



VIA EMAIL TO: SECRETARY@CFTC.GOV

10 June 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), LCH.Clearnet Limited (“LCH.Clearnet”), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the “CFTC”), is submitting for self-certification changes to the Clearing House Rulebook and a Member Circular amending the Portfolio Transfer Process. The changes will be effective on 25 June 2013.

The submission cover sheet, a black-lined version of the relevant pages of the Clearing House Rulebook, and the Member Circular are attached hereto as appendices.

Part I: Explanation and Analysis

LCH.Clearnet is implementing a rule change that allows the Clearing House to amend by circular the process and timings for the Portfolio Transfer Process.

By accompanying circular, the Clearing House is implementing the following changes to full and partial portfolio transfers without collateral (the process for portfolio transfers with collateral remains unchanged):

1. Portfolio transfers will be processed intraday rather than end of day—due to the requirements for Straight-Through Processing;
2. Portfolio transfer requests may be expedited after written confirmation from both the Carrying and Receiving Clearing Members; and
3. The timetable for acceptance or rejection of a portfolio transfer has been modified.

Part II: Description of rule changes

The Rulebook changes are attached at Appendix II. The following rules have been amended: SwapClear Procedures 2C.15.5.4; and FCM Procedures 2A.12.4.

Part III: Core Principle Compliance

The rule changes described above relate primarily to LCH.Clearnet’s compliance with Core Principle F (Treatment of Funds). LCH.Clearnet continues to comply with CFTC Regulation § 39.15(d), which requires a DCO to have certain rules in place for the transfer of positions, and has concluded that its compliance with the Core Principles will not be adversely affected by this change.

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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/proposed_rules.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 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, consisting of a large, stylized 'L' and 'C' intertwined, with a horizontal line extending to the right.

Laurian Cristea
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US Contact: +1 212.513.5610

cc: Adam Cohen, CFTC
Jay Iyer, LCH.Clearnet
Susan Milligan, LCH.Clearnet



Appendix I
Submission Cover Sheet

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) LCHLTD Date: 10 Jun 2013

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.

ORGANIZATION LCH.Clearnet Limited

FILING AS A: DCM SEF DCO SDR ECM/SPDC

TYPE OF FILING

• Rules and Rule Amendments

- Certification under § 40.6 (a) or § 41.24 (a)
- “Non-Material Agricultural Rule Change” under § 40.4 (b)(5)
- Notification under § 40.6 (d)
- Request for Approval under § 40.4 (a) or § 40.5 (a)
- Advance Notice of SIDCO Rule Change under § 40.10 (a)

• Products

- Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)
- Swap Class Certification under § 40.2 (d)
- Request for Approval under § 40.3 (a)
- Novel Derivative Product Notification under § 40.12 (a)

RULE NUMBERS

LCH.Clearnet Limited - SwapClear Procedures 2C.15.5.4; and FCM Procedures 2A.12.4.

DESCRIPTION

LCH.Clearnet Limited is (1) implementing a rule change that allows the clearing house to amend by circular the process and timings for the Portfolio Transfer Process, and (2) issuing a circular with changes to the Portfolio Transfer Process for full and partial transfers without collateral.



Appendix II
LCH.Clearnet Limited Procedures

Clearing Member fails to do so in accordance with the timetable below, the Clearing House shall determine (in its sole discretion) the Associated Account Assets that are to be transferred from the Carrying Clearing Member's client account with LCH. The Clearing House shall notify the Carrying Clearing Member and the Receiving Clearing Member of the Associated Account Assets that will be transferred in accordance with the timetable below. Following receipt of such notification by the Clearing House, the Receiving Clearing Member may elect to reject the transfer of some or all of the relevant Associated Account Assets in accordance with paragraph (e) of Regulation 52C. The Clearing House shall transfer the Associated Account Assets that have been identified to and consented by the Receiving Clearing Member. In the event that, for whatever reason, the Clearing House is unable to transfer such Associated Account Assets, the Clearing House will not proceed with the transfer of the Relevant SwapClear Contracts.

In the event that any of the conditions set forth in Regulation 52(b) or 52C(c) (as applicable) are not satisfied, including where the Carrying Clearing Member notifies the Clearing House that certain conditions have not been satisfied using the Carrying Member Response Form, such that the related SwapClear Contracts will not be transferred, the Clearing House shall not proceed with the transfer of the relevant Associated Account Assets.

