

**Via CFTC Portal**

21<sup>st</sup> December 2016

**Mrs. Parisa Abadi**

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

Dear Mrs. Abadi,

Pursuant to CFTC regulation §40.6(a), LCH SA (“**LCH**”), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the “**CFTC**”), is submitting for self-certification the changes to the CDSClear services related to the extension of the CDSClear activities to the clearing of CDX.NA.HY indices from series 17 onwards on 5Y tenors, denominated in USD.

The intended date of implementation is 30 January 2017 subject to the relevant regulatory review or approval but in no event, the new service will be implemented earlier than 10 business days after the formal filing with the CFTC.

**Part I: Explanation and Analysis**

LCH intends to add to the list of eligible instruments CDX.NA.HY indices from series 17 onwards on 5Y tenors, denominated in USD.

The initiative is essential for the business to fully benefit commercially from the recent expansion of clearable CDS contracts, specifically Senior Financials Index and Single Names as well as US products, Index and related Single Names.

The introduction of CDX.NA.HY Indices will bring no operational change to the current environment as it simply constitutes an extension of the underlying reference entities to an existing index family.

From a risk model perspective, the only changes are relative to the short charge, with the introduction of a High Yield charge covering some potential defaults as well as existing stress scenarios extended to High Yield.

**Part II: Description of Rule Changes**

The CDS Clearing Rule Book was amended in the context of the CDX.IG initiative already submitted for the CFTC self-certification process on March 3<sup>rd</sup>, 2016 under the number 1603-0915-0020-89. The drafting of those amendments was broad enough to also cover the clearing of CDX.NA.HY indices.

So, there is no need to make any further change on the CDS Clearing Rule Book for the purposes of the introduction of CDX.NA.HY indices.

**Part III: Core Principle Compliance**

LCH will continue to comply with all Core Principles following the introduction of this change and has concluded that its compliance with the Core Principles would not be adversely affected by this change.

**Part IV: Public Information**

LCH has posted a notice of pending certifications with the CFTC and a copy of the submission on LCH's website at:

<http://www.lch.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 that were not incorporated into the rule.

**Certification**

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

Should you have any questions please contact me at: [françois.faure@lch.com](mailto:françois.faure@lch.com).



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