

VIA CFTC PORTAL

30 June 2017

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

LCH Limited Self-Certification: Rule Changes related to Swap Data Reporting Requirements under CFTC Part 45

Dear Mr Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (the "CFTC") Regulation §40.6(a), LCH Limited ("LCH"), a derivatives clearing organization registered with the CFTC, is submitting for self-certification changes to its rules to support LCH's compliance with the revised requirement on Swap Data Reporting Requirements under Part 45.

Part I: Explanation and Analysis

The CFTC is amending the trade reporting requirements under Part 45 requiring DCOs to report the termination of an original swap to the same Swap Data Repository (SDR) that such swap was reported to ahead of being submitted to clearing. As a result, a DCO must have a connection to the same SDRs its Clearing Members and Clients are connected to.

A connection to a new SDR requires time to be established, therefore LCH proposes to change its rules to note that LCH satisfies the CFTC trade reporting requirements only via a SDR that LCH is connected to ("Approved LCH SDR"); where the Clearing Members wish to use a new SDR, they shall give LCH a reasonable notice period. Further, the proposed rules require the Clearing Members to inform their Clients of the list of Approved LCH SDRs and note LCH is only able to satisfy the applicable CFTC trade reporting requirements via such SDRs. The rule changes apply to both the SwapClear and the ForexClear clearing services.

The changes will go live on, or after, July 17, 2017.

Part II: Description of Rule Changes

A new definition of "Approved LCH SDR" has been added to Regulation 1 of both the General Regulations and the FCM Regulations.

Equivalent changes have been made to the procedures applicable to the SwapClear and ForexClear clearing services to note that LCH is able to satisfy the CFTC trade reporting requirements only via an Approved LCH SDR and it requires notice by Clearing Members to connect to a new SDR. The rule changes also place obligations on Clearing Members to ensure their clients are aware of these provisions. The amended sections are as follows:

- Procedures Section 2C (SwapClear Clearing Service), section "Clearing House Reporting" (ref. 1.1.4 (d))
- FCM Procedures, sections "Clearing House Reporting" (ref. 2.1.1 (d)) and "ForexClear Reporting" (ref 2.2.22)
- Procedures Section 2I (ForexClear Clearing Service), section "ForexClear Reporting" (ref. 1.7)

The above procedures note that LCH will publish a list of Approved LCH SDRs on its website. The draft website changes are included in Appendix I. The texts of the other changes are attached hereto as:

- **Appendix II** – General Regulations
- **Appendix III** – FCM Regulations
- **Appendix IV** – Procedures Section 2C
- **Appendix V** – FCM Procedures
- **Appendix VI** – Procedures Section 2I

Part III: Core Principles Compliance

LCH has reviewed the changes to its rules against the Core Principles and finds that these 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 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.

Yours sincerely



Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I
Website changes

Approved LCH Swap Data Repositories

DTCC Data Repository (U.S.) LLC
Bloomberg Swap Data Repository LLC (BSDR LLC)

For purposes of reporting pursuant to CFTC regulations, including those under 17 CFR 45, [SwapClear] [ForexClear] clearing members may only report details of [SwapClear] [ForexClear] transactions to an approved swap data repository, which is set forth [above]. In the event a [SwapClear] [ForexClear] clearing member, or client of a [SwapClear] [ForexClear] clearing member, wishes to report to a swap data repository that is not an approved swap data repository, the [SwapClear] [ForexClear] clearing member must provide reasonable prior notice to LCH to enable LCH to establish connectivity to that swap data repository.

After receiving notice, LCH will work with the non-approved swap data repository to establish and develop the technological and operational processes to enable LCH to report trade details, including terminations and modifications of transactions, to that swap data repository. Please note the process to connect to a non-approved swap data repository will not be immediate, and will require a reasonable period of time. In the event a [SwapClear] [ForexClear] clearing member, or client of a [SwapClear] [ForexClear] clearing member, reports details of a [SwapClear] [ForexClear] transaction to a non-approved swap data repository, or does not transmit all required trade details of a trade to be cleared at LCH, LCH will not be able to appropriately report the termination or modification of transactions submitted to LCH for registration.

