

VIA CFTC PORTAL

April 1, 2022

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

LCH Limited Self-Certification: Extension of SwapClear Business Hours and Overnight Funding Account

Dear Mr. Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (“CFTC”) Regulation §40.6(a), LCH Limited (“LCH”), a derivatives clearing organization registered with the CFTC, is submitting for self-certification revisions to its rules related to extension of the opening hours for the SwapClear Service and the introduction of a new overnight funding account (“OFA”).

Part I: Explanation and Analysis

LCH is revising its rules to extend the opening hours of the SwapClear Service. The SwapClear Service opening hours extension will occur in phases. These rule changes are the second of three phases. Additionally, these changes introduce an OFA will be available for SwapClear clearing members (“SCMs”), in respect of their house business, and FCM SwapClear members, in respect of their client business. The OFA will allow for the prefunding of additional collateral to support trade registration during the extended hours (and throughout the day, if need be). Additionally, consequential changes related to the timing of calculation amounts during default management will be made in the SwapClear and ForexClear rules to maintain consistency across the services. These revisions are in the following LCH rules: General Regulations; Procedures Section 2C (SwapClear Clearing Service); Procedures Section 2I (ForexClear Clearing Service); Procedures Section 3 (Financial Transactions); FCM Regulations; and FCM Procedures.

Part II: Description of Rule Changes

The following is a summary of the revisions to be made to LCH’s rules.

General Regulations

To support the distinction of collateral held in an OFA, the following definitions will be added to the General Regulations:

- General Collateral
- Overnight Funding Account
- Overnight Funding Collateral

An LSEG Business

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LCH Group Holdings Limited | LCH Limited | Banque Centrale de Compensation | LCH.Clearnet LLC

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Procedures Section 2C (SwapClear Clearing Service) and Procedures Section 2I (ForexClear Clearing Service)

The definition of “Daily Calculation Period” is updated to be the period of time during which LCH calculates end of day margin and settlement payments for the applicable service’s contracts. The revised “Daily Calculation Period” definition is then used in a new section titled “Calculation Period” which is added with reference to the applicable service’s Annex in the LCH Default Rules. This section introduces a new defined term, “Auction Losses Calculation Period” which is defined as the period between the Daily Calculation Period for the previous business day and the point at which LCH sells the an auction portfolio.

Procedures Section 3 (Financial Transactions)

OFA’s are added to the sub-account types listed in the section titled “Proprietary Accounts.” Section 1.6.3 (Proprietary Account – SwapClear) is added to explain that for Proprietary Accounts, in general, LCH will apply General Collateral to satisfy the liabilities of a SwapClear member before applying Overnight Funding Collateral, but maintains the discretion to apply some or all available Overnight Funding Collateral before General Collateral.

Additionally, non-substantive and formatting changes are included.

FCM Regulations

To support the distinction of collateral held in an OFA, the following definitions will be added to the FCM Regulations:

- General FCM Buffer
- Overnight FCM Funding Account
- Overnight FCM Funding Collateral

FCM Procedures

The FCM Procedures are revised to provide for the change in operational hours for the FCM SwapClear service. The FCM SwapClear service will be operational on business days as follows:

- Mondays from 2:00 London time to 2:05 London time on Tuesday (changed from closing time of 19:00 New York time)
- Fridays from 6:00 London time to 19:00 New York time (no change)
- Non-Monday/Fridays from 6:00am London time to 2:05 London time the following day (previously, these hours were the same as Friday)

Additionally, Section 3.4.5 (Overnight FCM Funding Account) is added. This section explains that upon request from an FCM Clearing Member, LCH may open an Overnight FCM Funding Account. The funds in the account would be available for LCH to apply to liabilities following the final margin call on any Business Day, when General FCM Buffer is no longer available.

The changes to the rules are included as **Appendices I and VI** in black line form. The changes will be effective not earlier than April 25, 2022.

Part III: Core Principle Compliance

LCH reviewed the proposed rule changes against the requirements of the Core Principles and finds it will continue to comply with all requirements and standards set forth therein. Specifically, this rule change has potential relevance to Core Principle D (Risk Management) and Core Principle L (Public Information).

LCH believes the changes described in this filing will not impact LCH's ongoing compliance with the objectives of Core Principle D. The addition of OFAs is meant to be an additional tool for LCH to limit its exposure to potential losses from defaults. OFAs are an additional risk control mechanism to help ensure that the additional operating hours of LCH will not cause a disruption to the operations of LCH and will not cause non-defaulting clearing members to be exposed to losses that they cannot anticipate or control. LCH considered its risk management requirements and believes expanding its operating hours and adding OFAs will not impact LCH's ongoing compliance with Core Principle D on Risk management or CFTC regulation §39.13.

The changes described in this filing ensure that LCH meets the objectives of Core Principle L, including that, in addition to the specified requirements of §39.21, LCH make available any information that is relevant to participation in the clearing and settlement activities of LCH. LCH considered its public information requirements and believes continuing to include its revised business hours in its Procedures and FCM Procedures maintains its compliance with Core Principle L. The changes provided for in this submission will be included in LCH's publicly available Procedures and FCM Procedures. As a result, LCH believes these changes are consistent with the requirements of Core Principle L on Public Information or CFTC regulation §39.21.

Part IV: Public Information

LCH has posted a notice of pending certification with the CFTC and a copy of the submission on LCH's website at: <https://www.lch.com/resources/rulebooks/proposed-rule-changes>.

Part V: Opposing Views

There were no opposing views expressed to LCH by governing board or committee members, members of LCH or market participants that were not incorporated into this proposal.

Certification

LCH hereby certifies to the CFTC, pursuant to the procedures set forth in CFTC Regulation §40.6, that the attached submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Should you have any questions please contact me at michelle.weiler@lseg.com.

Yours sincerely,



Michelle Weiler
Compliance Officer
LCH Limited

Appendix I
General Regulations
Changed Pages

Appendix II
Procedures Section 2C (SwapClear Clearing Service)
Changed Pages

Appendix III
Procedures Section 2I (ForexClear Clearing Service)
Changed Pages

Appendix IV
Procedures Section 3 (Financial Transactions)
Changed Pages

Appendix V
FCM Regulations
Changed Pages

Appendix VI
FCM Procedures
Changed Pages