

VIA CFTC PORTAL

19 September 2017

Mr Christopher Kirkpatrick  
Commodity Futures Trading Commission  
115 21<sup>st</sup> Street NW  
Three Lafayette Centre  
Washington DC 20581

### **LCH Limited Self Certification: Rule changes related to Part 45**

Dear Mr Kirkpatrick

Pursuant to CFTC regulation §40.6(a), LCH Limited (“LCH”), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the “CFTC”), is submitting for self-certification changes to its rules to support LCH’s compliance with Swap Data Reporting Requirements under Part 45 of the CFTC rules.

#### **Part I: Explanation and Analysis**

The CFTC trade reporting requirements under Part 45 require Derivatives Clearing Organizations (“DCOs”) to report the termination of an original swap to the same Swap Data Repository (“SDR”) that such swap was reported to on execution (i.e. before it was submitted for clearing). To fulfil this requirement LCH requires that its Clearing Members provide certain information relating to an original swap, where it was obliged to report that swap, and therefore LCH proposes to make a rule change in respect of its SwapClear and ForexClear services.

The rule changes will go live on, or after, October 4, 2017.

#### **Part II: Description of Rule Changes**

The FCM Procedures include additional wording in paragraph (d) of section 2.1.1 (d) (‘The Clearing Process’) requiring FCM Clearing Members of the SwapClear service to submit the following information in order that LCH can report the termination of the original swap to the appropriate SDR:

- i. The Unique Swap Identifier (“USI”) of the original swap submitted to LCH for registration;
- ii. The Legal Entity Identifier (“LEI”) of the SDR the original swap was reported to.

Section 2.2.22 (“ForexClear Reporting”) of the FCM Procedures notes the same requirement in paragraph g) for FCM Clearing Members of the ForexClear service.

Equivalent wording has also been added to the Procedures Section 2C (“SwapClear Clearing Service”) and the Procedures Section 2I (“ForexClear Clearing Service”) to reflect the same requirement on non-FCM Clearing Members of the two services in scope. The amended sections are 1.1.4 (d) (“Clearing House Reporting”) and 1.7 (“ForexClear Reporting”), respectively.

The texts of the changes are attached hereto as:

**Appendix I** – FCM Procedures;  
**Appendix II** - Procedures Section 2C; and  
**Appendix III** - Procedures Section 2I.

### **Part III: Core Principle Compliance**

LCH has reviewed the changes against the requirements of the Core Principles and finds that they will continue to comply with all the requirements and standards therein.

### **Part IV: Public Information**

LCH has posted a notice of pending certification 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 or market participants 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 attached rule submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

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

Yours sincerely



Julian Oliver  
Chief Compliance Officer  
LCH Limited

**Appendix I**  
FCM Procedures



---

**FCM PROCEDURES OF THE CLEARING HOUSE**

**LCH LIMITED**

---

and modifications to an FCM SwapClear Contract, to an Approved LCH SDR. A list of Approved LCH SDRs is available on the Clearing House's website. In the event an FCM wishes to report details of FCM SwapClear Contracts to a swap data repository that is not an Approved LCH SDR, the FCM must provide the Clearing House with reasonable prior notice of the date on which it wishes to report to such swap data repository.

FCMs must inform their respective FCM Clients of the list of Approved LCH SDRs, and inform such FCM Clients that the Clearing House is only able to report details of an FCM SwapClear Contract to an Approved LCH SDR.

In accordance with CFTC Part 45 requirements (where the FCM has a reporting obligation), FCMs must provide the Clearing House (i) the USI of the original swap that is submitted to the Clearing House for registration and (ii) the LEI of the original swap SDR (i.e., "OriginalSwapRepository" or equivalent field) to enable the Clearing House to accurately report the termination of the original swap to the appropriate SDR.

(e) *Inflation Swap Data*

Pursuant to, and subject to the terms and conditions of, Regulation 60A of the U.K. General Regulations, certain SwapClear Clearing Members provide Market Data (as such term is defined in the U.K. General Regulations) to the Clearing House and the Clearing House is expressly authorized to use such Market Data to create Derived Data (as such term is defined in the U.K. General Regulations). Pursuant to, and subject to the terms and conditions of, Regulation 60A of the U.K. General Regulations, the Clearing House may disclose or furnish Derived Data to third parties on terms to be determined by the Clearing House in its sole discretion. In the event that the Clearing House provides Derived Data to an FCM Clearing Member, upon such provision, it grants such FCM Clearing Member, and such FCM Clearing Member agrees to be bound by the terms of, a limited, worldwide, non-exclusive, non-transferable, non-sublicensable, revocable license (the "**License**") permitting the FCM Clearing Member to use the Derived Data solely for the purposes of such FCM Clearing Members' internal settlement and risk management activities in relation to Inflation SwapClear Contracts referencing the relevant Index and may only share the Derived Data with:

- (i) an FCM Client for whom the FCM Clearing Member conducts FCM SwapClear Clearing Services in respect of Inflation FCM SwapClear Contracts referencing the relevant Index and/or their third party service providers, provided that the FCM Clearing Member shall procure that such FCM Client and/or its service providers (as applicable) shall only use the Derived

Transactions and FCM ForexClear Contracts are generated at EOD and reports on transferred FCM ForexClear Contracts are made on an ad hoc basis.

