



Mr David A Stawick  
Secretary  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street NW  
Washington DC 20581

14 February 2012

Dear Mr Stawick

Please find enclosed a submission to the Commodity Futures Trading Commission by LCH.Clearnet Limited under the procedure set out in 17 CFR Section 40.6 for the self-certification of rules.

Should you have any questions regarding this submission please contact me on +44-207-426-7541 or at [lisa.rosen@lchclearnet.com](mailto:lisa.rosen@lchclearnet.com).

Yours sincerely

A handwritten signature in black ink, appearing to read "L. Rosen".

**Lisa Rosen**  
Group Head of Compliance and Public Affairs

LCH.CLEARNET Rule Submission

**SUBMISSION OF AMENDMENTS TO THE CLEARINGHOUSE RULES**

TO THE

**COMMODITY FUTURES TRADING COMMISSION**

SUBMITTED BY

**LCH.Clearnet Limited**

an English limited company

**FILING AS A REGISTERED DERIVATIVES CLEARING ORGANIZATION**

Pursuant to Commission Regulation § 40.6

**Submission Regarding the Addition of Two World Container Index  
Cash Settled Container Freight Swap Contracts/Amendments to the  
General Regulations and Section 2.3 of the Procedures.**

---

Submitted: February 14, 2012

---

**LCH.CLEARNET LIMITED SELF-CERTIFICATION OF THE ADDITION OF TWO WORLD CONTAINER INDEX CASH SETTLED CONTAINER FREIGHT SWAP CONTRACTS/AMENDMENTS TO GENERAL REGULATIONS AND SECTION 2.3 OF THE PROCEDURES**

LCH.Clearnet Limited ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification, pursuant to CFTC Regulation §40.6, the addition of two (2) World Container Index ("WCI") cash settled container freight swap contracts based on the Rotterdam – Shanghai and Los Angeles – Shanghai routes. The proposed new products are intended to be launched for clearing on March 1, 2012.

The amendments to the General Regulations (Schedule to the LCH EnClear OTC Regulations – Section 3.4J) and Section 2.3 of the Procedures have been made in order to reflect the introduction of the two cash settled container freight swaps based on the WCI. The Rule amendments will be implemented and become effective on March 1, 2012.

**Part I: Explanation and Analysis**

The specification for the two swap contracts are summarized below.

<b>WCI Containers</b>	
<b>Description</b>	World Container Index (WCI) cash settled container freight swap agreements based on the following routes:  Rotterdam - Shanghai (WRS) Los Angeles - Shanghai (WLS)
<b>Lot size</b>	1 FEU 40ft container
<b>Currency</b>	US Dollars
<b>Pricing</b>	US \$ per FEU
<b>Minimum tick</b>	US \$ 0.01 to account for final settlement
<b>Fixed price</b>	The traded price or the previous day's settlement price as supplied end of day by WCI, or any other such source as LCH.Clearnet may determine
<b>Floating price</b>	In respect of daily settlement, the floating price will be the end of day price as supplied WCI, or any other such source as LCH.Clearnet may determine.  In respect of final settlement, the floating price will be the mean of the relevant prices for the contract route as published by WCI each Thursday during the contract month.

LCH.CLEARNET Rule Submission

<b>Contract Series</b>	Front 3 months, front quarter + following 3 quarters, 1 whole calendar year (out to a maximum of 23 months)
<b>Last Trading Day</b>	Last publication day of the relevant index in the contract month ie the last UK business Thursday of every month.  Where the last Thursday of the month is not a UK business day, the last trading day will be the previous publication day (Thursday).
<b>Delivery</b>	Cash settled monthly against the arithmetic average of all the indices in the contract month
<b>Final payment</b>	The first UK business day following the last trading day
<b>Business days</b>	UK business days for the purpose of trade registration, confirmation, Index publication and final payment

The WCI is assessed by the Drewry shipping consultants, who are an independent global maritime consulting and publishing business. Market assessments are reports of the value of agreed freight rates between major container lines and shippers or freight forwarders. Assessments are collected from market reporters in Asia, Europe and North America. A minimum of 8 assessments are collected for each index route.

The amendments to the General Regulations (Schedule to the LCH EnClear OTC Regulations – Section 3.4J) and Section 2.3 of the Procedures are attached hereto as Exhibit A-1.

