

VIA CFTC Portal

12 October 2016

Mr. Christopher Kirkpatrick
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington DC 20581

Dear Mr Kirkpatrick:

LCH.Clearnet Ltd ("LCH"), a derivatives clearing organisation registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification, pursuant to CFTC regulation §40.6(a), Rulebook changes which will take effect on or after 31 October 2016.

Part I: Explanation and Analysis

LCH is making this change to its Rulebook because effective from 20 June 2016 the GBP Real Time Gross Settlement ("RTGS") system operated by CHAPS Co on behalf of the Bank of England, along with the Securities Settlement System ("SSS") for UK Treasury Bills, Euroclear ("Crest") extended the settlement day. Accordingly LCH is extending its settlement cut-offs available to Clearing Members.

A circular advising of these changes has been sent to members.

Part II: Description of Rule Changes

Procedures Section 4 is amended to change the instruction deadline for same day settlement at Euroclear (UK/IE (CREST) from 14:00 to 17:00 (UK time).

Procedures Section 3 is amended to provide for GBP to be called in London until 16:00 instead of 14:30 (UK time).

A black-line version of the Procedures sections 3 and 4 are included in the appendices of this letter.

Part III: Core Principle Compliance

LCH has concluded that compliance with the Core Principles; in particular Core Principles E and L will not be adversely impacted by these changes.

Part IV: Public Information

LCH has posted a notice of pending certification with the CFTC and a copy of this submission on the LCH website at <http://www.lchclearnet.com/rules-regulations/proposed-rules-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 change.

Certification

LCH hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in 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 regarding this submission please contact me at julian.oliver@lch.com

Yours sincerely,



Julian Oliver
Chief Compliance Officer

LCH Rule Submission

Appendix A

Procedures Section 3 (Financial Transactions)



LCH.CLEARNET LIMITED
PROCEDURES SECTION 3
FINANCIAL TRANSACTIONS

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A "Banking Reports Reference Pack" can be requested from the LCH.Cleernet Client Training Team. This contains definitions and examples of each of the available reports.

Details of Collateral balances, valuations and instructions are also available using the on-line Collateral Management System (CMS).

1.3 **Protected Payments System (PPS)**

The Clearing House operates a direct debit system, known as the Protected Payments System ("**PPS**"), for the transfer of funds to and from Clearing Members. PPS is a recognised interbank payments system overseen by the Bank of England.

PPS is operated in both London ("**UK PPS**") and in the United States (where it is known as "**US PPS**"). In this Section, a day on which PPS is open is referred to as a "**working day**". The Clearing House also operates accounts in Hong Kong where Clearing Members will be mandated to hold accounts for the operation of certain Asian markets.

Clearing Members should note that the PPS (both in London and in the US) is a system for facilitating payment to the Clearing House of moneys due from Clearing Members to the Clearing House and vice versa. The giving of a commitment by a participating bank through PPS to make any payment, and the receipt of that commitment by the Clearing House, is not to be regarded as satisfaction of any payment due to the Clearing House.

Each Clearing Member remains fully responsible for the payment to the Clearing House of all moneys due to the Clearing House as required, *inter alia*, by the Clearing Membership Agreement, clearing extension documentation and the Regulations, Default Rules and Procedures. Payment is only completed when the funds have been credited for value to the relevant Clearing House bank account, and any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

1.3.1 ***PPS Mandates***

(a) *Introduction*

A Clearing Member is required to maintain a PPS bank account(s) in the currency or currencies in which it makes Contributions, and for each currency in which it incurs settlements, at one or more of the bank branches participating in the PPS system in London. Different banks may be used for different currencies.

Each Clearing Member is required to maintain at least one US dollar PPS account with at least one of the US PPS banks (please refer to the following link for details): <http://www.lchclearnet.com/risk-collateral-management/collateral-management/protected-payments-system>

Clearing Members are responsible at all times for ensuring that their PPS banks accounts have sufficient funds or credit lines to be able to meet margin calls from the Clearing House.

Any bank charges connected with the holding of any PPS bank accounts or related to any activity on that account must be paid by the Clearing Member holding the relevant account PPS mandates.

Each Clearing Member is required to complete a standard form UK PPS Mandate and/or US PPS Mandate (copies are available from treasury.ops.uk@lhcclarnet.com) for each bank branch at which they wish to operate an account before clearing can commence. The original of the mandate must be signed by a person with the appropriate authority within the Clearing Member institution and then forwarded to the relevant bank. A copy must also be forwarded at the same time to the Clearing House Membership Department.

(b) *Currency Conversion*

The Clearing House supports cross currency collateral, which allows the Clearing Member to elect to use Collateral denominated in one currency in respect of initial and contingent margin liabilities calculated in another currency. Clearing Members must nominate the currency in which they wish to cover margin liabilities by prior arrangement with LCH.Clearnet Limited Treasury Operations.