(d) *Trade Fixing and Settlement Reports*

Reports are published on each business day detailing the FCM ForexClear Contracts to which the Settlement Rate has been applied on that business day (the “**NDF Fixings**” report), FCM ForexClear Contracts that have been settled during that current business day (the “**Settlements Today**” report) and FCM ForexClear Contracts that will settle the next business day (the “**NDF's Fixed with Settlement Tomorrow**” report).

(e) *Fees Reports*

Reports on trading volumes on a daily and monthly basis are provided to FX FCMs. Monthly reports are provided on the last business day of each month. They include the full trading volumes on which the monthly transaction fees will be charged to those FX FCMs choosing to have tariffs levied per transaction.

(f) *Banking Reports*

[Follow this link for a full list of Banking reports.](#)<sup>3</sup>

(g) *Real-time Reporting*

A near real-time view of member liabilities, Collateral pledged, Margin and credit utilization will be available from the ForexClear Service Portal (referred to in Section 2.2.17).

[In accordance with CFTC Part 45 requirements \(where the FX FCM has a reporting obligation\), FX FCMs must provide the Clearing House \(i\) the USI of the original swap that is submitted to the Clearing House for registration and \(ii\) the LEI of the original swap SDR \(i.e., “OriginalSwapRepository” or equivalent field\) to enable the Clearing House to accurately report the termination of the original swap to the appropriate SDR.](#)

### 2.2.23 *Treasury Operations & Collateral Management*

(a) *Cover Distribution*

The Clearing House nets each FX FCM's Liabilities (i.e., margins and multipliers) and then the total of Cash collateral and non-cash Collateral are applied to offset those net Liabilities. This process is known as cover distribution (“**Cover Distribution**”). FX FCMs can choose whether cash or non-cash Collateral should be applied first. At

<sup>3</sup> [http://www.lchclearnet.com/membership/ltd/training\\_and\\_education/reference\\_guide\\_request\\_form.asp](http://www.lchclearnet.com/membership/ltd/training_and_education/reference_guide_request_form.asp)

**Appendix II**  
Procedures Section 2C



**LCH.CLEARNET LIMITED**

**PROCEDURES SECTION 2C**

**SWAPCLEAR CLEARING SERVICE**

---



- (d) For purposes of reporting obligations to the CFTC, SwapClear Clearing Members may only report details of SwapClear Contracts, including terminations and modifications to a SwapClear Contract, to an Approved LCH SDR. A list of Approved LCH SDRs is available on the Clearing House's website. In the event a SwapClear Clearing Member wishes to report details of SwapClear Contracts to a swap data repository that is not an Approved LCH SDR, the SwapClear Clearing Member must provide the Clearing House with reasonable prior notice of the date on which it wishes to report to such swap data repository.

SwapClear Clearing Members must inform their respective SwapClear Clearing Clients of the list of Approved LCH SDRs, and inform such SwapClear Clearing Clients that the Clearing House is only able to report details of a SwapClear Contract to an Approved LCH SDR.

In accordance with CFTC Part 45 requirements (where the SwapClear Clearing Member has a reporting obligation), SwapClear Clearing Members must provide the Clearing House (i) the USI of the original swap that is submitted to the Clearing House for registration and (ii) the LEI of the original swap SDR (i.e., "OriginalSwapRepository" or equivalent field) to enable the Clearing House to accurately report the termination of the original swap to the appropriate SDR.

## 1.2 Operating Times and Calendars

### 1.2.1 Opening Days

The Clearing House will publish a circular detailing the days on which SwapClear will be open.

### 1.2.2 Opening Hours

Unless notified otherwise, the SwapClear clearing system will be operational during the following hours:

06:00 London Time to 19:00 New York Time<sup>1</sup>

However, SwapClear Clearing Members should note that Necessary Consents in relation to a Notification submitted during a business day shall be accepted by the Clearing House until 19.01 New York time on the following day. The Clearing House will notify SwapClear Clearing Members in the event that the SwapClear clearing system is scheduled for closure for operational or other reasons (including compression runs).

---

<sup>1</sup> The SwapClear clearing system may, in the Clearing House's absolute discretion, be operational beginning 05:00 London Time.