**Part II: Certification by LCH.Clearnet**

LCH.Clearnet certifies to the CFTC, in accordance with CFTC Regulation §40.6, that the introduction of the two new WCI cash settled container freight swap contracts comply with the Commodity Exchange Act and the CFTC Regulations promulgated thereunder. In addition, LCH.Clearnet certifies that 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/proposed\\_rules.asp](http://www.lchclearnet.com/rules_and_regulations/ltd/proposed_rules.asp) A signed certification is attached to this submission as Exhibit B.

**Part III: Compliance with Core Principles**

LCH.Clearnet complies, and will continue to comply, with all of the Core Principles by introducing two World Container Index cash settled container freight swap contracts to the EnClear service.

**Part IV: 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.

**Exhibit A-1**  
**General Regulations and Clearing House Procedures**

See Attached.

### 3.4.1 Standard Terms: Additional Definitions

"*Baltic Exchange*" means The Baltic Exchange Limited of St Mary Axe, London EC3A 8BH, UK.

"*FIS*" means Freight Investor Services Pte Ltd of 16 Collyer Quay, 10-01 Hitachi Tower, Singapore.

"*Flat Rate*" means an amount in respect of each pricing date expressed in US\$/mt for that route for that pricing date as published by the Worldscale Association (London) Ltd, and the Worldscale Association (NYC) Inc.

"*LEBA*" means The London Energy Brokers Association

"*mt*" means metric tonnes.

"*Reference Price*" means the daily or final settlement price, as the case may be, for that route, as set out herein below.

"*Shanghai Shipping Exchange*" means Shanghai Shipping Exchange of 88 Yang Shu Pu Road, Shanghai 200082, PRC.

"*TSI*" means The Steel Index Limited of Palladium House, 1-4 Argyll Street, London W1F 7LD.

"*WCI*" mean World Container Index of 15 Christopher Street, London EC2A 2BS.

"*Worldscale Point*" or "*WS Point*" means a point of the pricing index operated by the Worldscale Association.

"*Worldscale Rate*" or "*WS Rate*" means the number of Worldscale Points.

Tanker Voyage Routes, Dry Voyage Routes, Dry Timecharter Basket Routes, Dry Trip Timecharter Routes and Timecharter Voyage Routes are those defined by the Baltic Exchange.

- 3.4.2 The following sets of terms are designated as Specific Standard Terms of a registered LCH EnClear OTC Contract arising from an Eligible OTC Trade (Freight Division).

The table below shows which set of terms (identified by the individual sub-section number of this section 3) applies to the relevant type of freight forward contract or option contract and route:

<b>Name of freight contract and route</b>	<b>Section</b>
Dry Timecharter Basket Routes - Forwards	Section 3.4A
Dry Voyage Routes	Section 3.4B
Dry Trip Timecharter Routes	Section 3.4C
Dry Timecharter Voyage Route	Section 3.4D
Dry Timecharter Basket Routes - Options	Section 3.4E

Tanker Voyage Routes	Section 3.4F
\$ Per Tonne Tanker Voyage Routes	Section 3.4G
Baltic Exchange Dry Index	Section 3.4H
<u>SCFI</u> Container Swaps	Section 3.4I
<u>WCI</u> Container Swaps	Section 3.4J
Iron Ore Swap	Section 3.4J4K
Iron Ore Option	Section 3.4K4L
Fertilizer Swaps	Section 3.4L4M
European Hot Rolled Coil Steel Swaps	Section 3.4M4N
Chinese Hot Rolled Coil Steel Swap	Section 3.4N4O
Turkish Import Scrap Steel Swap	Section 3.4O4P
Chinese Domestic Hot Rolled Ribbed Bar Steel Swap	Section 3.4P4Q
API 2 cif ARA (Argus/McCloskey) Coal Swap Contract	Section 3.4Q4R
API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contract	Section 3.4R4S
API 2 of ARA (Argus/McCloskey) Coal Option Contract	Section 3.4S4T
API 4 fob Richard Bay (Argus McCloskey) Coal Option Contract	Section 3.4T4U