In the event that the Clearing House transfers Associated Account Assets pursuant to these Procedures and the General Regulations, it will also transfer the aggregate variation margin and next day settlement coupons and fees associated with the transferring Relevant SwapClear Contracts.

2C.15.5.4 Timetable for SwapClear Clearing Client Transfer

<u>Time</u>	<u>Partial Transfer</u>	<u>Full Transfer (with collateral)</u>	<u>Full Transfer (without collateral)</u>
(all references below are to London Time)			
Day 0: 17:00	Deadline for receipt from Receiving Clearing Member of SwapClear Clearing Client Partial Transfer Form.	Deadline for receipt from Receiving Clearing Member of SwapClear Clearing Client Full Transfer Form and confirmation that Associated Account Assets are to be transferred.	Deadline for receipt from Receiving Clearing Member of SwapClear Clearing Client Full Transfer Form.
Day 0: 19:00	Deadline for Clearing House to notify Carrying Clearing Member of receipt by Clearing House of SwapClear Clearing Client Partial Transfer Form.	Deadline for Clearing House to notify Carrying Clearing Member of receipt by Clearing House of SwapClear Clearing Client Full Transfer Form.	Deadline for Clearing House to notify Carrying Clearing Member of receipt by Clearing House of SwapClear Clearing Client Full Transfer Form.
Day 1: 10:00	Deadline for: (i) notification by the Clearing House to the Carrying Clearing	Deadline for: (i) notification by the Clearing House to the Carrying Clearing	Deadline for: (i) notification by the Clearing House to the Carrying Clearing

Time	Partial Transfer	Full Transfer (with collateral)	Full Transfer (without collateral)
(all references below are to London Time)			
	Member and the Receiving Clearing Member that it intends to transfer the Relevant SwapClear Contracts of the relevant SwapClear Clearing Client pursuant to a request from the Receiving Clearing Member; and (ii) provision by the Clearing House of details to the Carrying Clearing Member and the Receiving Clearing Member of the Relevant SwapClear Contracts to be transferred.	Member and the Receiving Clearing Member that it intends to transfer the Relevant SwapClear Contracts of the relevant SwapClear Clearing Client pursuant to a request from the Receiving Clearing Member; and (ii) provision of details to the Carrying Clearing Member and the Receiving Clearing Member of the Relevant SwapClear Contracts to be transferred.	Member and the Receiving Clearing Member that it intends to transfer the Relevant SwapClear Contracts of the relevant SwapClear Clearing Client pursuant to a request from the Receiving Clearing Member; and (ii) provision of details to the Carrying Clearing Member and the Receiving Clearing Member of the Relevant SwapClear Contracts to be transferred.
Day 2: 12:00	Deadline for notification (if any) from Carrying Clearing Member that it is rejecting the transfer (in accordance with Regulation 52C(d)(v)).	Deadline for notification (if any) from Carrying Clearing Member that it is rejecting the transfer (in accordance with Regulation 52C(b)(v) or 52C(c)(v) (as applicable)).	Deadline for notification (if any) from Carrying Clearing Member that it is rejecting the transfer (in accordance with Regulation 52C(b)(v) or (c)(v) (as applicable)).
		Deadline for confirmation from Carrying Clearing Member of the Associated Account Assets which are available to be transferred to the Receiving Clearing Member.	
Day 2: 12:00 to 14:00		LCH notifies the Receiving Clearing Member of the Associated Account Assets that would be transferred.	

<u>Time</u>	<u>Partial Transfer</u>	<u>Full Transfer (with collateral)</u>	<u>Full Transfer (without collateral)</u>
(all references below are to London Time)			
Day 2: 17:00	Deadline for receipt by the Clearing House of consent to transfer of the Relevant SwapClear Contracts from the Receiving Clearing Member.	Deadline for receipt by the Clearing House of consent to transfer of the Relevant SwapClear Contracts and (if applicable) some or all of the Associated Account Assets from the Receiving Clearing Member.	Deadline for receipt by the Clearing House of consent to transfer of the Relevant SwapClear Contracts from the Receiving Clearing Member.
Day 3: 08:00	Target deadline for notification by Clearing House to the Carrying Clearing Member and/or the Receiving Clearing Member of whether any additional cover is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving Clearing Member of whether any additional cover is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving Clearing Member of whether any additional cover is required to enable the transfer.
Day 3: 09:00	Deadline for receipt by Clearing House of any additional cover from the Carrying Clearing Member and/or the Receiving Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional cover from the Receiving Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional cover from the Receiving Clearing Member required to enable the transfer.
Day 3: 09:00	Clearing House transfers the Relevant SwapClear Contracts.	Clearing House transfers the Relevant SwapClear Contracts and (if applicable) some or all of the Associated Account Assets.	Clearing House transfers the Relevant SwapClear Contracts.

