

VIA EMAIL TO: SECRETARY@CFTC.GOV

07 March 2014

Ms. Melissa Jurgens
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington DC 20581

Dear Ms. Jurgens:

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 changes to the rulebook to remove reference to the “declear” and “termination by automated service” functionalities. These rulebook changes will be implemented and become effective on 24 March 2014.

Please find attached as appendices the Submission Cover Sheet and the relevant changes to the LCH.Clearnet rulebook.

Part I: Explanation and Analysis

LCH.Clearnet is decommissioning the ability for members to submit declear requests to the SwapClear service. The rulebook is being amended to remove reference to the declear functionality, as well as a legacy functionality referenced in the rulebook as “termination by automated service.”

Part II: Description of rule changes

The following sections of the rulebook have been amended: Regulation 48A (General Regulations); 2C.12 (Clearing House Procedures); and 2A.10 (FCM Procedures).

Part III: Core Principle Compliance

The changes contained herein ensure that LCH.Clearnet will continue to comply with all Core Principles, including Core Principle C (Participant and Product Eligibility).

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_and_regulations/ltd/default.asp.

Part V: Opposing Views

There were no opposing views expressed to LCH.Clearnet by its governing board or committee members, members of LCH.Clearnet or market participants that were not incorporated in the changes.

Certification

LCH.Clearnet Limited hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in Commission regulation §40.6, that this submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

Should you have any questions please contact me at laurian.cristea@lchclearnet.com.

Yours sincerely,



Laurian Cristea
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Appendix I
Submission Cover Sheet

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) LCHLTD Date: 07 March 2014

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.

ORGANIZATION LCH.Clearnet Ltd.

FILING AS A: DCM SEF DCO SDR ECM/SPDC

TYPE OF FILING

- **Rules and Rule Amendments**

- Certification under § 40.6 (a) or § 41.24 (a)
- “Non-Material Agricultural Rule Change” under § 40.4 (b)(5)
- Notification under § 40.6 (d)
- Request for Approval under § 40.4 (a) or § 40.5 (a)
- Advance Notice of SIDCO Rule Change under § 40.10 (a)

- **Products**

- Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)
- Swap Class Certification under § 40.2 (d)
- Request for Approval under § 40.3 (a)
- Novel Derivative Product Notification under § 40.12 (a)

RULE NUMBERS

Regulation 48A (General Regulations); 2C.12 of the Clearing House Procedures; and 2A.10 of the FCM Procedures.

DESCRIPTION

Self-certification pursuant to §40.6(a) to align the rulebook with recent operational changes resulting in the decommissioning of the declare and termination by automated service functionalities.

