

**Via CFTC Portal**

17<sup>th</sup> February 2017

**Mrs. Parisa Abadi**

Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street NW  
Three Lafayette Centre  
Washington DC 20581

Dear Mrs. Abadi,

Pursuant to CFTC regulation §40.6(a), LCH SA (“LCH”), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the “CFTC”), is submitting for self-certification the proposed change by CDSClear services to adapt the ISDA pricer in case of extreme spread curves.

The intended date of implementation is 31 March 2017 subject to any relevant regulatory review or approval but in no event, the new service will be implemented earlier than 10 business days after the formal filing with the CFTC.

**Part I: Explanation and Analysis**

In the event of extreme spread curve the ISDA pricer used by CDSClear can crash. When this occurs, a recovery algorithm is applied to adjust the input spreads which is a time consuming manual workaround. It is proposed to move away from that recovery algorithm and instead by-pass the ISDA library for arbitrageable curves, and use a closed form formula instead.

LCH has communicated to the CFTC all related material detailing the change and attached in Appendix subject to the request for confidentiality treatment.

**Part II: Description of Rule Changes**

This submission does not require any change to the CDSClearing Rule Book.

**Part III: Core Principle Compliance**

LCH will continue to comply with all Core Principles following the introduction of this change and has concluded that its compliance with the Core Principles would not be adversely affected by this change.

**Part IV: Public Information**

LCH has posted a notice of pending certifications 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 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 this change submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

Should you have any questions please contact me at: [françois.faure@lch.com](mailto:françois.faure@lch.com)



Francois Faure  
Chief Compliance Officer  
+33 1 70 37 65 96

## **APPENDIX**

### **Subject to the request for confidential treatment**

- Presentation to the risk governance committee
- Independent review report