(c) *Morning PPS Calls*

Clearing Members' liabilities are calculated overnight. Should the relevant liability not be covered by acceptable forms of Collateral held by the Clearing House (see Section 1.4) any shortfall is called through UK PPS with separate calls made for each currency. It is the responsibility of each Clearing Member to ensure that its UK PPS bank(s) meets all payment instructions received from the Clearing House. Confirmation of payments, as notified, must be received by the Clearing House from the relevant PPS bank(s) by 09:00 London time, or within one hour of a subsequent call, on the day on which the PPS call is made. Payments will only be recognized for this purpose if the relevant PPS bank (i) has performed its concentration function (being the transfer of net funds from the PPS bank to a central account in the name of the Clearing House), (ii) has made such payments, and (iii) any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

Where payments are due to a Clearing Member, payments will be recognized as soon as payment instructions in respect of that payment have been given to a PPS bank. For this purpose, a payment instruction will only be recognised to the extent that the Clearing House has taken steps to transfer to the PPS bank any such sums as may be necessary to enable that payment instruction to be performed by the PPS bank.

(d) *Intra-day PPS Calls*

The intra-day margin call by the Clearing House is for intra-day Collateral payments. GBP, EUR or USD can be used to cover margin obligations

intra-day. Between 14:30 – 16:00 (London time) ~~only- GBP and~~USD will be called in London.

Normally the Clearing House will call intra-day margin through UK PPS accounts. However, where the Clearing House wishes to make such an intra-day call after UK PPS closes (16:00 London time), such a call will be made upon the Clearing Member's nominated US PPS account.

Clearing Members must designate a currency ("**GBP**", "**EUR**" or "**USD**") that will be called by default during the hours of UK PPS for each mnemonic/sub-account. Clearing Members may request a change to the default currency no later than 09:30 London time in order for the change to be undertaken the following day. Members can submit a request to change their currency at the following link: <http://www.lchclearnet.com/risk-collateral-management/collateral-management/acceptable-collateral/preferred-currency>

The Clearing House has the ability to call US dollars in respect of an intra-day margin call up until 16:00 New York time (21:00 London time).

It is noted that the Clearing House will not accept delivery of US dollar cash other than in satisfaction of an intra-day margin call after 14:00 hours New York time.

The Clearing House must receive confirmation of payment from the Clearing Member's nominated PPS bank(s) within one hour of receipt of the intra-day call by the relevant bank branch.

Failure of a bank to confirm a PPS call within one hour may result in the Clearing Member being declared in default. Late confirmation of PPS calls are reported to the regulators of the LCH.Clearnet Group.

(e) *Auto-repay*

Clearing Members may request that they are automatically repaid any excess cash balances that remain on their accounts (other than an Individual Segregated Account) at the end of each day where the relevant Service of which the Clearing Member is a member provides an auto-repay mechanism. Clearing Members must contact Treasury Operations in order to have auto-repay applied to their accounts. (treasury.ops.uk@lchclearnet.com or Tel +44 (0)20 7426 7505)

Those Clearing Members who are not on auto-repay may request that any cash balances on their accounts (other than an Individual Segregated Account) be repaid on the same day, provided that such request is received by the Clearing House by 09:30 London time.

In certain circumstances and following notification to one or more relevant Regulatory Bodies, the Clearing House may disable the auto-repay functionality for all Clearing Members of a Service. The Clearing House

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Appendix B

Procedures Section 4 (Collateral)



LCH.CLEARNET LIMITED
PROCEDURES SECTION 4
MARGIN AND COLLATERAL

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1.3 Instructions via CMS

Instructions for cash, securities and triparty Collateral may be entered using the CMS. The Clearing House will action instructions that have been input and authorised via the CMS. The details input on the CMS will form the basis of the matching instruction sent to the relevant CSD/custodian. Clearing Members must ensure that the details are input correctly in order to avoid unmatched transactions.

It is the responsibility of the Clearing Member to input a cancellation request of any incorrectly input instruction and to subsequently input the correct details in a new instruction. Please note that it may not be possible to cancel an instruction, (please refer to Section 1.4.7 below for further details).

The Clearing House will update the status of the instruction in the CMS in relation to the status of the instruction at the CSD/Custodian. On settlement of the transaction the Clearing House will reflect the balance of the securities on the relevant account of the Clearing Member and take them into account for the purposes of calculating the Clearing Member's Current Collateral Value.

The Clearing House will notify Clearing Members of the relevant account details for matching. Clearing Members should refer to Schedule 9 to establish the correct place(s) of settlement for a particular security.

The Clearing House will not be liable for any losses to Clearing Members or third parties caused by non-settlement or by a delay in settlement as a result of the actions or omissions of a CSD/custodian or the Clearing Member (save for any liability which may not be excluded by law).

1.4 Settlement Procedures – Securities provided on a bilateral basis

All transactions to transfer securities Collateral to or from the Clearing House will be executed free of payment.

1.4.1 *Instruction Deadlines*

Clearing Members may input security instructions via the CMS at any time. Instructions will only be actioned by the Clearing House during operational hours.

The Collateral Team operational hours are: Monday – to Friday 08:00 – 21:00hrs UK time.

For settlement in Austraclear, the Collateral Team in Sydney are available from 09.00 – 16.30 (AEST).

Instruction deadlines for same day settlement:

CSD/custodian	Deadline for instructions
Euroclear UK/IE (CREST)	174.00 (UK time)