**Appendix III**  
Procedures Section 2I



**LCH.CLEARNET LIMITED**  
**PROCEDURES SECTION 2I**  
**FOREXCLEAR CLEARING SERVICE**

---

- collateral account) (for Collateral in respect of initial margin only) or funds in that FXCCM's "H" house cash account (being a sub-account of the FXCCM's "H" collateral account) (for variation margin/PAI/initial margin); and
- (ii) in respect of the open ForexClear Contracts registered in a particular FXCCM's Client Account, is offset against the relevant non-cash collateral account (being a sub-account of the FXCCM's Client Account) (for Collateral in respect of initial margin only) or funds in the relevant "C" client cash account (being a sub-account of the FXCCM's Client Account) (for variation margin/PAI/initial margin).
- (e) FXCCMs are informed via email of their Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral in their cash and non-cash collateral account(s)) and are directed to the ForexClear Service portal (being a secure website made available to FXCCMs) (the "**ForexClear Service Portal**") which provides reports (at the times specified in Section 1.7.1 (*Margin Liability Reports*)) informing FXCCMs of their (i) total Liabilities under the ForexClear Service; (ii) current total Collateral posted with the Clearing House for the ForexClear Service (including any MCE, if any); and (iii) Liabilities as a percentage of their current total Collateral (such percentage being shown as a percentage of the aggregate Collateral in their cash and non-cash collateral account(s)).
- (f) If following a Margin Run an FXCCM is required to provide additional collateral, this is also indicated by email and via the ForexClear Service Portal. In the case of ITD/Ad-hoc Margin Runs, where an FXCCM's Liabilities exceed its available Collateral and any MCE, then the Clearing House will issue a margin call for the amount of the shortfall plus 50% of the FXCCM's MER Buffer.

## 1.7 **ForexClear Reporting**

For purposes of reporting obligations to the CFTC, FXCCMs may only report details of ForexClear Contracts, including terminations and modifications to a ForexClear Contract, to an Approved LCH SDR. A list of Approved LCH SDRs is available on the Clearing House's website. In the event an FXCCM wishes to report details of ForexClear Contracts to a swap data repository that is not an Approved LCH SDR, the FXCCM must provide the Clearing House with reasonable prior notice of the date on which it wishes to report to such swap data repository.

FXCCMs must inform their respective Clearing Clients of the list of Approved LCH SDRs, and inform such Clearing Clients that the Clearing House is only able to report details of a ForexClear Contract to an Approved LCH SDR.

[In accordance with CFTC Part 45 requirements \(where the FXCCM has a reporting obligation\), FXCCMs must provide the Clearing House \(i\) the USI of the original swap that is submitted to the Clearing House for registration and \(ii\) the LEI of the](#)

[original swap SDR \(i.e., “OriginalSwapRepository” or equivalent field\) to enable the Clearing House to accurately report the termination of the original swap to the appropriate SDR.](#)

The Clearing House produces a suite of treasury reports for members across each of the Clearing House services. Some of these reports are cross-service reports and others are specific to the ForexClear Service, thus an FXCCM will receive reports in respect of ForexClear and may also receive cross-service reports where it is a member of another service. Follow this link to the information available from the LCH.Clearnet website: [Banking Reports](http://www.lchclearnet.com/members-clients/training-education) <http://www.lchclearnet.com/members-clients/training-education>

In respect of the ForexClear Service, on each business day the Clearing House will provide two sets of reports to FXCCMs: (1) Banking Reports; and (2) reports direct from the ForexClear Service (together "**ForexClear Reporting**"). These Procedures reference the ForexClear Service specific reports. Each day's report will remain available for download by FXCCMs from the ForexClear Service Portal for five days.

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligation) shall report to a trade repository or similar body the details of a ForexClear Contract and any modification or termination of such contract without duplication and no later than the working day following the conclusion, modification or termination of such contract, in line with the requirements of Applicable Law.

- 1.7.1 *Margin Liability Reports:* Reports detailing Liabilities are provided to FXCCMs following every scheduled Margin Run in accordance with Section 1.6.2 (*Margin Run Process*) and where additional Collateral has been called by the Clearing House. Additionally, a report, including sensitivities, is provided at ForexClear Contracts level at 22.00 local London time. If the EOD Margin Run has not completed by 22:00 local London time on a particular business day, the report generated at EOD will reflect that certain Liabilities of FXCCMs are not discharged at the relevant time. A report will also be provided detailing an FXCCM's Collateral utilisation level. If an FXCCM's Liabilities exceed its total available Collateral, ForexClear will alert the FXCCM.
- 1.7.2 *Market Data Reports:* Reports detailing Market Data are provided to FXCCMs following every scheduled Margin Run. They include reports of Market Data and Settlement Rate used in the valuation of ForexClear Contracts and reports of Market Data shifts for each historic scenario used in the initial margin requirement calculations.
- 1.7.3 *Trade Reports:* Reports are provided that enable FXCCMs to monitor their firms' trading events and positions in respect of ForexClear. Reports on open ForexClear Contracts and on cancelled ForexClear Transactions and ForexClear Contracts are generated at EOD and reports on transferred ForexClear Contracts are made on an ad hoc basis.