

**VIA CFTC PORTAL**

October 24, 2023

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

**LCH Limited Self-Certification: Extension of Open Access to Approved Compression Service Providers**

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 Procedures and FCM Procedures (“LCH Rules”) related to codifying access to Approved Compression Service Providers, in addition to Approved Trade Source Systems and Trade Venues on an open and non-discriminatory basis (the “Proposed Rule Change”).<sup>1</sup>

**Part I: Explanation and Analysis**

LCH provides open access to Approved Trade Source Systems and Trading Venues on an open and non-discriminatory basis. LCH has established an application process for approved trade source system status in accordance with the policies published on LCH’s website. An Approved Trade Source System may in providing transaction details to LCH rely upon similar details delivered to it by a Trading Venue (where such transaction is executed on such Trading Venue). Since LCH may rely on details relating to such transactions obtained from a Trading Venue for verification purposes or to generate reports or to exercise its rights or discretion under LCH Rules, LCH may direct the Trading Venues to use prescribed format messages or classifications.

LCH also provides access to Approved Compression Service Providers on an open and non-discriminatory basis. Approved Compression Services Providers are required to meet certain requirements of LCH, including the provision of relevant information, execution of documents, and proof of operational capabilities. Additional criteria for prospective compression providers are published on LCH’s website.<sup>2</sup>

LCH Rules currently state LCH provides access to Approved Trade Source Systems and Trading Venues on an open and non-discriminatory basis. The Proposed Rule Change will amend LCH Rules to codify that, in addition to Approved Trade Source Systems and Trading Venues, LCH also

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<sup>1</sup> Capitalized terms not defined herein shall, unless otherwise indicated, have the meanings ascribed to such terms in LCH Rules.

<sup>2</sup> See Approved Compression Service Providers (ACSPs).

<https://www.lch.com/services/swapclear/essentials/approved-compression-service-providers-acsp>.

LCH | 10 Paternoster Square | London EC4M 7LS | T: +44 (0)20 7426 7000 | F: +44 (0)20 7426 7001 | [lch.com](http://lch.com)

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

LCH Limited. Registered in England No. 25932 Registered Office: 10 Paternoster Square, London, EC4M 7LS

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provides access to Approved Compression Service Providers on an open and non-discriminatory basis.

## **Part II: Description of the Rule Changes**

LCH will amend Section 2.1.3(d) of the FCM Procedures to add “FCM Approved Compression Service Providers”. LCH will also amend Section 1.3.5 of the LCH Limited Procedures Section 2C to add “Approved Compression Services Providers”.

The changes to the LCH Rules are included as **Appendices I - II** in black line form. The changes will be effective not earlier than November 7, 2023.

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

LCH has reviewed the Proposed Rule Change 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 C (Participant and Product Eligibility).

LCH believes the Proposed Rule Change will not impact its ongoing compliance with the objectives of Core Principle C and CFTC Rule 39.12. Core Principle C requires, among other things, each derivatives clearing organization establish appropriate admission and continuing eligibility standards for members of, and participants in, the derivatives clearing organization. In addition, Core Principle C requires that participation and membership standards be objective, publicly disclosed and permit fair and open access. LCH is proposing to clarify in its rules that it provides access to Approved Compression Service Providers, in addition to Approved Trade Source Systems and Trade Venues, on an open and non-discriminatory basis. Approved Compression Services Providers are required to meet certain publicly-disclosed requirements of LCH, including the provision of relevant information, execution of documents, and proof of operational capabilities. LCH further provides additional access criteria on its public website. LCH therefore believes the Proposed Rule Change is consistent with Core Principle C and CFTC Rule 39.12.

## **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.



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Should you have any questions, please contact me at [ryan.hajen@lseg.com](mailto:ryan.hajen@lseg.com).

Yours sincerely,

*Ryan Hajen*

Ryan Hajen  
Senior Compliance Manager  
LCH Limited



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**Appendix I**  
FCM Procedures  
*Changed Pages*



**FCM PROCEDURES OF THE CLEARING HOUSE**

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### Standing Order Amount:

To facilitate the registration of SwapClear Transactions, an FCM Clearing Member may elect to maintain a minimum level of Available FCM Buffer with the Clearing House at the start of a Business Day (such amount, the “**Standing Order Amount**”). The Clearing House may approve such election in its sole discretion. Upon the effectiveness of such election, if, at the end of a Business Day, the amount of a given FCM Clearing Member’s Available FCM Buffer is less than the Standing Order Amount, the Clearing House will call the FCM Clearing Member for an amount of cash Collateral equal to the difference. Any amount so called and received by the Clearing House pursuant to this section shall constitute FCM Buffer of the given FCM Clearing Member.

The form and manner of an election by an FCM Clearing Member pursuant to this section shall be determined by the Clearing House in its sole discretion (a “**Standing Order Request**”). In the event an FCM Clearing Member wishes to rescind or modify its Standing Order Request, it must contact the Clearing House’s Client Services Department (ratesclientservices@lch.com). The Clearing House may reduce the Standing Order Amount or terminate a Standing Order Request in its sole discretion

Through submitting a Standing Order Request, an FCM Clearing Member warrants that the individual making the request on behalf of the FCM Clearing Member is appropriately authorized to do so.