Appendix II
General Regulations



**GENERAL REGULATIONS OF
LCH LIMITED**

"Applied Collateral Excess Proceeds"

means, where the Clearing House has sold, disposed of or appropriated all or any part of the non-cash Collateral held by a Clearing Member with the Clearing House in an exercise of its powers under the Deed of Charge entered into with the relevant Clearing Member, the amount (if any) of realisation proceeds from such sale or disposal remaining after the Clearing House has applied the same in or towards discharge of the Clearing Member's obligations to the Clearing House or, in the case of an appropriation, an amount of such non-cash Collateral (or, where the amount in question is less than the minimum denomination of the relevant non-cash Collateral which can be delivered, cash) having a value equal to the excess (if any) of the value of the appropriated non-cash Collateral (as determined by the Clearing House in accordance with the relevant Deed of Charge) over the Clearing Member's obligations to the Clearing House which have been discharged by that appropriation

"Applied FCM Buffer"

has the meaning assigned to it in the FCM Regulations

"approved agent"

means a person appointed by the Clearing House to perform certain functions on its behalf in respect of an ATP

"Approved Broker"

means a person authorised by the Clearing House to participate as a broker in the LCH EnClear service

"Approved Compression Services Provider (ACSP)"

means an entity other than the Clearing House which is approved by the Clearing House for the facilitation of Multilateral Compression in relation to eligible SwapClear Contracts in accordance with Regulation 56 and relevant Compression Documentation.

"Approved EquityClear Settlement Provider ("ASP")"

means the operator of the securities depository and/or securities settlement system prescribed by the Clearing House from time to time for the provision of settlement services in respect of specified EquityClear Contracts

"Approved EquityClear Trading Platform ("ATP")"

means any trading platform approved as such from time to time by the Clearing House in respect of the EquityClear service

"Approved LCH SDR"

means any swap data repository approved by the Clearing House from time to time for the submission of swap data by SwapClear Clearing Members and ForexClear Clearing Members

Appendix III
FCM Regulations



FCM REGULATIONS OF THE CLEARING HOUSE

LCH LIMITED

including the rules, codes or practice of a Governmental Authority or Regulatory Body.

“Approved LCH SDR”

means any swap data repository approved by the Clearing House from time to time for the submission of swap data by FCMs.

“Assumed Allocation”

has the meaning assigned to it in FCM Regulation 15(d)(iii).

“Auction Portfolio”

has the meaning assigned to it in either (i) the Rates Service DMP Annex of the Default Rules or (ii) the ForexClear DMP Annex of the Default Rules, as applicable.

“Authorised Compression Client”

means an FCM Client that is party to relevant Compression Documentation and in respect of which the relevant Compression Clearing Member is authorised to provide and receive instructions (including the acceptance of a Compression Proposal) on behalf of such FCM Client and in respect of which the relevant ACSP notified the Clearing House that such FCM Clearing Member acts for such FCM Client.

“Available FCM Buffer”

means, at any given time, (i) with respect to FCM Buffer held in the FCM Buffer Sub-Account of an FCM Omnibus Swaps Client with LCH that is subject to the Without Client Excess Model, FCM Buffer credited therein that is not Encumbered FCM Buffer (as described in FCM Regulation 15(c)(ii)(A)), and (ii) with respect to FCM Buffer held in the FCM Buffer Sub-Account of an FCM Omnibus Swaps Client with LCH that is subject to the With Client Excess Model, FCM Buffer credited therein that is not being used by the Clearing House to offset Margin deficits in the relevant FCM Client Sub-Accounts (as described in FCM Regulation 15(d)(iv)).

“Backload Registration Cycle”

has the meaning assigned to such term in the FCM Procedures.

“Backloaded Trade”

has the meaning assigned to such term in the FCM Procedures.

“Base Currency”

has the meaning assigned to such term in FCM Regulation 37(d)(ii).

“Block IRS Trade”

means a trade the notional amount of which is at or above the minimum block size established by the CFTC pursuant to CFTC Regulation 43.6 for the interest rate asset class and in effect as of the date of submission of such trade to the Clearing House for registration.

“Business Category of FCM”

means a category of one or more Products which the

Appendix IV
Procedures Section 2C



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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.

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 Time¹

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).