[The timings and processes listed in the table above may be amended from time to time by the Clearing House in its full discretion via a member circular.](#)

2C.16 EARLY TERMINATION EVENTS

SwapClear Clearing Members using MarkitWire, Tradeweb and Bloomberg may, if they so wish, use the Early Termination Provision FpML block to include details of any terms relating to optional early termination agreed between the parties to that SwapClear Transaction.

place in accordance with the timing and notice requirements set out in Section 2A.12.4.

In the event that any of the conditions set forth in FCM Regulation 8(b) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the FCM SwapClear Contracts or the transfer of Account Assets (when applicable).

Following receipt of a Full Transfer Form, the Carrying FCM Clearing Member shall not be permitted to register additional FCM SwapClear Contracts on behalf of the FCM Client whose FCM SwapClear Contracts are subject to transfer, until such transfer (and the transfer of the related Account Assets, if applicable) is actually effected or is rejected.

2A.12.3 Collateral Transfers

Where a Receiving FCM Clearing Member notifies the Clearing House that an FCM Client wishes to transfer cover from a Carrying FCM Clearing Member to a Receiving FCM Clearing Member, the Clearing House shall notify the Carrying FCM Clearing Member of such transfer in accordance with the timetable below.

Following such notification and upon request from the Clearing House, the Carrying FCM Clearing Member shall confirm to the Clearing House (using the Carrying Member Response form at Appendix 2A.D) which cover is attributable to the transferring FCM Client and the associated FCM SwapClear Contracts. In the event that the Carrying FCM Clearing Member fails to do so in accordance with the timetable below, the Clearing House shall transfer sufficient cash or non-cash cover from the FCM Clearing Member's FCM Omnibus SwapClear Client Account with LCH (such cover as selected in the Clearing House's sole discretion) to enable the transfer. Following the Clearing House's determination of the cover that is to be transferred, it shall notify the Carrying FCM Clearing Member and the Receiving FCM Clearing Member of the cover that will be transferred in accordance with the timetable below.

In the event that any of the conditions set forth in FCM Regulation 8(b) are not satisfied, and the Carrying FCM Clearing Member notifies the Clearing house that they have not been satisfied using the Carrying Member Response Form the Clearing House shall not proceed with the transfer of the related cover. In such circumstances, the Clearing House will notify the Receiving FCM Clearing Member that the associated cover will not be transferred and, in order to proceed with the transfer of the associated FCM SwapClear Contracts, the Receiving FCM Clearing Member will have to provide the Clearing House with sufficient cover in respect of the transferring FCM SwapClear Contracts.

In the event that the Clearing House transfers cover pursuant to these FCM Procedures and the FCM Regulations, it will also transfer the aggregate Variation Margin and next day settlement coupons and fees associated with the transferring FCM SwapClear Contracts.

2A.12.4 Timetable for FCM Client Transfer

<u>Time</u> (all references below are to New York City time)	<u>Partial Transfer</u>	<u>Full Transfer (with collateral)</u>	<u>Full Transfer (without collateral)</u>
Day 0: 15:00	Deadline for receipt from Receiving FCM Clearing Member of FCM Client Partial Transfer Form.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form and confirmation that cover is to be transferred.	Deadline for receipt from Receiving FCM Clearing Member of FCM Full Transfer Form.
Day 1: 05:00	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer certain FCM SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.	Deadline for notification by the Clearing House to the Carrying FCM Clearing Member and the Receiving FCM Clearing Member that it intends to transfer FCM SwapClear Contracts pursuant to a request from the Receiving FCM Clearing Member.
Day 2: 09:00	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 8(c)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 8(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer. Deadline for confirmation from Carrying FCM Clearing Member of the collateral which is to be ported to the Receiving FCM Clearing Member.	Deadline for notification (if any) from Carrying FCM Clearing Member that: (i) the FCM Client has become insolvent and/or (ii) the FCM Client has unsatisfied outstanding obligations to the Carrying FCM Clearing Member (in accordance with FCM Regulation 8(b)(v)) and that the Carrying FCM Clearing Member is therefore objecting to the transfer.
Day 2: 09:00 to 10:00		LCH notifies the Receiving FCM	