(d) *SwapClear FCM Approved Trade Source Systems and FCM Trading Venues*

(i) FCM Approved Trade Source Systems

Application for FCM Approved Trade Source System status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of FCM Approved Trade Source Systems currently approved by the Clearing House is available on the Clearing House's website. Where the Clearing House approves additional FCM Approved Trade Source Systems, it will notify FCM Clearing Members via member circular.

FCM SwapClear Transactions presented through an FCM Approved Trade Source System must be in an acceptable message format, as prescribed by the Clearing House.

Notwithstanding the designation by the Clearing House of any system as an FCM Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Approved Trade Source System or the timeliness or otherwise of the delivery of any FCM SwapClear Transaction details

by that FCM Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FCM Clearing Members and that FCM Approved Trade Source System.

The Clearing House will process any FCM SwapClear Transaction reported to it by an FCM Approved Trade Source System on an “as is” basis and, subject to the FCM Rulebook, will register any such FCM SwapClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and approved by the relevant FCM Clearing Member. The Clearing House has no obligation to verify that the details received properly reflect the trade entered into by the relevant Executing Parties.

The Clearing House accepts no liability for any error within or corruption of any data sent by an FCM Approved Trade Source System to the Clearing House or to an FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM SwapClear Contract on the basis of incorrect or corrupted data sent to it by an FCM Approved Trade Source System and accepted by an FCM Clearing Member, the FCM Clearing Member concerned shall be bound by the terms of such FCM SwapClear Contract. The Clearing House shall use its reasonable efforts to assist the relevant FCM Clearing Members in re-registering the trade on the correct basis but the Clearing House shall not be liable to the FCM Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such FCM SwapClear Contract.

FCM Clearing Members shall ensure that FCM Acceptances are provided by appropriately authorized personnel. Apart from the foregoing acceptance, the Clearing House is not able to, and will not, verify the authorization of the source of any details of any transaction reported to it for registration by any FCM Approved Trade Source System. The Clearing House shall have no liability in the event that any FCM Clearing Member suffers any loss through the unauthorized FCM Acceptance.

(ii) FCM Trading Venues

While the Clearing House receives details of an FCM SwapClear Transaction via an FCM Approved Trade Source System pursuant to Section 2.1.3(a) of these FCM Procedures, such FCM Approved Trade Source System may in providing such details to the Clearing House rely upon similar details delivered to it by an FCM Trading Venue (where such FCM SwapClear Transaction is executed on such FCM Trading Venue). Additionally, the Clearing House may rely on details relating to an FCM SwapClear Transaction obtained from an FCM Trading Venue for verification purposes or in order to generate reports or to exercise its rights or discretion under Regulation 45. In this regard, the Clearing House may direct the FCM Trading Venues to use prescribed format messages or classifications.

Notwithstanding the approval by the Clearing House of any FCM Trading Venues, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Trading Venue or the timeliness or otherwise of the delivery of any FCM SwapClear Transaction details by that FCM Trading Venue. Such matters form part of the relationship between the FCM Clearing Members and that FCM Trading Venue.

The Clearing House will process any FCM SwapClear Transaction reported to it by an FCM Trading Venue on an “as is” basis, and subject to the FCM Rulebook, may register any FCM SwapClear Contract arising from such FCM SwapClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and the relevant FCM Trading Venue. The Clearing House has no obligation to verify that the details received properly reflect the trade entered into by the relevant Executing Parties or that the FCM Trading Venue is correctly applying the format messages or classifications that the Clearing House has prescribed.

The Clearing House accepts no liability for any error within or corruption of any data sent by an FCM Trading Venue to the Clearing House or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM SwapClear Contract on the basis of incorrect or corrupted data recorded by it or sent to it by an FCM Trading Venue, the FCM Clearing Member concerned shall be bound by the terms of such FCM SwapClear Contract. The Clearing House shall use its reasonable endeavors to assist the relevant FCM Clearing Members in re-registering the trade on the correct basis but the Clearing House shall not be liable to the FCM Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such FCM SwapClear Contract.

### **Open Access**

The Clearing House provides access to FCM Approved Trade Source Systems, ~~and~~ FCM Trading Venues [and FCM Approved Compression Service Providers](#) on an open and non-discriminatory basis.

#### (e) *Registration of New Trades and Backloaded Trades*

##### (A) New Trades:

The following section does not apply to Backloaded Trades, which are dealt with in Section 2.1.3(e)(B) below.

As a precondition of registering an FCM SwapClear Contract resulting from an FCM SwapClear Transaction other than a Sub-Block Trading Venue Transaction, the Clearing House will require the FCM Clearing Member in whose name such FCM SwapClear Contract is to be





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**Appendix II**

LCH Limited Procedures – Section 2C – SwapClear Clearing Service  
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**PROCEDURES SECTION 2C**

**SWAPCLEAR CLEARING SERVICE**

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received properly reflect the trade entered into by the relevant Executing Parties or that the Trading Venue is correctly applying the format messages or classifications that the Clearing House has prescribed.

