



VIA EMAIL TO: SECRETARY@CFTC.GOV

31 January 2014

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 certain parameters of the ForexClear service Initial Margin (IM) model. The ForexClear service plans to implement these changes on 17 February 2014.

Part I: Explanation and Analysis

ForexClear's IM model currently incorporates a Sovereign Risk Margin (SRM) add-on to reflect sovereign risk not readily captured by the core IM model. However, LCH.Clearnet's analysis of price movements during the second half of 2013 suggests that the SRM add-on does not fully capture an increase in Indian country risk as much as desired.

ForexClear therefore plans to enhance the SRM methodology and improve its effectiveness by changing the CDS spread used as a proxy for calculating sovereign risk in relation to Indian rupee.

In addition, LCH.Clearnet will adopt a more conservative assumption in relation to the size of a potential devaluation, and has decided, consistent with IMF recommendations to set the devaluation shocks to 50% for all currencies.

Finally, measures will be introduced to ensure that ForexClear margin cover is maintained above a minimum threshold set by LCH.Clearnet Group Risk.

Accordingly, ForexClear proposes to evaluate margin cover on a weekly basis against the Margin Floor model and call additional margins for those member portfolios where the combined margin cover (IM + SRM) is below the Margin floor.

Part II: Description of rule changes

No changes are required to the LCH.Clearnet Rules or Procedures as a result of these changes.

Part III: Core Principle Compliance

LCH.Clearnet will continue to comply with all Core Principles following the implementation of these enhancements to the parameters of the ForexClear service IM model. LCH.Clearnet has concluded



that its compliance with the Core Principles would not be adversely affected by these changes. The changes reflected herein will ensure continued compliance with the Core Principles and, in particular with Core Principle D.

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 its governing board or committee members, members of LCH.Clearnet or market participants that were not incorporated in the changes.

Certification

LCH.Clearnet Limited hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in Commission regulation §40.6, that this submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

Should you have any questions regarding this submission please contact me at julian.oliver@lchclearnet.com.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Julian Oliver'.

Julian Oliver, Director Compliance and Public Affairs
LCH.Clearnet Ltd

Cc: Gavin Wells, LCH.Clearnet
Jay Iyer, LCH.Clearnet
Kenji Takaki, CFTC
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