<u>Time</u> (all references below are to New York City time)	<u>Partial Transfer</u>	<u>Full Transfer (with collateral)</u>	<u>Full Transfer (without collateral)</u>
		Clearing Member of the collateral that will be transferred or that collateral will not be transferred. Where collateral will not be transferred, transfer is treated as a full transfer (without collateral).	
Day 2: 14:30	Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer and associated collateral from the Receiving FCM Clearing Member.	Deadline for receipt by the Clearing House of consent of transfer from the Receiving FCM Clearing Member.
Day 3: 03:00	Target deadline for notification by Clearing House to the Carrying FCM Clearing Member or the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.	Target deadline for notification by Clearing House to the Receiving FCM Clearing Member of whether any additional cover is required to enable the transfer.
Day 3: 04:00	Deadline for receipt by Clearing House of any additional cover from the Carrying FCM Clearing Member or the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional cover from the Receiving FCM Clearing Member required to enable the transfer.	Deadline for receipt by Clearing House of any additional cover from the Receiving FCM Clearing Member required to enable the transfer.
Day 3: 04:00	Clearing House transfers FCM SwapClear Contracts.	Clearing House transfers FCM SwapClear Contracts and associated collateral.	Clearing House transfers FCM SwapClear Contracts.

[The timings and processes listed in the table above may be amended from time to time by the Clearing House in its full discretion via Member Circular.](#)



Appendix III
Member Circular

Company Circular No.: LCH.Clearnet LTD Circular No. [xx]
Service Circular No: SwapClear No. [xx]
Date: [xx]
To: All SwapClear Members (including FCM Clearing Members)

Changes to Portfolio Transfers

The changes applicable to full and partial transfers **without** collateral are:

- All partial and full transfers from one SwapClear Clearing Member to another SwapClear Clearing Member **without** collateral will be processed intraday, once both the Receiving Clearing Member and the Carrying Clearing Member accept the transfer via the ClearLink API.
- Historically, for partial and full transfers **without** collateral, as long as a transfer request was received on T (T being the date that the transfer is submitted to LCH.Clearnet Limited) by 15:00 EST, *requests for consent* would be sent via the ClearLink API on T+1 at 05:00 EST, and accepted transfers would be processed as part of that day's End of Day (EOD) batch. While the timing of transfer and consent requests will not change, as a result of STP, LCH.Clearnet Limited will be processing transfers intraday versus the previous EOD process.
- If both the Carrying Clearing Member and the Receiving Clearing Member would prefer to expedite transfers for processing on T, versus T+1, they must notify SwapClear Client Services via email confirmation. In this circumstance, SwapClear Client Services will attempt to process transfers on T, and provide confirmation of a successful transfer to the relevant SwapClear Clearing Members. Otherwise, transfers will process intraday, on T+1.
- Clearing Members have until T+2 to accept or reject a transfer.
 1. Once a *request for consent* message has been issued for a transfer, both the Carrying Clearing Member and the Receiving Clearing Member will have until EOD to accept or reject the transfer. If a transfer is not accepted by EOD, the transfer will be rejected and automatically resubmitted the following morning, by 04:00 EST. (where SwapClear Clearing Members have chosen to expedite the transfer for processing on T, both SwapClear Clearing Members must accept by End of Day on T, or the transfer will be rejected and resubmitted the following morning by 4:00 EST. If the SwapClear Clearing Members still have not accepted by End of Day T+1, the transfer is again resubmitted the following morning by 4:00 EST).
 2. Where a transfer has been resubmitted for acceptance (either once for the non-expedited process, or twice for the expedited), the Receiving Clearing Member must accept by 14:30EST on T+2, or the transfer will be rejected and a new transfer request will need to be submitted. Further, if the Carrying Clearing Member has not either accepted the transfer or filled out the Carrying Response form to notify the

LCH.Clearnet Limited of a valid reason for rejection by T+2 14:30 EST, the transfer will be automatically accepted.

**Terms used herein and not defined herein shall have the meaning assigned to them in the Rulebook of FCM Rulebook of LCH.Clearnet Limited.*

**References to a Carrying Clearing Member and to a Receiving Clearing Member include a Carrying FCM Clearing Member and Receiving FCM Clearing Member (as the context requires).*

- For queries please contact:

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