

VIA CFTC PORTAL

18 July 2016

Mr Christopher Kirkpatrick  
Commodity Futures Trading Commission  
115 21<sup>st</sup> Street NW  
Three Lafayette Centre  
Washington DC 20581

**LCH.Clearnet Limited Self Certification : SwapClear Transfers**

Dear Mr Kirkpatrick

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet Limited ("LCH"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification changes to its rules to allow, as an eligible transfer, the transfer of positions between Futures Commission Merchant ("FCM") Clearing Members and from an FCM Clearing Member to a SwapClear Clearing Member ("SCM"), provided that such SCM and FCM Clearing Members are affiliated companies.

**Part I: Explanation and Analysis**

LCH proposes to introduce changes to its FCM Procedures to allow as an eligible transfer, the transfer of positions between FCM Clearing Members' Proprietary accounts and from an FCM Clearing Member to a SCM, provided that the SCM and FCM Clearing Member are affiliated. This change is principally being introduced to facilitate FCM Clearing Members when liquidating the positions of Swaps Customers, and will allow FCMs increased flexibility in their ability to transfer the defaulted Swaps Customers' positions to an account which they can use to hedge or liquidate the positions.

The rule changes will go live on, or after, August 2, 2016.

**Part II: Description of Rule Changes**

Section 2.1.13 of the FCM Procedures has been amended to include as eligible those transfers described above. Specific rules to disallow the transfers have also been deleted from this section.

The text of the changes to FCM Procedures are attached hereto as **Appendix I**.

**Part III: Core Principle Compliance**

LCH has reviewed the changes to its eligible transfers against the requirements of Core Principles F and G and finds that the new eligible transfers will continue to comply with all the requirements and standards therein.

LCH has concluded that compliance with the Core Principles will not be adversely affected by this change.

**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: <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.Clearent or market participants 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 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 [julian.oliver@lchclearnet.com](mailto:julian.oliver@lchclearnet.com).

Yours sincerely



Julian Oliver

Chief Compliance Officer

LCH.Clearent Limited

**Appendix I**  
**FCM Procedures**



**FCM PROCEDURES OF  
THE CLEARING HOUSE**

**LCH.CLEARNET LIMITED**

out as the Clearing House may require in its sole discretion;  
and

- (viii) the Clearing House shall not be liable for any costs, expenses, damages or losses, whether direct or indirect, suffered by any of the parties hereto, or by the FCM Clients, as a result of any actions taken by the Clearing House in connection with the transfer.

#### 2.1.13 *Proprietary Account Position Transfers*

The FCM SwapClear clearing system provides functionality for the transfer of positions between FCM Clearing Members and from an FCM Clearing Member to a SwapClear Clearing Member; provided, however, that any such transfer may occur only if the receiving FCM Clearing Member or SwapClear Clearing Member, as the case may be, from an FCM Clearing Member's Proprietary Account. Any such transfer may only occur if the receiving FCM Clearing Member is an Affiliate of the Carrying Clearing Member.

An FCM Clearing Member who wishes to effect a position transfer to another FCM Clearing Member or to a SwapClear Clearing Member, as applicable, should contact the Clearing House's Risk Management Client Services Department. Transfers will only be effected once adequate Margin has been furnished by both parties to the transfer. ~~Transfers of Affiliate positions shall not be permitted to another FCM Clearing Member's Proprietary Account unless such Affiliate is also an Affiliate of the FCM Clearing Member receiving the transferred position.~~

##### (a) *Legal Documentation*

The Clearing House will provide standard legal documentation for the transfer of positions. The transfer must be authorized by both parties and by individuals with appropriate signing authority.

##### (b) *Position Transfer Notice Period*

The Clearing House will usually require five Business Days' notice ahead of an intended transfer.

#### 2.1.14 *Amendment of Trade References*

Sometimes FCM Clearing Members wish to change their own trade reference numbers/codes by which they identify trades registered in the FCM SwapClear Service. Subject to any such FCM Clearing Member meeting all the Clearing House's requirements including under these FCM Procedures, the Clearing House will, as part of its service to FCM Clearing Members, amend its records in order to reflect any such change. Such change has no effect whatsoever on the terms of any registered FCM SwapClear Contract or any other obligations of the FCM Clearing Member party to such contract.