



**VIA EMAIL TO: SECRETARY@CFTC.GOV**

June 6, 2013

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

Dear Ms. Jurgens:

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet LLC (“LCH.Clearnet”), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the “CFTC”), is submitting for self-certification changes to the Clearing House Rulebook and a Member Circular amending the Portfolio Transfer Process. The changes will be effective on June 20, 2013.

The submission cover sheet, a black-lined version of the relevant page of the Clearing House Procedures, and the Member Circular are attached hereto as appendices.

### **Part I: Explanation and Analysis**

LCH.Clearnet is implementing a rule change that allows the Clearing House to amend by circular the process and timings for the Portfolio Transfer Process.

By accompanying circular, the Clearing House is implementing the following changes to full and partial portfolio transfers without collateral (the process for portfolio transfers with collateral remains unchanged):

1. Portfolio transfers will be processed intraday rather than end of day—due to the requirements for Straight-Through Processing;
2. Portfolio transfer requests may be expedited after written confirmation from both the Carrying and Receiving Clearing Members; and
3. The timetable for acceptance or rejection of a portfolio transfer has been modified.

### **Part II: Description of rule changes**

The Rulebook changes are attached at Appendix II. The following Clearing House Procedures have been amended: 2A.12.4.

### **Part III: Core Principle Compliance**

The rule changes described above relate primarily to LCH.Clearnet’s compliance with Core Principle F (Treatment of Funds). LCH.Clearnet continues to comply with CFTC Regulation § 39.15(d), which



requires a DCO to have certain rules in place for the transfer of positions, and has concluded that its compliance with the Core Principles will not be adversely affected by this change.

#### **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/lc/default.asp](http://www.lchclearnet.com/rules_and_regulations/lc/default.asp).

#### **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 LLC 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 [laurian.cristea@lchclearnet.com](mailto:laurian.cristea@lchclearnet.com).

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Laurian Cristea', enclosed within a blue oval scribble.

Laurian Cristea  
Senior Vice President, Compliance & Regulation  
US Contact: +1 212.513.5610

cc: Adam Cohen, CFTC  
Susan Milligan, LCH.Clearnet LLC  
John Horkan, LCH.Clearnet LLC



**Appendix I**  
**Submission Cover Sheet**



**Appendix II**  
**LCH.Clearnet LLC Clearing House Procedures**

Carrying Member Response Form, such that the Porting SwapClear Contracts will not be transferred, the Clearing House shall not proceed with the transfer of the relevant Porting Collateral.

In the event that the Clearing House transfers Porting Collateral pursuant to these Procedures and the Regulations, it will also transfer the aggregate Variation Margin and next day settlement coupons and fees associated with the transferring SwapClear Contracts.

#### 2A.12.4 Timetable for Client Transfer

<u>Time</u> (all references below are to New York City Time)	<u>Partial Transfer</u>	<u>Full Transfer (with Posted Collateral)</u>	<u>Full Transfer (without Posted Collateral)</u>
Day 0: 20:00	Deadline for receipt from Receiving FCM Clearing Member of Client Partial Transfer Form.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form and confirmation that Posted Collateral is to be transferred.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form.
Day 1: 10:00	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer certain SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.
Day 2: 14:00	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the Client has become insolvent and/or (ii) the Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with Regulation 108(a))	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the Client has become insolvent and/or (ii) the Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with Regulation 108(a)) and	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the Client has become insolvent and/or (ii) the Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with Regulation 108(a)) and that the Carrying FCM Clearing Member is therefore objecting to

<u>Time</u> (all references below are to New York City Time)	<u>Partial Transfer</u>	<u>Full Transfer (with Posted Collateral)</u>	<u>Full Transfer (without Posted Collateral)</u>
	and that the Carrying FCM Clearing Member is therefore objecting to the transfer.	that the Carrying FCM Clearing Member is therefore objecting to the transfer.	the transfer.
		Deadline for confirmation from Carrying FCM Clearing Member of the collateral which is to be ported to the Receiving FCM Clearing Member.	
Day 2: 14:00 to 15:00		LCH notifies the Receiving FCM Clearing Member of the Porting Collateral that will be transferred or that Posted Collateral will not be transferred.  Where Posted Collateral will not be transferred, transfer is treated as a full transfer (without Posted Collateral).	
Day 2: 19:30	Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer and associated Porting Collateral from the Receiving FCM Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.
Day 3: 08:00	Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or the Receiving FCM Clearing Member of whether any additional Posted Collateral is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional Posted Collateral is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional Posted Collateral is required to enable the transfer.

<u>Time</u> (all references below are to New York City Time)	<u>Partial Transfer</u>	<u>Full Transfer (with Posted Collateral)</u>	<u>Full Transfer (without Posted Collateral)</u>
Day 3: 09:00	Deadline for receipt by Clearing House of any additional Posted Collateral from the Carrying FCM Clearing Member or the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional Posted Collateral from the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional Posted Collateral from the Receiving FCM Clearing Member required to enable the transfer.
Day 3: 09:00	Clearing House transfers SwapClear Contracts.	Clearing House transfers SwapClear Contracts and associated Porting Collateral.	Clearing House transfers SwapClear Contracts.