Appendix II
Rulebook Changes

Regulation 48A ~~Termination by Automated Service~~ RESERVED

- ~~(a) SwapClear Contract may be terminated prior to its expiry by means of the automated SwapClear Intra-day Deletion Service (for the purposes of this Regulation “the Service”). The Service is designed so that the process of termination may be initiated by a SwapClear Dealer.~~
- ~~(b) Each SwapClear Clearing Member is deemed to grant a continuing authority to every SwapClear Dealer with whom that SwapClear Clearing Member is a party to a SwapClear Dealer Clearing Agreement (for the purposes of this Regulation, an “SDC Agreement”) to use the Service for the termination of any SwapClear Contract registered in the name of that SwapClear Clearing Member under that SDC Agreement. A SwapClear Clearing Member shall be bound by all entries, deletions and modifications which are made under this Service by the relevant SwapClear Dealer or which are purported to have been made by the relevant SwapClear Dealer.~~
- ~~(c) A SwapClear Dealer shall have no obligation to inform, notify or seek the consent of any SwapClear Clearing Member prior to initiating the termination of a SwapClear Contract by means of the Service or making any entries, deletions or modifications when using the Service.~~
- ~~(d) Each SwapClear Clearing Member is deemed to grant a continuing authority to the Clearing House to terminate any SwapClear Contract registered in the name of that SwapClear Clearing Member upon the request of a SwapClear Dealer with whom that SwapClear Clearing Member is a party to an SDC Agreement and make all other entries, deletions and modifications as may be required to give effect to such termination.~~
- ~~(e) The Clearing House shall have no obligation to inform, notify or seek the consent of any SwapClear Clearing Member prior to terminating a SwapClear Contract or making any entries, deletions or modifications when operating the Service.~~
- ~~(f) The termination of a SwapClear Contract to which the First SwapClear Clearing Member is a party is contingent upon *inter alia* the termination of the SwapClear Contract to which the Second SwapClear Clearing Member is a party, and vice-versa.~~
- ~~(g) The termination of a SwapClear Contract by means of the Service may be cancelled at any time prior to its termination or such earlier time as may be determined by the Clearing House from time to time, provided that, such cancellation must be agreed by both parties to the SwapClear Transaction which corresponds to that SwapClear Contract.~~
- ~~(h) The date and time of termination of a SwapClear Contract shall be as reported by the Clearing House by means of the Service and shall be binding on all parties.~~
- ~~(i) The Clearing House may decline to terminate any SwapClear Contract if, in the opinion of the Clearing House acting in its sole discretion, the termination of that SwapClear Contract is not consistent with the policies of the Clearing House, including, without limitation, any policies concerning risk management.~~
- ~~(j) In addition to (i) above, the Clearing House may decline to terminate any SwapClear Contract if there is insufficient Collateral in the relevant PPS account of the relevant SwapClear Clearing Member to accommodate the termination of that SwapClear Contract. For the avoidance of doubt and without limitation, the Clearing House may debit the relevant PPS account with any amount or amounts due to the Clearing House in connection with the termination of a SwapClear Contract.~~

- ~~(k) — Each SwapClear Dealer shall ensure that every user name, password and all other security information provided to it by the Clearing House is kept confidential and in a secure manner and is used solely for the purposes of utilising the Service. Each SwapClear Dealer shall be responsible for any action taken using any such security information as if SwapClear Dealer had itself taken the action concerned. Each SwapClear Dealer shall ensure that only such of its staff as are duly authorised are able to access and use the Service and that the Service is accessed and used by SwapClear Dealer and its authorised staff in accordance with all guidance and instructions issued by the Clearing House from time to time.~~
- ~~(l) — For the avoidance of doubt and without limitation, the provisions of Regulation 39 shall apply to the termination of each SwapClear Contract by means of the Service.~~
- ~~(m) — With effect from the time of the termination of a SwapClear Contract by means of the Service, the Clearing House shall have no obligation under the terms that SwapClear Contract and no liability in respect thereof, provided that the termination of any SwapClear Contract shall have no effect upon the rights and obligations already accrued under that SwapClear Contract, which rights and obligations shall survive such termination.~~
- ~~(n) — Upon the termination of a SwapClear Contract by means of the Service, the corresponding Parallel Contract arising by operation of the SDC Agreement shall also terminate.~~

the relevant SwapClear Clearing Member shall be entitled to any collateral lodged in the Additional Collateral Account with the Clearing House and held in respect of the relevant SwapClear Clearing Client.

2C.11 POSITION TRANSFERS

The SwapClear Clearing System provides functionality for transfer of positions between SCMs. Other than transfers conducted pursuant to Regulation 52C and Procedure 2C.15.5, an SCM who wishes to effect a position transfer to another SCM should contact the Clearing House Risk Management Department.

SwapClear Dealers who wish to change their SCM will be required to execute a new SwapClear Dealer Clearing Agreement with their intended new SCM. The Clearing House will, if all parties are in agreement, effect a transfer of positions from one SCM to the other.

Other than in respect of a transfer to a Backup SwapClear Clearing Member following a default of their existing SwapClear Clearing Member, transfers will only be effected once adequate Collateral (which, in the case of transfers conducted pursuant to Regulation 52C(b), may include the Associated Collateral Balance) has been provided by both parties to the transfer.

