



VIA EMAIL TO: SUBMISSIONS@CFTC.GOV

November 12, 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 LLC ("LCH.Clearnet"), a derivatives clearing organization ("DCO") registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification a rule change which clarifies how an FCM Clearing Member request for the return of excess amounts will be treated where the request does not specify whether the FCM Clearing Member seeks the return of Unallocated Excess or FCM Buffer. LCH.Clearnet is also issuing a Circular to FCM Clearing Member.

Please find attached as appendices the Submission Cover Sheet, the relevant changes to the Clearing House Procedures, and a Circular.

Part I: Explanation and Analysis

LCH.Clearnet is making a rule change clarifying that a request from an FCM Clearing Member for the return that does not specify whether the FCM Clearing Member is seeking the return of Unallocated Excess or FCM Buffer will be treated as a request for the return of Unallocated Excess. The rule change will take effect on December 2, 2013.

Part II: Description of Rule Changes

The implementation of this change requires an amendment to 4.12 of the Clearing House Procedures. The relevant pages of the rulebook are attached at Appendix II.

Part III: Core Principle Compliance

The rule change described above relate primarily to LCH.Clearnet's compliance with Core Principle F (Treatment of Funds). LCH.Clearnet has concluded that its compliance with the Core Principles would not be adversely affected by the rule 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.



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 susan.milligan@lchclearnet.com.

Yours sincerely,

A handwritten signature in black ink that reads 'Susan Milligan' followed by a horizontal line.

Susan Milligan
Interim Chief Compliance Officer, LCH.Clearnet LLC
US Contact: +1 212.513.8264



Appendix I
Submission Cover Sheet



Appendix II
LCH.Clearnet LLC Rulebook and Circular

reduced rate applies. Interest is U.S. source income, if the debtor is a U.S. corporation.

The Clearing House shall transmit to the Custodians (or other paying agents) the tax forms completed pursuant to Section 1.4.1(c).

The Clearing House's acceptance of U.S. securities does not indicate any responsibility for the adequacy or otherwise of tax documentation. Any queries in relation to these tax forms should be referred to your accountant or professional advisers.

Custodians offer a recovery service for overseas taxes on Government Bonds. The Clearing House will assist in the recovery process and remit to Clearing Members any recovery in withholding tax credited to the Clearing House's account by the Custodian.

In certain cases the Custodian/the Clearing House will withhold tax on a coupon if the correct documentation is not lodged with either the custodian/the Clearing House at the time when a coupon is due.

4.10.2 **Withholding Tax — CSDs/Custodians**

CSDs/Custodians may offer a recovery service for overseas taxes on Government Bonds. The Clearing House will assist in the recovery process and remit to Clearing Members any recovery in withholding tax credited to the Clearing House's account by CSDs/custodians.

In certain cases the CSDs/custodian and Clearing House will withhold tax on a coupon if the correct documentation is not lodged with either CSD/Custodian and the Clearing House at the time when a coupon is due.

4.11 **References**

These Procedures should be read in conjunction with the relevant user guides and/or manuals of the relevant CSD/custodian. Please also refer to each CSD/custodian for the relevant settlement deadlines in particular those for deliveries from local markets to Clearing House accounts.

4.12 **Return of Unallocated Excess and Buffer**

Upon the request of an FCM Clearing Member, the Clearing House shall return all or a portion of such FCM Clearing Member's available Unallocated Excess or Buffer (as requested) to such FCM Clearing Member; provided, that (i) FCM Clearing Members are not entitled to request the return of Encumbered Buffer, and (ii) the Clearing House shall not be required to return Buffer if the FCM Clearing Member is a Defaulter. The FCM Clearing Member's request must contain the specific details of the amount ~~of funds~~ requested and whether such FCM Clearing Member is requesting the return of Buffer or Unallocated Excess, and any other information reasonably requested by the Clearing House. If the FCM Clearing Member's request does not identify whether the requested amount is Buffer or Unallocated Excess, the Clearing House shall treat such request as a request for the

return of Unallocated Excess, provided that once the Unallocated Excess has been exhausted, any remaining amount will be met from Buffer. The end of day report delivered to the FCM Clearing Member by the Clearing House shall constitute conclusive evidence of the amount of any Buffer or Unallocated Excess returned to such FCM Clearing Member during that day, unless the Clearing House determines such report contained an error and subsequently delivers an amended report or other notice to the FCM Clearing Member in respect of such amounts.

Regulation 106(g) contains additional provisions relating to Buffer, Encumbered Buffer and Unallocated Excess.

DRAFT

Company Circular No: LCH.Clearnet LLC Circular No XXXX

Date: xx November 2013

To: All LCH.Clearnet LLC FCM Clearing Members

FCM Return of Unallocated Excess and FCM Buffer

The purpose of this circular is to inform FCM Clearing Members of some important changes to the process for the return of Unallocated Excess and FCM Buffer.

Section 4.12 of the LCH.Clearnet LLC (LCH.Clearnet) Procedures currently states that requests for the return of Unallocated Excess or FCM Buffer by an FCM Clearing Member must be accompanied by instructions as to the amount requested to be returned and whether such requested return relates to Unallocated Excess or FCM Buffer.

LCH.Clearnet notes that several such requests have been submitted to it for such return of excess amounts, without specifying whether such return is in respect of Unallocated Excess or FCM Buffer.

With effect from 2 December 2013, all such requests will be treated as requests for the returned of Unallocated Excess, unless accompanied by instructions to the contrary. Once the Unallocated Excess has been exhausted, any remaining amount will be met from FCM Buffer.

If you have any questions, please do not hesitate to contact [Collateral Operations on collateral.ops.us@lchclearnet.com](mailto:collateral.ops.us@lchclearnet.com), or by telephone at +1 212 513 5642.