles

1. For the next quarter all vendors submit to LCH requests for runs including the date they want to perform a run and its currency[s]
 - A vendor can only do one run a day
 - A vendor can only perform one run in a currency per calendar week
 2. Vendors all submit their requests by email on the same pre agreed day
 - For Q1 – Second Wednesday of preceding November
 - For Q2 – Second Wednesday of preceding February
 - For Q3 – Second Wednesday of preceding May
 - For Q4 – Second Wednesday of preceding August
 3. LCH collates all the requested runs and identifies those which LCH cannot support, these being
 - Runs on days that LCH is not open
 - Runs on days that LCH believe is sensitive e.g. elections
 - Runs on days when LCH may be making a release
 - Others to be determined at LCHs discretion
 4. LCH collates the eligible requested runs and confirms to the vendors which runs have been accepted by the following Wednesday. Acceptance and confirmation of request runs are subject to the following:
 - Where more than one vendor has requested to perform a run in the same currency on the same day, LCH will inform such vendors that these runs could be subject to constraints on the number of "events" (each termination and new trade is an event) they can generate in the applicable run
 - Impacted vendors may choose to request different dates for runs and can work with LCH to identify appropriate, alternative dates
 - ~~Runs may also be subject to event constraints depending on the combinations of currencies requested LCH collates the remaining eligible requested runs and identifies where there are conflicts with the LCH's operational constraints, these being~~
 - ~~Cannot have a USD and EUR on the same day~~
 - ~~Cannot have two USD runs on the same day~~
 - ~~Cannot have two EUR runs on the same day~~
 - ~~Can have a maximum of two AM currencies (other than USD, CAD, MXN) a day~~
 - ~~Can have a maximum of two PM currencies (USD, CAD, MXN) a day~~
 5. Where runs will be subjected to event constraints, LCH will inform the impact vendors approximately a week before the applicable run as to the number of events each vendor is permitted to perform in each of their runs
 - Where a vendor's run is subject to event constraints, the number of events a vendor may effect shall be limited based on (x) the number of events effected in the vendor's previous run(s) in the relevant currency and/or (y) the number of eligible trades each vendor has in their cycle based on the participating members. Where two or more vendors are performing runs in the same currency on the same day a member can only participate in one of the cycles
 6. LCH will publish on its Secure Area the approved run schedule, including the date, currency[s] and vendor(s), and will provide such information in the next RSU that follows such run allocation. LCH will also publish this information to the vendors
- ~~When runs are identified as breaching LCH operational constraints (4 above)~~
~~LCH will request each affected vendor to supply the members which have expressed an interest in participating~~
~~A member being a House member, CB member, a Client~~

~~Vendor[s] will be awarded run in order of the number of participants expected and where appropriate other vendor[s] will have their requests rejected~~
~~If a member is submitted by more than one vendor it will not be counted for any vendor~~
~~If two or more vendors have the same number of members the gross notional in USD equivalent of the members in the currency will be used to allocate the run~~
~~Periodically LCH can request a vendor to provide evidence they sought and got the members intent that they submitted~~

- ~~4. LCH will revert to each vendor confirming what runs they have been allocated by the close of the Wednesday following the submission of their requests~~
- ~~5. Vendors who have runs rejected can work with LCH to identify appropriate alternatives~~
- ~~6. LCH will publish on the secure site the approved run schedule including the date, currency[s] and vendor as well as including in the RSU update following a quarters allocation~~

Notwithstanding the above, LCH may allocate, cancel or reschedule compression runs in its discretion for operational, technical, risk or legal considerations.