2C.11.1 Legal Documentation

The Clearing House will provide standard legal documentation for the transfer of positions. The transfer must be authorised by both parties and by individuals with appropriate signing authority.

2C.11.2 Position Transfer Notice Period

The Clearing House will usually require five business days notice ahead of an intended transfer.

2C.12 ~~TERMINATION BY AUTOMATED SERVICE~~ [RESERVED]

~~Termination by automated service is no longer available. SwapClear Contracts may be declared from SwapClear in line with section 2C.10. In the event that an SCM wishes to remove a SwapClear Contract submitted through the SWIFT trade source it should complete a Cleared Trade Removal Agreement as set out in Appendix 2C.M and a corresponding Cleared Trade Removal Agreement should also be submitted to the Clearing House by the Counterparty SCM (as defined in the Agreement).~~

2C.13 AMENDMENT OF TRADE REFERENCES

Sometimes SwapClear Clearing Members wish to change their own trade references numbers/codes by which they identify trades registered in the SwapClear Service. Subject to that SwapClear Clearing Member meeting all the Clearing House's requirements and these Procedures, the Clearing House will, as part of its service to SwapClear Clearing Members, amend its records in order to reflect this change. Such change has no effect whatsoever on the terms of any registered SwapClear contract or any other obligations of the SCMs party to those contracts.

2C.14 TRADE REFERENCE AMENDMENT REQUEST FORM

The Clearing House requires a completed Trade Amendment Request Form (in the form prescribed by the Clearing House) to be submitted by any SwapClear Clearing Member wishing to amend a trade reference. The form must be signed by two persons from within the SwapClear Clearing Member with appropriate signing authority and must set out the required full details of each registered trade in respect of which the SwapClear Clearing Member wishes to change its trade reference. Evidence of such signing

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2A.10 Declearing and Compression

Pursuant to FCM Regulation 30(n), 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:

- (a) An FCM Clearing Member can request that all FCM SwapClear Contracts entered into (i) on behalf of a designated FCM Client, (ii) on behalf of a designated Affiliate or (iii) on such FCM Clearing Member's own behalf 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 by 19:00 hours, New York City time, on each applicable day) until the FCM Clearing Member notifies the Clearing House to discontinue such compression of FCM SwapClear Contracts. FCM Clearing Members should contact the Clearing House's Membership Department to request such a compression of FCM SwapClear Contracts.
- (b) An FCM Clearing Member may notify the Clearing House directly through the SwapClear API, specifying which FCM SwapClear Contracts should be compressed. The FCM Clearing Member will be notified by 19:00 hours, New York City time, on the applicable day whether compression has occurred and the Clearing House will not automatically reconsider such compression request on subsequent days regardless of whether compression has occurred.

In order to ~~declear~~compress an FCM SwapClear Contract, an FCM Clearing Member must register with an FCM Approved Trade Source System an offsetting FCM SwapClear Contract and shall then follow the process for compression as set out above.

The Clearing House shall process the compression of all FCM SwapClear Contracts as notified to it prior to 18:00 hours, New York City time, shortly after 18:00 hours, New York City time, and shall notify the applicable FCM Clearing Member by 19:00 hours, New York City time, of the result of such compression procedure. A notification received after 18:00 hours, New York City time, shall be treated as if such notification was submitted on the following day prior to 18:00 hours, New York City time, and as such shall be considered shortly after 18:00 hours, New York City time, on such following day and the results notified to the applicable FCM Clearing Member by 19:00 hours, New York City time, on such following day.

Following the compression process described above and as further set out in FCM Regulation 30(n), the applicable FCM Clearing Member shall promptly notify the Clearing House if it believes that any errors have occurred in the compression process or if its books and records do not reconcile with those of the Clearing House in respect of the compressed FCM SwapClear Contracts as notified to the FCM Clearing Member by the Clearing House.

2A.11 Affiliate Clearing

Under FCM Regulation 5, FCM Clearing Members are permitted to clear for Affiliates through their Proprietary accounts.