#### 3.4A **Cash Settled Freight Forward Contracts: Dry Timecharter Basket Routes**

Description	Cash settled freight forward contracts on the following Dry Timecharter Basket Routes:
	CTC (Capesize TC Avg 4 routes)
	PTC (Panamax TC Avg 4 routes)
	STC (Supramax TC Avg 6 routes)
	HTC (Handysize TC Avg 6 routes)
Lot Size	1 day
Currency	US Dollars
Pricing	US \$ per day

<b>3.4J</b>	<b><u>Cash Settled WCI Container Freight Swap Agreement</u></b>	<b><u>Cash Settled Iron Ore Swap</u></b>
	<b><u>Description</u></b>	<u>World Container Index (WCI) cash settled container freight swap agreements on the following routes:</u>  <u>Rotterdam - Shanghai (WRS)</u>  <u>Los Angeles - Shanghai (WLS)</u>
	<b><u>Lot size</u></b>	<u>1 FEU 40ft container</u>
	<b><u>Currency</u></b>	<u>US Dollars</u>
	<b><u>Pricing</u></b>	<u>US \$ per FEU</u>
	<b><u>Minimum tick</u></b>	<u>US \$ 0.01 to account for final settlement</u>
	<b><u>Fixed price</u></b>	<u>The traded price or the previous day's settlement price as supplied end of day by WCI, or any other such source as LCH.Clearnet may determine</u>
	<b><u>Floating price</u></b>	<u>In respect of daily settlement, the floating price will be the end of day price as supplied WCI, or any other such source as LCH.Clearnet may determine.</u>  <u>In respect of final settlement, the floating price will be the mean of the relevant prices for the contract route as published by WCI each Thursday during the contract month.</u>
	<b><u>Contract Series</u></b>	<u>Front 3 months, front quarter + following 3 quarters, 1 whole calendar year (out to a maximum of 23 months)</u>
	<b><u>Last Trading Day</u></b>	<u>Last publication day of the relevant index in the contract month (i.e. the last UK business Thursday of every month).</u>  <u>Where the last Thursday of the month is not a UK business day, the last trading day will be the previous publication day (Thursday).</u>
	<b><u>Delivery</u></b>	<u>Cash settled monthly against the arithmetic average of all the indices in the contract month</u>
	<b><u>Final payment</u></b>	<u>The first UK business day following the last trading day</u>
	<b><u>Business days</u></b>	<u>UK Business Days</u>

**3.4J3.4K Cash Settled Iron Ore Swap**

<b>Description</b>	Iron ore swap contract – settled against the daily TSI index (The Steel Index) 62% fe
<b>Contract Code</b>	TSI

whole calendar years (a maximum of 35 months)

SCFI Container Freight Swap Agreement

Description	SCFI cash settled container freight swap agreements on the following routes:  CNW (Shanghai – North West Europe) CMD (Shanghai – Mediterranean) CSW (Shanghai – US West Coast) CSE (Shanghai – US East Coast)
Lot Size	1 TEU 20ft container (CMD and CNW) 1 FEU 40ft container (CSE and CSW)
Currency	US Dollars
Minimum Tick	US \$ 0.01 to account for final settlement
Contract Series	Traded as months, quarters and calendars, out to 1 whole calendar year (a maximum of 23 months)

WCI Container Freight Swap Agreement

<u>Description</u>	<u>World Container Index (WCI) cash settled container freight swap agreements based on the following routes:</u>  <u>Rotterdam - Shanghai (WRS)</u> <u>Los Angeles - Shanghai (WLS)</u>
<u>Lot size</u>	<u>1 FEU 40ft container</u>
<u>Currency</u>	<u>US Dollars</u>
<u>Minimum tick</u>	<u>US \$ 0.01 to account for final settlement</u>
<u>Contract Series</u>	<u>1 whole calendar year (a maximum of 23 months)</u>

Iron Ore Swap

Description	Iron ore swap contract – settled against the daily TSI index (The Steel Index) 62% fe
Lot Size	1,000mt
Currency	US Dollars
Minimum Tick	US \$ 0.01 to account for final settlement

**2E.2 FREIGHT DIVISION****2E.2.1 Introduction**

**This Section 2E.2 only applies to the Freight Division of the LCH EnClear OTC Services.**

References to "LCH EnClear OTC Clearing Members" or "GCMs" in this section, means those GCMs who are party to, or accept, Eligible OTC Trades in the Freight Division for clearing by the Clearing House. See Section 2E.1.3 for further details about obtaining approval to clear within the Freight Division.

