

VIA CFTC PORTAL

17 August 2021

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

LCH Limited Self-Certification: Business Continuity Procedures Annual Review

Dear Mr. Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (“CFTC”) Regulation §40.6(a), LCH Limited (“LCH”), a derivatives clearing organization registered with the CFTC, is submitting for self-certification revisions to the LCH Business Continuity Procedures.

Part I: Explanation and Analysis

On an annual basis, LCH reviews its Rulebook procedures for any required updates and enhancements. As a result of a recent review, LCH is submitting for self-certification clarifications to its Business Continuity Procedures. These revisions are in Section 6 (Business Continuity) of the LCH Procedures (“Procedures”) and the Section 5 (Business Continuity) of the LCH FCM Procedures (“FCM Procedures”). The changes are not meant to alter the way LCH operates, but rather clarify and streamline the description of LCH’s approach to business continuity.

Part II: Description of Rule Changes

The following is a summary of the revisions to be made to the Procedures and FCM Procedures. LCH does not believe any of these changes have a material impact on its operations or business continuity capabilities.

Procedures

- Update “Help Desk” to “Service Desk” and revise phone number for after-hours inquiries (Section 1.2)
- Removal of Member Information toll free line as a mode of communication in favor of Clearing House messaging and updates to lch.com (Section 1.3.1). Correspondingly, specific messages that would have been recorded on the Member Information toll free line are also removed (Sections 1.3.1, 1.3.2, and 1.3.9)
- Clarification that the methods of recovery include: use of dedicated work area recovery facilities, regional handovers and remote access capabilities for all staff (Section 1.3.2)

- Clarification that LCH's data centers are geographically distinct (Section 1.3.2), and removal of the correspondingly redundant reference to a tertiary data center (Section 1.4)
- Removal of reference to the acceptance/release of guarantees as LCH no longer accepts guarantees in respect of a member's obligations to LCH (Section 1.3.5)
- Non-substantive changes to formatting and defined terms; redundant wording has been deleted

FCM Procedures

- Update "Help Desk" to "Service Desk" and revise phone number for after-hours inquiries (Section 5.2)
- Removal of Member Information toll free line as a mode of communication in favor of Clearing House messaging and updates to lch.com (Section 5.3.1). Correspondingly, specific messages that would have been recorded on the Member Information toll free line are also removed (Sections 5.3.2, 5.3.4 and 5.3.10)
- Clarification that the methods of recovery include: use of dedicated work area recovery facilities, regional handovers and remote access capabilities for all staff (Section 5.3.2)
- Clarification that LCH's data centers are geographically distinct (Section 5.3.2), and removal of the correspondingly redundant reference to a tertiary data center (Section 5.4)
- Removal of reference to the acceptance/release of guarantees as LCH no longer accepts guarantees in respect of a member's obligations to LCH (Section 5.3.4)
- Non-substantive changes to formatting; redundant wording has been deleted

The changes to the rules are included as **Appendices I and II** in black line form. The changes will be effective not earlier than September 1, 2021.

Part III: Core Principle Compliance

LCH reviewed the proposed rule changes against the requirements of the Core Principles and finds it will continue to comply with all the requirements and standards set forth therein. Specifically, this rule change has potential relevance to Core Principle D (Risk Management) and Core Principle I (System Safeguards).

The changes described in this filing ensure that LCH meets the objectives of Core Principle D, including that LCH possess the ability to manage the risks associated with discharging its responsibilities through the use of appropriate tools and procedures. LCH considered its risk management requirements, specifically those related to business continuity planning, and determined that the changes discussed in this filing will not impact LCH's compliance with Core Principle D. Furthermore, LCH believes the proposed changes represent LCH's business continuity practices with greater clarity and accuracy. As a result, LCH believes these changes are consistent with the requirements of Core Principle D on Risk Management under CFTC regulation §39.13.

Additionally, the changes described in this filing ensure that LCH meets the objectives of Core Principle I, including that LCH maintain a program of risk analysis and oversight with respect to its operations that identifies and minimizes sources of operational risk through business continuity and disaster recovery planning and resources. LCH considered its system safeguards requirements, specifically those related to business continuity planning, and determined that the changes discussed in this filing will not impact LCH's compliance with Core Principle I. Furthermore, LCH believes the annual review of the business continuity procedures included in its Rulebook assures accuracy and supports LCH's maintenance of a comprehensive program of operational risk analysis and oversight. As a result, LCH believes that these changes are consistent with the requirements of Core Principle I on System Safeguards under CFTC regulation §39.18.

