



VIA EMAIL TO: SUBMISSIONS@CFTC.GOV

5 November 2013

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

Dear Ms. Jurgens:

Pursuant to CFTC regulation §40.6(a)(6), LCH.Clearnet Limited (“LCH.Clearnet”), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the “CFTC”), is submitting this emergency self-certification to extend the availability of the SwapClear Tolerance to 7pm (NY time) on each Business Day. This change was implemented and effective as of 4 November 2013 and a member circular will be issued describing the changes.¹

Please find attached as appendices the Submission Cover Sheet and the draft member circular.

Part I: Explanation and Analysis

As part of its straight through processing of trades, LCH.Clearnet employs a process whereby the incremental risk and estimated margin requirement of each new transaction is assessed in order to make a decision to accept or reject a transaction. The decision to accept or reject a trade for clearing by SwapClear is based on the incremental risk represented by the trade and availability of sufficient cover and SwapClear Tolerance for each participant to the trade. Within the SwapClear service, LCH.Clearnet utilizes a process to establish individual SwapClear Tolerance for each member on a risk assessed basis. The SwapClear Tolerance of a member is subject to change based on the member’s internal credit rating and is monitored against several warning thresholds.

Since 16 May 2013, LCH.Clearnet has set the SwapClear Tolerance for all Clearing Members to zero (0) prior to the last initial margin call on any Business Day. By circular, LCH.Clearnet is extending the SwapClear Tolerance to 7pm (NY time) on each Business Day.

This emergency self-certification is submitted in accordance with CFTC regulation 40.6(a)(6) and 40.1(h)(5); and in response to the Division of Clearing and Risk’s recent no-action letter that states that any trade executed on a SEF that is rejected because a customer breaches its credit limit at a clearing member or a clearing member breaches its credit limit at a DCO is void *ab initio*.² LCH.Clearnet views that an emergency submission is necessary to minimize market disruption and respond to a series of

¹ No rulebook changes are required.

² See CFTC Letter No. 13-66.



emergency rule change submitted by swaps execution facilities also transitioning to this new regulatory regime.

Part II: Description of Rule Changes

No rulebook changes are required.

Part III: Core Principle Compliance

The changes described above relate primarily to LCH.Clearnet's compliance with Core Principle B (Financial Resources) and D (Risk Management), and are designed to ensure compliance given the Division of Clearing and Risk's recent guidance on straight through processing. LCH.Clearnet will continue to comply with all Core Principles following the introduction of these changes and has concluded that its compliance with the Core Principles would not be adversely affected by these changes.

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/ltd/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. If any such views are expressed during the CFTC review period, those views will be shared with Commission staff.

Certification

LCH.Clearnet Limited 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.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Laurian Cristea', with a large, stylized flourish extending to the right.

Laurian Cristea
Senior Vice President, Compliance & Regulation
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Appendix I
Submission Cover Sheet



Appendix II
Draft Circular

DRAFT

Company Circular No.: LCH.Clearnet Ltd Circular No. 3368

Service Circular No: SwapClear Circular No. 106

Date: [xx] November 2013

To: All SwapClear Clearing Members (including FCM Clearing Members)

As part of its implementation of straight through processing, LCH.Clearnet Ltd established individual SwapClear Tolerance for each member as described in the Clearing House Procedures.

LCH.Clearnet Ltd currently does not make SwapClear Tolerance available after 2:45 pm (New York time). With effect from 4 November 2013, LCH.Clearnet Ltd will make SwapClear Tolerance available up to 7:00 p.m. (New York time) on each Business Day. LCH.Clearnet Ltd will commence extending SwapClear Tolerance again at 7:30 am (London time) at the start of each following Business Day.

This circular supersedes all prior circulars relating to the subject matter above.

For queries please contact:

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