**2E.2.2 OTC Freight Division Products Eligible for Clearing**

Only trades in products approved by the Clearing House for the LCH EnClear OTC Freight Division ("Eligible Products") may be submitted for registration. The contract terms of Eligible Products for the Freight Division are set out in Section 3.4 of Part A of the Schedule to the LCH EnClear OTC Regulations and may be amended from time to time.

Below is a list of Eligible Products in the Freight Division; this list is split into three categories of products within Freight Division. The list may change from time to time.

**2E.2.2.1 FFA (Forward Freight Agreement) Products**

Dry Timecharter Basket Routes – Forwards (CTC, PTC, STC, HTC)

Dry Timecharter Basket Routes – Options (CTO, PTO, STO, HTO)

Dry Voyage Routes (C3E, C4E, C5E, C7E)

Dry Trip Timecharter Routes (P1E, P2E, P3E, P1A, P2A, P3A)

Dry Timecharter Voyage Route (S7)

Tanker Voyage Routes (TD3, TD5, TD7, T19, TC2, TC4, TC5, TC6)

\$ per Tonne Tanker Voyage Routes (DD3, DD5, DD7, D19, DC2, DC6)

Baltic Exchange Dry Index (BDI)

**2E.2.2.2 CFSA (Container Freight Swap Agreement) Products**

CNW (Shanghai – North West Europe)

CMD (Shanghai – Mediterranean)

CSW (Shanghai – US West Coast)

CSE (Shanghai – US East Coast)

**2E.2.2.3 WCI Container Products**

WRS (Rotterdam – Shanghai)

WLS (Los Angeles – Shanghai)

~~2E.2.2.3~~ 2E.2.4 **Commodities**

- Iron Ore Swaps (TSI)
- Iron Ore Options (TSO)
- Steel Swaps (SCN, SCS, SST, SBC, SCC)
- Fertilizer Swaps (UNO, UYZ, DTA, DNO, UAN, UNE)
- Coal Swaps (API 2 and API 4)<sup>2</sup>
- Coal Options (API 2 and API 4)<sup>3</sup>

2E.2.3 **Operating Times**

2E.2.3.1 **Opening Days**

The Clearing House will publish details of the business days on which the LCH EnClear OTC Service is operational to receive Eligible OTC Trades in its Freight Division by Member Circular.

2E.2.3.2 **Opening Hours**

Eligible OTC Trades in the Freight Division may be notified during the following UK times:

Products	Trade Entry Times	Trade Confirmation Times
FFAs	07:00 – 18:00	07:00 – 18:30
CFSAs/Containers	07:00 – 18:00	07:00 – 18:30
Iron Ore	07:00 – 18:00	07:00 – 18:30
Steel	07:00 – 18:00	07:00 – 18:30
Fertilizer	07:00 – 18:00	07:00 – 18:30
Coal Swaps	07:00 – 18:00	07:00 – 18:30
Coal Options	07:00 – 17:00	07:00 – 17:30

<sup>2</sup> API 2 and API 4 are trademarks and are used under license from Argus Media Limited and IHS Global Limited. All copyrights and database rights in the API 2 and API 4 indices belong exclusively to Argus Media Limited and IHS Global Limited and are used herein under license. LCH.Clearnet Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contracts.

<sup>3</sup> See footnote 2, above. LCH.Clearnet Ltd is solely responsible for the API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Option Contracts. Argus and IHS take no position on the purchase or sale of such API 2 cif ARA and API 4 fob Richards Bay (Argus/McCloskey) Coal Option Contracts.

**Exhibit B**  
**LCH.CLEARNET Certification to CFTC**

See Attached.



---

AMENDED RULES SELF CERTIFICATION

---

LCH.Clearnet Limited ("LCH") hereby certifies to the Commodity Futures Trading Commission ("CFTC"), pursuant to the procedures set forth in the Commission Regulations 40.6, that the following:

- Amendments to the rules in LCH.Clearnet's General Regulations and Section 2.3 the Procedures, comply with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Signed as of February 14, 2012

By: 

Name: Lisa Rosen

Title: Group Head of Compliance and Public Affairs

LCH.Clearnet Limited