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: <https://www.lch.com/resources/rulebooks/proposed-rule-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.

Certification

LCH hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in CFTC Regulation § 40.6, that the attached submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Should you have any questions please contact me at julian.oliver@lch.com.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Julian Oliver", is enclosed in a light blue rectangular box.

Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I
Procedures Section 6 (Business Continuity)



LCH LIMITED
PROCEDURES SECTION 6
BUSINESS CONTINUITY

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1. BUSINESS CONTINUITY

1.1 Recovery Situations

~~The Procedures set out in this Section are intended to provide Clearing Members with a guide to the changes in working practices which would follow the invocation of the Clearing House's business continuity or disaster recovery plans ("Business Continuity Plans").~~

~~Due to the uncertain nature of the events which would lead to the need for business recovery the Clearing House reserves the right to depart from these Procedures to meet the characteristics of specific business recovery situations.~~

These Procedures are intended to provide Clearing Members with a guide to the changes in working practices which would follow the invocation of the Clearing House's business continuity or disaster recovery plans ("**Business Continuity Plans**").

Due to the uncertain nature of the events which would lead to the need for business recovery, the Clearing House reserves the right to depart from these Procedures to meet the characteristics of specific business recovery situations.

These Procedures provide for the evacuation or decommissioning of its principal office. ~~The Procedures, and~~ detail the alterations to the Clearing House's operations and ~~also~~ the action to be taken on invocation of the Business Continuity ~~(BC)~~ Plans.

1.2 Recovery Situations affecting Members' Ability to Perform Clearing Activities

1.2.1 *During Office Hours:* Clearing Members that are unable to perform clearing activities and as a result require the Clearing House's assistance should contact their usual contact at the Clearing House or the HelpService Desk on +44 (0)20 7426 7200.

1.2.2 *Outside Office Hours:* Clearing Members that are unable to perform clearing activities and as a result require the Clearing House's assistance should telephone the Clearing HouseService Desk on +44 (0)20 7426 ~~7545,7200~~ leaving the following information:

Name:

Company Name:

Contact Telephone Number:

Brief Details of the Nature of the Problem:

A member of the Clearing House ~~operational~~ staff will then make contact regarding any assistance that can be given.

1.3 Principal Office Evacuation

1.3.1 *Communicating with Clearing Members*:- Should the Clearing House be forced to evacuate its principal office it will need to inform its Clearing Members as soon as practicable. ~~The following Sections detail a number of different messages that the Clearing House may wish to communicate. However, in all cases the means by which information will be disseminated is the same. Information will be communicated a number of different messages to its Clearing Members by the following and may use either or both of these methods of communication:~~

- ~~□ posting messages on the Member Information Line toll free number 0800 1 69 69 09 (primary method);~~
- ~~□ via Clearing House messaging, where applicable; and~~
- ~~□ posting messages on www.lch.com.~~

~~Some of the above communication methods can only be used to disseminate very short messages. However the toll free number is capable of recording a message of up to ten minutes duration, and handling unlimited concurrent connections. It is therefore likely to be the main method used for providing Clearing Members with progress reports following an initial broadcast message.~~

~~1.3.2 1.3.2 *Invocation of Business Continuity Plans*:- The Clearing House is contracted with specialist providers for dedicated and syndicated work area recovery facilities. The agreement between the Clearing House and the providers stipulates that dedicated work area recovery positions will be available immediately.~~

~~Depending on the severity of an incident, a full or partial invocation of the service Business Continuity Plans may be required. Recovery options available include the use of dedicated work area recovery facilities, regional handovers and remote access capabilities for all staff.~~

~~In the event of a metropolitan incident, critical clearing services will be handed over to another region in order to meet regulatory deadlines.~~

~~*Limited Invocation*:- If the Clearing House's assessment of the incident suggests that reoccupation of its principal office will be possible within two hours, then it is likely that only the mission critical activities ("**MCA**") will be recovered to the recovery site. All other activities will cease until its principal office becomes available, as determined by the Clearing House, will be recovered at a recovery site. In the event of a metropolitan incident, critical clearing services may be handed over to another region in order to seek to ensure continuity of business (including meeting regulatory deadlines).~~

