

VIA EMAIL TO: SECRETARY@CFTC.GOV

12 March 2013

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 fee structure for LCH.Clearnet’s SwapClear service. The amended fee structure will apply from April 1, 2013.

The submission cover sheet and member circular are attached as Appendix A and B, respectively.

Explanation and Analysis

Introduction

The SwapClear service is increasing tariffs for the first time in more than two years to enable the service to maintain the level and quality of service expected by market participants and to support global regulatory initiatives. The investment required to comply with unprecedented changes to global regulation continues to increase, and has required substantial investment in the development and introduction of new products and extensions to existing products, the management of an expanding global membership, oversight of the move to buy-side central clearing, and compliance with a new framework of global and regional regulation. The SwapClear service is therefore (1) introducing a new onboarding fee for an Affiliate member of a group; (2) introducing a new ultimate tariff; and (3) adjusting the existing tariffs to conform to the new plan structure.

Detail of Changes to the Fee Plan

LCH.Clearnet’s SwapClear service currently applies a single tariff to each member group, on a calendar-year basis, taking into account all trades made by that group. A new onboarding fee is being introduced for an Affiliate member of the group, set at £50,000.

Tariff A1:

- a. A new ultimate tariff (A1) of £2,250,000 per year for 30,000 trades per year or more will be implemented.

Tariff A2:

- a. This new tariff replaces old Tariff A.
- b. The standard tariff is increased from £1,250,000 to £1,500,000 with a ceiling of 20,000 trades per year. Additional trades beyond 20,000 will incur a booking fee of £75 per new trade and no additional maintenance fee.
- c. The charges will be collected in equal monthly installments of £125,000 monthly in arrears and an invoice will be posted to the SCM's account. All clearing fees are payable in GBP.
- d. Members will have a cap of £2,250,000 in the calendar year, equating to 30,000 trades annually so that members on this lower tariff plan do not surpass the fee for new Tariff A1. A fee holiday is instated if a member group reaches the cap and will automatically begin the next year at Tariff A1.

Tariff B:

- a. This introductory tariff will retain its existing entry level at £500,000 collected in equal monthly installments of £41,667 plus £75 per trade booking fee and a £6 per existing trade maintenance fee per month but with the cap increased to £1,500,000.
- b. When the Tariff B member reaches the cap, they will be on a fee holiday for the remainder of the year unless they clear 20,000 trades in the calendar year.
- c. Tariff B member that does not reach the Tariff B cap in the calendar year will, by default, begin the next year on Tariff B. However, a member that reaches the cap within the calendar year will automatically begin the next year at Tariff A2.
- d. Tariff B member can at any time elect to move to a higher tariff. This enables them to smooth their billing over the rest of the year.

Description of rule changes

Implementation of the new SwapClear fee structure does not require changes to the LCH.Clearnet Rulebook.

Core Principle Compliance

The SwapClear fee structure complies with the “fair and open access” requirement of Core Principle C (Participant and Product Eligibility) as the amended tariffs apply equally to all Clearing Members and to their affiliate(s).

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/ltc/proposed_rules.asp

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 this submission.

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 there under.



Should you have any questions regarding this submission please contact me at jay.iyer@lchclearnet.com.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Jay Iyer', enclosed within a blue oval scribble.

pp

Jay Iyer, CCO
LCH.Clearnet Limited

cc: Suzanne Calcagno, LCH.Clearnet
Adam Cohen, CFTC

Appendix A

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) LCHLTD Date: 12 March 13

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.

ORGANIZATION LCH.Clearnet Limited

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

Not applicable.

DESCRIPTION

LCH.Clearnet Limited’s SwapClear service is (1) introducing a new onboarding fee for an Affiliate member of a group; (2) introducing a new ultimate tariff; and (3) adjusting the existing tariffs to conform to the new plan structure.

Appendix B

March 11th 2013

Dear SwapClear Member,

As all market participants are experiencing, the investment needed to conform to unprecedented global regulation continues to rise. The OTC markets continue to grow and are fast adapting to required change. For LCH Clearnet this has required significant outlay in the development and introduction of new cleared products, the management of increased global membership and volume, oversight of the move to buy-side central clearing, adherence to an array of global and regional regulation and enhanced Risk Management.