1.2.3 SwapClear Clearing System Calendars

The SwapClear clearing system uses the *SwapsMonitor Financial Calendar* for its processing. This will require all SwapClear Clearing Members to be licensees of the *SwapsMonitor Financial Calendar*. The calendars, as applicable to the SwapClear clearing system, will be available online for inspection and for file download from the SwapClear Clearing Member reporting system (see Section 1.1.3).

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

Appendix V
FCM Procedures



FCM PROCEDURES OF THE CLEARING HOUSE

LCH LIMITED

(b) *Clearing House System Requirements*

An FCM Clearing Member must, in order to submit FCM SwapClear Transactions to the Clearing House, be a user of an FCM Approved Trade Source System.

(c) *SwapClear FCM Clearing Member Reporting*

There are three methods of notification to FCM Clearing Members of FCM SwapClear Contract registrations and other information:

- (i) Report 001;
- (ii) Via the FCM Approved Trade Source System; and
- (iii) Via ClearLink API.

An end-user report generation and analytical capability is provided by the Clearing House to FCM Clearing Members. All FCM SwapClear reports will be disseminated via the Clearing House's secure password access FCM Clearing Member-only website. These reports are the definitive record as to registration by the Clearing House.

The Clearing House is not liable for any corruption or alteration of messages or loss of data which may take place within any FCM Approved Trade Source System.

FCM Clearing Members will be able to customize and produce reports either to print locally or to download in machine-readable data-file format. Queries about the FCM Clearing Member-only website should be directed to the Clearing House's Service Desk at +44 (0)20 7426 7200.

(d) *Clearing House Reporting*

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligations) shall, to the extent required by (and in line with the requirements of) Applicable Law (including Parts 43 and 45 of the CFTC Regulations, and applicable requirements under English law), report to one or more data or trade repositories (including swap data repositories) or similar body the details of all FCM SwapClear Transactions and FCM SwapClear Contracts, including any modifications or terminations without duplication and no later than the working day following the conclusion, modification or termination of such contract. In order to avoid any such duplication of reports, each FCM Clearing Member acknowledges and agrees that it will not report the details referred to in this paragraph to the bodies referred to in this paragraph, unless otherwise agreed with the Clearing House.

[For purposes of reporting obligations to the CFTC, FCMs may only report details of FCM SwapClear Contracts, including terminations](#)

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.

(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 Data for the purposes of the FCM Client’s internal risk management and settlement activities in respect of Inflation FCM SwapClear Contracts which the FCM Clearing Member clears or intends to clear on the FCM Client’s behalf in respect of the relevant Index and may not further disclose the Derived Data to any other person or use the Derived Data for any other purpose;

portfolio transfer. An FCM Clearing Member who wishes to effect a position transfer to another FCM Clearing Member should contact the Clearing House's Risk Management Department. Transfers will only be effected once adequate cover has been provided by both parties to the transfer.

2.2.21 *FCM Clearing Member's Client Fund Transfer*

The FCM ForexClear Clearing System provides functionality for the transfer of FCM ForexClear Contract whereby an FCM Client has incorrectly booked the FCM ForexClear Contract to a fund, and wishes to re-locate the FCM ForexClear Contract to an alternative fund within the accounts of the same FCM Clearing Member.

Transfers can only occur based upon the below rules:

- (a) A valid request has been received by the Clearing House from the applicable FCM Clearing Member on behalf of the FCM Client, as per [Schedule 2.2B](#)~~Schedule 2.2B~~.
- (b) The FCM ForexClear Contract is registered by the Clearing House, and sufficient Margin has been furnished to cover the FCM ForexClear Contract.
- (c) Transfers are only handled within the accounts of a single FCM Clearing Member (i.e., not a transfer between two FCM Clearing Members).

Transfer requests received by ForexClear Operations prior to 15:00 London time will be managed and included in the 18:00 London time margin run. The transfer of the FCM ForexClear Contract will occur **provided that** sufficient Margin is held for the FCM Clearing Member.

2.2.22 *ForexClear Reporting*

For purposes of reporting obligations to the CFTC, FXCCMs may only report details of FCM ForexClear Contracts, including terminations and modifications to an FCM 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 FCM 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 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 ForexClear Contract to an Approved LCH 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

Appendix VI
Procedures Section 2I



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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.](#)

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