



VIA PORTAL SUBMISSION

April 16, 2015

Mr. Christopher Kirkpatrick
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington DC 20581

Dear Mr. Kirkpatrick:

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet LLC ("LCH.Clearnet" or "LLC"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification changes to its Rulebook in order to allow for the reduction of members' contributions to its default fund. These changes will be implemented and effective on May 1, 2015.

Please find attached as Appendix I the relevant changes to the LCH.Clearnet Rulebook.

Part I: Explanation and Analysis

The SwapClear US service of LLC was launched in June 2013 and currently has 16 clearing members signed up to the service. Since June 2013, the Trade Registration Fund element of the Default Fund ("TRF") has been set at \$300mm and the non-Trade Registration element of the Default Fund ("DF") has been set at \$240mm, for a total of \$540 million.

As volumes in LLC have been relatively low since inception, the rule change will allow for the reduction of the current DF size from a total of \$240mm to \$160mm, for a reduction in each member's minimum contribution from \$15mm to \$10mm. In addition, the TRF will be reduced from \$300mm to \$100mm. Therefore, the minimum total default fund size will now be set at \$260mm.

Part II: Description of Rule Changes

The definition of 'Minimum Non-Tolerance Contribution', which is the per clearing member non-Trade Registration Fund element of the Default Fund has been reduced from \$15mm to \$10mm.

The minimum threshold for the 'Tolerance Contribution Amount', which is the per clearing member Trade Registration Fund element of the Default Fund has been reduced from \$10mm to \$5mm. The 'Tolerance Amount', which is used in calculating the Tolerance Contribution Amount, is also being reduced. However, this change does not require an explicit rule amendment.

Part III: Core Principle Compliance

The rule changes submitted herein ensure continued compliance with the DCO Core Principles. LCH.Clearnet will continue to comply with all Core Principles following the introduction of these changes



and has concluded that its compliance with the Core Principles will not be adversely affected by these changes.

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-regulations/proposed-rules-changes>.

Part V: 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 the rule.

Certification

LCH.Clearnet 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 suprio.chaudhuri@lchclearnet.com.

Yours sincerely,

A handwritten signature in blue ink that reads 'Suprio Chaudhuri'.

Suprio Chaudhuri
Chief Compliance Officer,
LCH.Clearnet LLC

cc: Phyllis Dietz, CFTC
Eileen Donovan, CFTC
Robert Wasserman, CFTC
Parisa Abadi, CFTC



Appendix I
LCH.Clearnet Rulebook Changes

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“Initial Resources” has the meaning assigned to it in Regulation 204(b)(v)(B).

“Insufficient Resources Determination” has the meaning assigned to it in Regulation 320.

“Late Final Calculation Date” has the meaning assigned to it in Regulation 117(d)(iv).

“LCH Approved Outsourcing Party” means a person, designated as such by the Clearing House, as may be provided for in the Procedures.

“LCH Swaps Client Segregated Depository Account” means the omnibus account (which will consist of one or more accounts at one or more Permitted Depositories which are commingled for purposes of, and in accordance with, the applicable provisions of the CEA and the CFTC Regulations) located in the United States and maintained by the Clearing House with a Permitted Depository for the benefit of the Clients of its FCM Clearing Members, which is segregated in accordance with the CEA and the CFTC Regulations, is a Cleared Swaps Customer Account that is of the Cleared Swaps Account Class, and which contains the Collateral deposited by the FCM Clearing Members on behalf of their Clients in connection with Contracts cleared for such Clients by the FCM Clearing Members.

“Losing Currency” has the meaning assigned to it in Regulation 204(b)(v)(D).

“Losing Currency Original Clearing Member” has the meaning assigned to it in Regulation 204(b)(v)(D).

“Losing Currency Unfunded Clearing Member” has the meaning assigned to it in Regulation 204(b)(v)(G).

“Loss Distribution Process” has the meaning assigned to it in Regulation 318.

“Margin” means, with respect to a particular account or accounts of a Clearing Member with the Clearing House, the Collateral value that is attributable to such account or accounts for the purpose of margining, guaranteeing and/or securing Contracts in such account or accounts, as determined by the Clearing House in accordance with the Rulebook.

“Margin Cover” has the meaning assigned to it in Regulation 302(1).

“Minimum Contribution Member” means a Clearing Member in respect of which the Non-Tolerance Contribution Amount calculated under Regulation 303 is equal to or less than the Minimum Non-Tolerance Contribution for the time being.