It is therefore necessary for SwapClear to increase tariffs for the first time in more than two years, effective April 1, 2013*. This will enable us to maintain the level and quality of service you expect, while continuing to enhance and extend the services we provide.

In the next 12 to 18 months, we are planning a series of technology upgrades, the introduction of real-time registration, reporting refresh, collateral segregation, additional trade sources, limit management tools, and infrastructure/service upgrades. We also need to prepare for the next wave of cleared products and to ensure that we are compliant with the emerging regulatory environment in the multiple jurisdictions in which we operate, facilitating centralized clearing for Members and Clients.

As a reminder, the key SwapClear service developments during the last two years include:

Product launches and enhancements

- Introduction of Forward Rate Agreements in 11 currencies to assist in the management of short-dated IRS risk with commensurate cross-margin benefit within an OTC IRD portfolio
- OIS swaps clearing in CAD
- Extension of current products — Euro, US dollars and Sterling to 50 yrs; NZD to 15 yrs; Japanese Yen to 40 yrs; AUD, CAD, CHF, and SEK to 30 yrs
- Addition of variable notional swaps (amortizing and accreting swaps, including roller-coasters)
- Expansion of cleared currency set to include Hungarian Forint (HUF), Czech Koruna (CZK), and Singaporean Dollars (SGD) out to 10 years

Improved Acceptable Collateral

- Collateral extensions, e.g. CAD cash, GNMA, MBS, FNMA/FHLMC/FHLB debentures

Risk methodologies and reporting

- More accurate tenor basis valuation
- Extension of OIS discounting in Japanese Yen and Australian Dollars
- Regulatory trade reporting of cleared trades to the DTCC SDR
Enhanced reporting and data and margin replication tools (e.g., introduction of SMART)

Regulatory compliance

- Launch and continued enhancement of our client clearing models to allow full compliance with evolving global mandates
- Fundamental rewrite of clearing framework, incorporating recalibration of clearing membership criteria, segregation of the default fund, and a revised Default Management Process
- Continuous and sizable investment in improved, scalable, and resilient risk, operations, and technology

SwapClear fees from 1 April 2013

As currently, a single tariff will be applied to a Member Group, taking into account all trades cleared by that group within a calendar-year. There will be a new one-off onboarding fee for an Affiliate Member, set at £50,000.

Tariff A1:

- a. A new ultimate tariff (A1) of £2,250,000 per year for 30,000 trades per year or more will be implemented.

Tariff A2: This tariff replaces the old Tariff A

- a. The top standard tariff ("Band A") will be increased from £1,250,000 to £1,500,000 with a ceiling of 20,000 trades per year, and renamed tariff A2. Additional trades beyond 20,000 will incur a booking fee of £75 per new trade but no maintenance fee.
- b. The charges will be collected in equal monthly installments of £125,000 monthly in arrears and an invoice will be posted to the Members' account. All clearing fees will be payable in GBP.
- c. Members will have a fee cap of £2,250,000 in the calendar year, equating to 30,000 trades annually. A fee holiday is given for the balance of the year if the £2,250,000 cap is reached and the following year will automatically be invoiced at Tariff A1.

Tariff B: Introductory tariff

- a. Tariff B will retain its existing entry level at £500,000 collected in equal monthly installments of £41,667 plus £75 per trade booking fee and a £6 per existing trade maintenance fee per month, but with the cap increased to £1,500,000.

- b. If a Tariff B Member reaches the £1,500,000 cap, a fee holiday will be given for the remainder of the year unless more than 20,000 trades are cleared in the calendar year.
- c. A Tariff B Member that does not reach the Tariff B cap in the calendar year will begin the following year on Tariff B. However, a Tariff B Member who does reach the £1,500,000 cap within the calendar year will automatically begin the following year on Tariff A2.
- d. A Tariff B Member can at any time elect to move to a higher tariff. This enables smoother billing over the rest of the year.

Should you have any questions please contact your member service representative.

We thank you very much for your continued support and look forward to working with you in 2013 and beyond.



Michael Davie

*Subject to regulatory review