~~The following message will be posted in accordance with paragraph 1.3.1:~~

~~"The Clearing House has invoked Business Continuity Plans for its MCA's. Please refer to the Clearing House's Procedures – Business Continuity for further information."~~

~~Additional messages may be provided to Clearing Members of particular Services.~~

- ~~1.3.3 **Full Invocation:** Once If a decision has been taken to proceed with full invocation of BCBusiness Continuity Plans, Clearing Members will be informed at the earliest opportunity. This will be achieved by disseminating the following message using the methods described in Section 1.3.1 (Communicating with Clearing Members) above.~~

~~"The Clearing House has invoked all Business Continuity Plans. Please refer to the Clearing House's Procedures – Business Continuity for further information."~~

Additional messages may be provided to Clearing Members of particular Services.

It is anticipated that a maximum period of two hours will elapse between the invocation of full BCBusiness Continuity Plans and the relocation of recovery teams. During this time ~~all of~~, the activities normally carried out at ~~its~~the Clearing House's principal office will cease.

~~Please note that the Clearing House's primary data centre is not located at its principal office and so an evacuation of the principal office will not affect Clearing Members' ability to access IT applications. If the two main data centres are impacted by an incident, a failover will occur to the third (recovery) data centre.~~

The Clearing House operates data centres that are geographically distinct and that are not located at its principal office, which means that an evacuation of the principal office will not affect Clearing Members' ability to access IT applications.

- 1.3.3 **Delivery Deadlines:** If the incident occurs close to delivery deadline(s), Clearing Members will, on a reasonable ~~endeavours~~endeavours' basis, be notified as appropriate through available reporting channels, of any amendment to the delivery procedures.

- 1.3.4 **Imminent Expiry of Options**

~~Clearing Members are reminded that the responsibility for exercising options prior to their expiry deadline lies solely with them and that any assistance given by the Clearing House is purely on a 'reasonable endeavours' basis. If an evacuation of its principal office coincides with an option expiry, this assistance may cease.~~

~~The responsibility for exercising options before their expiry deadline lies solely with Clearing Members and any assistance given by the Clearing House is on a reasonable endeavours' basis only. If an evacuation of its principal office coincides with, or is soon before, an option expiry, this assistance may cease.~~

If the Clearing House's invocation of ~~BC~~Business Continuity Plans coincides with an option expiry, the notification of Clearing Members' option allocations and the deadline for the entry of option exercises may be delayed.

1.3.5 *Collateral*: In order to simplify the Treasury process, it is likely that a number of routine Treasury ~~Procedures~~procedures may be amended or suspended. The Clearing House will advise Clearing Members of these changes through available reporting channels, as necessary. These may include but are not limited to:

- ~~□~~ the acceptance/release of securities ~~and guarantees;~~
- ~~□~~ the conversion of currencies; and
- ~~□~~ the ability to cover liabilities using Collateral denominated in other currencies.

1.3.6 *Registration of Contracts*: ~~The Clearing House will register new business in accordance with the relevant Procedures.~~ However, the Clearing House reserves the right, at its discretion, to amend the timing of registration as it deems necessary in accordance with the ~~BC~~Business Continuity Plans. ~~In the event that~~If registration is to be delayed, the Clearing House will notify Clearing Members as soon as practically possible.

1.3.7 *New Address for Document Delivery*: ~~Following invocation of the Business Continuity Plans,~~ the Clearing House will provide new address details for document delivery. The Clearing House will arrange to have its mail forwarded to its office recovery site.

1.3.8 *Permanent Change of Address*: ~~The Clearing House is able to occupy the recovery site for a maximum of 90 consecutive days. If the incident is so serious that the Clearing House is unable to reoccupy its principal office within this time period, Clearing Members will be informed of the proposed new office location and contact numbers prior to~~before occupation of the premises.~~- This information will be communicated via the methods described in Section 1.3.1 (Communicating with Clearing Members) above.~~

Clearing Members will be informed of the date when the new arrangements will take effect.

