

Via CFTC Portal

17th February 2017

Mrs. Parisa Abadi

Commodity Futures Trading Commission
1155 21st 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 proposed change by CDSClear services to adapt the ISDA pricer in case of extreme spread curves.

The intended date of implementation is 31 March 2017 subject to any 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

In the event of extreme spread curve the ISDA pricer used by CDSClear can crash. When this occurs, a recovery algorithm is applied to adjust the input spreads which is a time consuming manual workaround. It is proposed to move away from that recovery algorithm and instead by-pass the ISDA library for arbitrageable curves, and use a closed form formula instead.

LCH has communicated to the CFTC all related material detailing the change and attached in Appendix subject to the request for confidentiality treatment.

Part II: Description of Rule Changes

This submission does not require any change to the CDSClearing Rule Book.

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



Francois Faure
Chief Compliance Officer
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APPENDIX

Subject to the request for confidential treatment

- Presentation to the risk governance committee
- Independent review report