“Minimum Non-Tolerance Contribution” means, subject to Regulation 303, \$1510,000,000 (which, for the avoidance of doubt, excludes the \$105,000,000 minimum amount (or such lower amount as the Clearing House may establish) payable by a Clearing Member in respect of the Tolerance Contribution Amount).

“Net Recovery” means any sum received by the Clearing House from or for the account of a Defaulter after the issue by the Clearing House of a Recourse Certificate in respect of losses arising upon the Defaulter’s Default less any amount payable to any insurer or provider of analogous services in respect of any amount due from but not previously paid by the Defaulter.

Regulation 303 Contributions; Contractual Right of Repayment; Determining Required Amount of Contribution.

Contributions and Right of Repayment. Each Clearing Member shall, from time to time, pay to the Clearing House one or more sums of cash (each a “**Contribution**”) in an amount calculated by the Clearing House in accordance with these Default Fund Regulations. Where the context requires, references in the Rulebook or other related documents to a Clearing Member’s “Contribution” means, as of any given time, an amount equal to (x) the amount such Clearing Member has actually paid to the Clearing House as Contributions *less* (y) any repayments by the Clearing House to such Clearing Member in respect of its Contributions *less* (z) any amounts in respect of such Contributions that have been applied by the Clearing House to one or more Defaults pursuant to these Default Fund Regulations (or otherwise set off in accordance with the Rulebook). Each Clearing Member’s Contribution represents a payment to the Clearing House and upon its payment becomes the sole property of the Clearing House and no Clearing Member shall have any right or interest (whether at law or in equity) in such Contribution.

Each Clearing Member shall have, in respect of its Contribution from time to time, a contractual right (under these Regulations) of repayment from the Clearing House of an amount equal to its Contribution paid to the Clearing House from time to time, at the times and on the terms and subject to the conditions and adjustments as set forth in these Default Fund Regulations and other applicable provisions of the Rulebook. For the avoidance of doubt, the contractual right of a Clearing Member to a repayment of an amount equal to its Contribution referred to above shall be accounted for by the Clearing House solely as a contingent account payable and no assets of the Clearing House (whether held in the Default Fund or otherwise) shall be required to be segregated or separated in respect of Contributions (other than the general separation of the Clearing House’s assets held in the Default Fund from the Clearing House’s other assets, pursuant to Regulation 301(b)).

Determination of Required Contribution. Each Clearing Member’s required Contribution from time to time (not including any required payment of an Unfunded Contribution) shall be determined by the Clearing House in accordance with the following provisions:

Determinations will be made by the Clearing House at the close of business on the first Business Day of each month, commencing such month as the Clearing House shall notify Clearing Members by way of Clearing Member circular, and otherwise in accordance with paragraph (q) below (each a “**Determination Date**”). In addition, the amount payable in respect of the Contribution of a Clearing Member which is a New Member will be determined on the date that the relevant New Member joins the Clearing Service, and the Clearing House may at its discretion treat each Clearing Member as a New Member for the purposes of this Regulation 303 (including making such adjustments as it determines appropriate upon the addition of further New Members) until such time as the first Determination Date set out in the above-referenced circular. Notwithstanding the foregoing, following a Default, any determinations on a Determination Date and any such Determination Date which might otherwise have occurred under this Regulation 303 shall be suspended for the duration of the period (the “**Default Period**”) commencing on the date of such Default and terminating on the last to occur of the following dates:

- (i) the date which is the close of business on the day falling 30 calendar days after the Default Management Process Completion Date in relation to such Default (or, if such day is not a Business Day, the next succeeding Business Day); and
 - (ii) where, prior to the end of the period referred to in (i) above (or such period as has already been extended pursuant to this sub-paragraph (ii)) one or more subsequent Defaults (each a “**Relevant Default**”) occur, the date which is the close of business on the day falling 30 calendar days after the Default Management Process Completion Date in relation to a Relevant Default which falls latest in time (or, if such day is not a Business Day, the next succeeding Business Day).
- (b) On each Business Day, the Clearing House will determine a “**Combined Loss Value**” in respect of each of the 60 preceding Business Days. The Combined Loss Value in respect of a particular day will be the sum of the largest and the second largest stress-testing loss incurred on that day in relation to Contract Business (for a given scenario).
 - (c) The “**Fund Amount**” shall be denominated in U.S. Dollars, and, for a given Determination Date, shall be the sum of the Non-Tolerance Amount and the Tolerance Amount. The Fund Amount for a given Determination Date shall not be less than the sum of the Non-Tolerance Amount Floor and the Tolerance Amount (the “**Fund Floor**”) and shall not be more than \$5,000,000,000 (the “**Fund Cap**”).
 - (d) The “**Tolerance Amount**” shall be the amount determined by the Clearing House in its sole discretion as being required in relation to the provision of SwapClear Tolerance.
 - (e) The “**Tolerance Weight**” of a Clearing Member (other than a Clearing Member which is a New Member) shall be calculated by dividing (i) the average Tolerance Utilization of the relevant Clearing Member during the 20 Business Day period preceding the relevant Determination Date in respect of all Contracts to which such Clearing Member clears, which average shall be calculated by adding together the peak Tolerance Utilization of such Clearing Member for each relevant Business Day and then dividing such sum by 20; provided, that: for Clearing Member where the peak Tolerance Utilization does not yet exist or is otherwise unavailable in respect of a Business Day, the Clearing House shall estimate the relevant peak Tolerance Utilization by reference to the actual or expected level of clearing activity of the relevant Clearing Member in relation to Contracts; by (ii) the total of such average Tolerance Utilizations of all Non-Defaulting Clearing Members other than New Members.
 - (f) The value of the “**Tolerance Contribution Amount**” of: (i) a Clearing Member (other than a New Member) shall be calculated by multiplying the Tolerance Amount by the Clearing Member’s Tolerance Weight, provided that (A) where that calculation results in a value which is less than or equal to \$~~105~~105,000,000 (or such lower amount as the Clearing House may establish), the value of the relevant Clearing Member’s Tolerance Contribution Amount shall be \$~~105~~105,000,000 (or such lower amount as the Clearing House may establish); and (B) where that calculation results in a value which is greater than or equal to \$40,000,000, the value of the relevant Clearing Member’s Tolerance Contribution Amount shall be \$40,000,000; and (ii) a New

Member shall be \$105,000,000 (or such lower amount as the Clearing House may establish). Notwithstanding the foregoing, where the aggregate of the Tolerance Contribution Amounts is greater or less than the Tolerance Amount, the Clearing House will adjust each Clearing Member's individual Tolerance Contribution Amounts (including those of New Members) such that the aggregate of the Tolerance Contributions equals the Tolerance Amount; provided that where such an adjusted Tolerance Contribution Amount would be less than \$105,000,000 (or such lower amount as the Clearing House may establish) or more than \$40,000,000, it shall instead be \$105,000,000 (or such lower amount as the Clearing House may establish) or \$40,000,000 respectively.

- (g) The “**Non-Tolerance Amount**” shall be denominated in U.S. Dollars, and, for a given Determination Date, shall be the largest of the 60 Combined Loss Values (determined under paragraph (b) above) plus 10%. The Non-Tolerance Amount for a given Determination Date shall not be less than the amount calculated by multiplying the number of Clearing Members on the relevant date by the Minimum Non-Tolerance Contribution (the “**Non-Tolerance Amount Floor**”).
- (h) The “**Non-Tolerance Weight**” of a Clearing Member (other than a New Member) shall be calculated by dividing (i) the average daily Required Margin (as calculated under the Procedures or other arrangements applicable) applicable to such Clearing Member during the 20 Business Day period preceding the relevant Determination Date in respect of all Contracts which such Clearing Member clears by (ii) the total of such average daily Required Margin applied to all Non-Defaulting Clearing Members (other than New Members).
- (i) The “**Non-Tolerance Contribution Amount**” of a Clearing Member other than a New Member shall be calculated by multiplying that Clearing Member's Non-Tolerance Weight by the Non-Tolerance Amount.
- (j) The required Contribution of a Clearing Member at any given time, other than a New Member, is equal to the sum of the Non-Tolerance Contribution Amount and the Tolerance Contribution Amount applicable to such Clearing Member at such time. The required Contribution applicable to a New Member shall be calculated in accordance with paragraph (r) below.
- (k) If a Clearing Member's Non-Tolerance Contribution Amount (calculated in accordance with paragraph (i) above) is below the Minimum Non-Tolerance Contribution for the time being, the Clearing Member's Non-Tolerance Contribution Amount shall be adjusted so as to be the Minimum Non-Tolerance Contribution;
- (l) The “**Actual Total**” shall be calculated by adding together (i) the amount which is the product of the Minimum Non-Tolerance Contribution and the number of Minimum Contribution Members; (ii) the aggregate Non-Tolerance Contribution Amounts (calculated in accordance with paragraph (i) above) of those Clearing Members which are not Minimum Contribution Members; (iii) the aggregate Tolerance Contribution Amounts of all Clearing Member other than New Members; and (iv) the aggregate Contributions of all New Members.
- (m) Where the Actual Total is greater than the Fund Cap, the “**Excess**” shall be the arithmetical difference between the Actual Total and the Fund Cap.