The Clearing House accepts no liability for any error within or corruption of any data sent by a Trading Venue to the Clearing House or to a SwapClear Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any SwapClear Contract on the basis of incorrect or corrupted data sent to it by a Trading Venue and accepted (whether automatically or manually, as applicable) by a SwapClear Clearing Member, the SwapClear Clearing Member concerned shall be bound by the terms of such SwapClear Contract. The Clearing House shall use its reasonable endeavours to assist the relevant SwapClear Clearing Member(s) in re-registering the trade on the correct basis but the Clearing House shall not be liable to a SwapClear Clearing Member or to any other party with regard to the registration (or lack of registration or re-registration) of any such SwapClear Contract.

#### 1.3.5 *Registration of New Trades*

The following section does not apply to Backloaded Trades, which are dealt with in section 1.3.6 below.

Prior to it registering a SwapClear Contract resulting from a SwapClear Transaction other than a Sub-Block Trading Venue Transaction, the Clearing House will require the SwapClear Clearing Member in whose name such SwapClear Contract is to be registered to transfer to the Clearing House adequate Collateral in respect of initial margin requirements, variation margin requirements, and/or the settlement payment obligations (as applicable) relating to such Contract as a precondition to registration (taking into account any Client Buffer and/or SwapClear Tolerance, if any). In accordance with Regulation 55(e)(iv) (*Registration of SwapClear Contracts*), a SwapClear Clearing Member becomes obligated to transfer such Collateral (taking into account any Client Buffer and/or SwapClear Tolerance, if any) to the Clearing House at the time when the relevant SwapClear Transaction (that is not a Sub-Block Trading Venue Transaction) has been submitted or deemed to be submitted (as applicable) by the SwapClear Clearing Member and such SwapClear Clearing Member shall transfer such Collateral to the Clearing House prior to registration of the resulting SwapClear Contract. In respect of a SwapClear Contract resulting from a SwapClear Transaction that is a Sub-Block Trading Venue Transaction, the SwapClear Clearing Member in whose name such SwapClear Contract is registered shall transfer to the Clearing House sufficient Collateral in respect of such SwapClear Contract at such time after the registration of such SwapClear Contract as the Clearing House shall require.

Notwithstanding the foregoing (i) if the Clearing House registers a SwapClear Contract resulting from a SwapClear Transaction that is not a Sub-Block Trading Venue Transaction where one or both of the relevant SwapClear Clearing Members has not provided sufficient Collateral prior to registration, the SwapClear Clearing Members shall be bound by the terms of the SwapClear Contract relating thereto arising under Regulation 55 and any other applicable

provision of the Rulebook, and (ii) if the Clearing House rejects a SwapClear Transaction that is a Sub-Block Trading Venue Transaction for reasons of insufficient Collateral, the Clearing House shall not be liable to any SwapClear Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such SwapClear Transaction.

Upon a SwapClear Transaction being submitted to the Clearing House for registration, the Clearing House will determine whether to accept or reject the SwapClear Transaction within the required timeframe under all Applicable Law.

Where the Clearing House determines to accept the SwapClear Transaction, registration shall occur immediately and the SwapClear Transaction shall be automatically replaced with (as applicable) (i) two separate SwapClear Contracts, one between the relevant SwapClear Clearing Member and the Clearing House and the other between the same or another SwapClear Clearing Member and the Clearing House, or (ii) one SwapClear Contract between the relevant SwapClear Clearing Member and the Clearing House and one FCM SwapClear Contract between the relevant FCM Clearing Member and the Clearing House. The SwapClear clearing system will respond, after processing, with a message confirming the registration. The registration notification message will be sent using the SwapClear Clearing Member reporting system and/or the FCM Clearing Member reporting system (as applicable) (including by way of the originating Approved Trade Source System). The definitive report of a registered SwapClear Contract will be shown within the SwapClear Clearing Member reporting system (see Section 1.1.3) on the SwapClear Clearing Member reporting account.

### **Non-Standard Fixing Offsets for SwapClear Transactions**

SwapClear Clearing Members may submit for registration SwapClear Transactions that are OIS transactions with non-standard fixing offsets of [-1 to -10] Business Days, where the fixing for any Business Day 'i' in an interest period is equal to the fixing in respect of the Business Day falling [-1 to 10] Business Days prior to such day 'i'. For the avoidance of doubt, SwapClear Contracts registered as OIS transactions with non-standard fixing offsets will retain the underlying set of compounding coupon sub-periods and their respective weights.

### **Open Access**

The Clearing House provides access to Approved Trade Source Systems, **and** Trading Venues **and Approved Compression Services Providers** on an open and non-discriminatory basis.

#### **1.3.6 Backloading of Existing Trades**

A SwapClear Transaction that has a Trade Date of greater than ten calendar days prior to the date of presentation of such SwapClear Transaction to the Clearing House for clearing is considered a backloaded trade by the Clearing House (a "**Backloaded Trade**"). Due to the nature of Backloaded Trades,