[The timings and processes listed in the table above may be amended from time to time by the Clearing House in its full discretion via Member Circular.](#)

#### 2A.12.5 Transactions in Respect of Clients or Affiliates in Default to Clearing Member

This Section describes certain transactions that, under certain conditions, can be carried out by a Clearing Member in respect of one of its Clients or one of its Affiliates that has defaulted in its obligations to the Clearing Member.

A request or instruction from a Clearing Member to the Clearing House to carry out a transaction described in Sections 2A.12.5.1 or 2A.12.5.2 below shall in every case be deemed a representation by the Clearing Member to the Clearing House that (i) the affected Client or Affiliate is in default of its obligations to the Clearing Member, (ii) the Clearing Member has provided and will provide (as applicable) any required notices to the Client or Affiliate of its default and the Clearing Member's transactions effected under Sections 2A.12.5.1 and/or 2A.12.5.2 below, and (iii) the Clearing Member is permitted by its agreements with the Client or Affiliate and applicable law, and has authority to effect the transactions specified in the Clearing Member's requests and/or instructions to the Clearing House in respect of such Client or Affiliate. Clearing Members are not permitted to effect or attempt to effect a transaction described in Sections 2A.12.5.1 or 2A.12.5.2 below where the preceding representations are not satisfied.

Notwithstanding anything to the contrary contained in this Section 2A.12.5, the transactions described in this section are subject to all applicable provisions of the CEA and the CFTC Regulations (including without limitation Part 22 thereof).



**Appendix III**  
**Member Circular**

Company Circular No.: LCH.Clearnet LLC Circular No. [xx]  
Service Circular No: SwapClear US No. [xx]  
Date: [xx]  
To: All SwapClear US Members (including FCM Clearing Members)

### Changes to Portfolio Transfers

The changes applicable to full and partial transfers **without** collateral are:

- All partial and full transfers from one SwapClear US Clearing Member to another SwapClear US Clearing Member **without** collateral will be processed intraday once both the Receiving and the Carrying Member accept the transfer via the ClearLink API.
- Historically, for partial and full transfers **without** collateral, as long as a transfer request was received on T (T being the date that the transfer is submitted to the Clearing House) by 15:00 EST, *requests for consent* would be sent via the ClearLink API on T+1 at 05:00 EST, and accepted transfers would be processed as part of that day's End of Day (EOD) batch. While the timing of transfer and consent requests will not change, as a result of STP, LCH.Clearnet LLC will be processing transfers intraday versus the previous EOD process.
- If both the Carrying Clearing Member and the Receiving Clearing Member would prefer to expedite transfers for processing on T, versus T+1, they must notify SwapClear Client Services via email confirmation. In this circumstance, SwapClear US Client Services will attempt to process transfers on T, and provide confirmation of a successful transfer to the relevant SwapClear US Clearing Members. Otherwise, transfers will process intraday, on T+1.
- Clearing Members have until T+2 to accept or reject a transfer.
  1. Once a *request for consent* message has been issued for a transfer, both the Carrying Clearing Member and the Receiving Clearing Member will have until EOD to accept or reject the transfer. If a transfer is not accepted by EOD, the transfer will be rejected and automatically resubmitted the following morning, by 04:00 EST. (Where SwapClear US Clearing Members have chosen to expedite the transfer for processing on T, both SwapClear US Clearing Members must accept by End of Day on T, or the transfer will be rejected and resubmitted the following morning by 4:00 EST. If the SwapClear US Clearing Members still have not accepted by End of Day T+1, the transfer is again resubmitted the following morning by 4:00 EST).
  2. Where a transfer has been resubmitted for acceptance (either once for the non-expedited process, or twice for the expedited), the Receiving Clearing Member must accept by 14:30EST on T+2, or the transfer will be rejected and a new transfer request will need to be submitted. Further, if the Carrying Clearing Member has not either accepted the transfer or filled out the Carrying Response form to notify the Clearing House of a valid reason for rejection by T+2 14:30 EST, the transfer will be automatically accepted.

*\*Terms used herein and not defined herein shall have the meaning assigned to them in the Rulebook of FCM Rulebook of LCH.Clearnet Limited.*

*\*References to a Carrying Clearing Member and to a Receiving Clearing Member include a Carrying FCM Clearing Member and Receiving FCM Clearing Member (as the context requires).*

- For queries please contact:

SwapClear Client Services | LCH.Clearnet | Tel + 44 20 7426 7651

Email: [swapclearclientservices@lchclearnet.com](mailto:swapclearclientservices@lchclearnet.com)

Website: [www.lchclearnet.com](http://www.lchclearnet.com)

- Owen Taylor [Owen.taylor@lchclearnet.com](mailto:Owen.taylor@lchclearnet.com)