

**VIA CFTC PORTAL SUBMISSION**

24 March 2016

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

Dear Mr. Kirkpatrick:

LCH.Clearnet Limited ("LCH"), a derivatives clearing organization ("DCO") registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification, pursuant to CFTC regulation §40.6(a), amendments to its Rulebook and Procedures, which will take effect from 18 April 2016.

**Part I: Explanation and Analysis**

Changes are being made to Section 4 Procedures of the LCH Rulebook, to allow non-FCM Clearing Members to also make use of Austraclear, a Central Securities Depository ("CSD") located in Australia for the onshore posting to the DCO of securities denominated in Australian currency as margin collateral. Currently Clearing Members wishing to post margin collateral to the DCO in the form of Australian Dollar Securities are only able to do so at Euroclear. Thus the addition of Austraclear expands the LCH CSD portfolio available to non-FCM Clearing Members. There are also some other non-material changes being made to the Rulebook which are shown below.

**Part II: Description of Rule Changes**

The changes to Section 4 Procedures are as follows:

Section 4 Procedures	Explanation
1.4.1	Inserted instruction deadlines for Austraclear
1.4.2	Amended the deadline for 'deliveries from local market' Japan
1.8.2	Amended the 'lodgement and increase procedure' instruction deadlines
1.8.3	Amended the 'decrease and closing procedure' instruction deadlines

A black-lined version of Section 4 Procedures is included as an appendix.

**Part III: Core Principle Compliance**

LCH.Clearnet has concluded that compliance with the Core Principles will not be adversely impacted by this change, and compliance with the Core Principles is maintained.

**Part IV: Public Information**

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



**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 this change.

**Certification**

LCH.Clearnet 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@lchclearnet.com](mailto:julian.oliver@lchclearnet.com)

Yours sincerely,

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

Julian Oliver, Chief Compliance Officer  
LCH.Clearnet Limited



**LCH.CLEARNET LIMITED**  
**PROCEDURES SECTION 4**  
**MARGIN AND COLLATERAL**

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## CONTENTS

Section	Page
1. Collateral .....	1
1.1 General Information .....	1
1.2 Documentation .....	5
1.3 Instructions via CMS .....	7
1.4 Settlement Procedures – Securities provided on a bilateral basis .....	7
1.5 Tax Arrangements .....	10
1.6 References .....	12
1.7 Contingency Arrangements .....	12
1.8 Triparty Service with Euroclear, Clearstream and BNY Mellon .....	12
1.9 Intentionally Left Blank .....	14
1.10 Client Excess Spreadsheet .....	14
1.11 SwapClear Intra-Day Margin Call: Collateral Management .....	14
Schedule 1 Client Consent Form .....	20
Schedule 2 Clearing House Prescribed Language .....	21
Schedule 3 Cleared Trade Removal Agreement .....	25
Schedule A The Registered Contracts .....	29
Schedule 4 Contingency Member Triparty Lodgement Form .....	30
Schedule 5 Contingency Member Triparty Amendment Form .....	31
Schedule 6 Contingency Member Triparty Closing Form .....	32
Schedule 7 Contingency Member Triparty Lodgement Form .....	33
Schedule 8 Contingency Member Triparty Amendment Form .....	34
Schedule 9 Contingency Member Triparty Closing Form .....	35
Schedule 10 Contingency Member Triparty Lodgement Form .....	36
Schedule 11 Contingency Member Triparty Amendment Form .....	37
Schedule 12 Contingency Member Triparty Closing Form .....	38
Schedule 13 Contingency Collateral Lodgement Form .....	39
Schedule 14 Contingency Collateral Release Form .....	40
Schedule 15 Client Excess Spreadsheet, Appendix .....	41
Schedule 16 Intra-Day House Cash Excess Transfer Form .....	42

### 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:

<b>CSD/custodian</b>	<b>Deadline for instructions (UK time)</b>
Euroclear UK/IE (CREST)	14.00 (UK time)
Euroclear internal	17:00 (UK time)
Fedwire - Citi and BNYMellon	19:00 (UK time)
<u>Austraclear</u>	<u>15.30 (AEST)</u>

The Clearing House will input matching instructions to the relevant CSD/custodian for same day settlement when the instructions are received prior to the deadlines above.

#### 1.4.2 Deliveries to and from Local Markets

The Clearing House is bound by the settlement deadlines of the relevant CSD/custodian. Clearing Members should refer to the relevant CSD/custodian for these deadlines. Note that for transactions from local markets the settlement deadline may be earlier than the Clearing House hours of operation and should therefore be instructed the day before the settlement date (i.e. on S-1). Instructions to the Clearing House must be provided at least one hour before the market deadline for same day settlement.

For example:

<b>Deliveries from Local Market</b>	<b>Custodian Deadline</b>	<b>Instruction Deadline to Clearing House (UK time)</b>
Japan	05:55	17.00 on S-1
Belgium	14.50	13.50 on S
Italy	15.00	14.00 on S

#### 1.4.3 Transfer of Securities to the Clearing House

Instructions for the transfer of securities to the Clearing House must be input via the CMS prior to the deadlines above for same day settlement. Settled transactions will be taken into account for the purposes of calculating the Clearing Member's Current Collateral Value following settlement.

Transfer instructions for future settlement dates will be instructed same day if received prior to the deadlines. Instructions received after the deadlines will be instructed the following day.

**Note:** In these procedures, "S" refers to the settlement day, and "S-1" to the working day before the settlement day.

### 1.8.2 Lodgement and Increase Procedure

Last instruction deadline to the Clearing House for (UK Time):			
	Euroclear Bank	Clearstream	BNY Mellon
Same day settlement	<del>+6.30</del> 17.00	<del>+6.30</del> 18.00	22.30
Next day settlement	<del>+6.30</del> 17.00(S-1)	<del>+6.30</del> 18.00(S-1)	N/A

### 1.8.3 Decrease and Closing Procedure

Last instruction deadline to the Clearing House for (UK Time):			
	Euroclear Bank	Clearstream	BNY Mellon
Same day settlement	<del>+6.30</del> 17.00	<del>+6.30</del> 18.00	22.30
Next day settlement	<del>+6.30</del> 17.00(S-1)	<del>+6.30</del> 18.00(S-1)	N/A

#### Sufficient Collateral:

Where the Clearing Member has sufficient Collateral available, the release or closure of the triparty transaction will be processed on the same day and the reduction will be taken into account for the purpose of calculating the Clearing Member's Current Collateral Value.

#### Insufficient Collateral:

Where the Clearing Member has insufficient Collateral to release the triparty transaction, the Clearing Member's Current Collateral Value will be deemed to be decreased overnight. The following morning the Clearing House will only release the triparty transaction after 09.00 when any PPS cash calls have been confirmed.

#### Triparty deficits:

In the event that the Clearing House determines that a shortfall exists under a triparty arrangement, whether because of a decrease in the value of securities provided or otherwise, and such shortfall has not been made good by the inclusion of additional securities, the Clearing House shall be entitled to make one or more PPS cash calls in respect of such shortfall. Cash calls in relation