~~1.3.9 *Return to Normal*: When the Clearing House is able to resume a normal service a message will be disseminated using the methods described in Section 1.3.1 (Communicating with Clearing Members) above. Assuming that it has been possible to return to its principal office the following message will be broadcast.~~

~~"The Clearing House has returned to its principal office. Please revert to normal contact telephone numbers and procedures."~~

~~If normal working is being resumed at a site other than its principal office Clearing Members will already have been informed of the new office location and contact numbers (see Section 1.3.10 (Permanent Change of Address) above). The following message will be broadcast:~~

~~"The Clearing House is resuming normal service at <insert location name>. Please use the new contact numbers previously supplied."~~

~~Additional messages may be provided to Clearing Members of particular Services.~~

1.4 Clearing House Data ~~Centre~~Centres

~~**Failure of LCH's Data Centre:** If the Clearing House's primary data centre fails during business hours, those Clearing House IT systems that are used by Clearing Members will be temporarily unavailable while processing is transferred to the secondary data centre.~~

~~1.4.1 **Failure of LCH's Secondary Data Centre:** If following a failure of the primary data centre, the Clearing House's secondary data centre fails during business hours, those Clearing House IT systems that are used by Clearing Members will be temporarily unavailable while processing is transferred to the tertiary data centre.~~

1.5 Compliance with Business Continuity Testing

Clearing Members are required to participate in the Clearing House's ~~BC Planning~~business continuity planning coordination and testing programs. The Clearing House will notify Clearing Members when it intends to carry out any such test via a member circular and via a posting on www.lch.com, at least 90 days in advance. The Clearing House will, ~~prior to~~before the date of any such test, provide Clearing Members with further details of the steps that will be required under the relevant program.

Appendix II
FCM Procedures Section 5 (Business Continuity)



FCM PROCEDURES OF THE CLEARING HOUSE

LCH LIMITED

5. BUSINESS CONTINUITY

5.1 Recovery situations

~~The FCM Procedures set out in this Section are intended to provide FCM Clearing Members with a guide to the changes in working practices which would follow the invocation of the Clearing House's business continuity or disaster recovery plans ("**Business Continuity Plans**").~~

~~Due to the uncertain nature of the events which would lead to the need for business recovery the Clearing House reserves the right to depart from these FCM Procedures to meet the characteristics of specific business recovery situations.~~

These FCM Procedures are intended to provide FCM Clearing Members with a guide to the changes in working practices which would follow the invocation of the Clearing House's business continuity or disaster recovery plans ("**Business Continuity Plans**").

Due to the uncertain nature of the events which would lead to the need for business recovery, the Clearing House reserves the right to depart from these FCM Procedures to meet the characteristics of specific business recovery situations.

These FCM Procedures provide for the evacuation or decommissioning of its principal office and. ~~The FCM Procedures~~ detail the alterations to the Clearing House's operations and also the action to be taken on invocation of the Business Continuity Plans.

5.2 Recovery situations affecting FCM Members' Ability to Perform Clearing Activities

5.2.1 *During office hours*

FCM Clearing Members that are unable to gain access to perform clearing activities and as a result require the Clearing House assistance should contact their usual contact as the Clearing House or the Help Service Desk on +44 (0)20 7426 7200.

5.2.2 *Outside office hours*

FCM Clearing Members that are unable to perform clearing activities and as a result require the Clearing House's assistance should telephone the Clearing

~~House-Service Desk~~ on +44 (0)20 7426 7545200, leaving the following information:

Name:
Company Name:
Contact Telephone Number:
Brief Details of the Nature of the Problem:

A member of the Clearing House ~~operational~~ staff will then make contact regarding any assistance that can be given.

5.3 Principal Office evacuation

5.3.1 *Communicating with FCM Clearing Members*

Should the Clearing House be forced to evacuate its principal office it will need to inform its FCM Clearing Members as soon as practicable. ~~The following Sections detail a number of different messages that the~~ Clearing House may wish to communicate a number of different messages. ~~However, in all cases the means by which information will be disseminated is the same. Information will be communicated to its~~ FCM Clearing Members and may use either or both of these ~~by the following methods~~ of communication:

~~(a) posting messages on the Member Information Line toll free number 0800 1 69 69 09 (primary method);~~

~~(b)~~(a) via Clearing House messaging, where applicable; and

~~(e)~~(b) posting messages on www.lch.com.

~~Some of the above communication methods can only be used to disseminate very short messages. However the toll free number is capable of recording a message of up to ten minutes duration, and handling unlimited concurrent connections. It is therefore likely to be the main method used for providing FCM Clearing Members with progress reports following an initial broadcast message.~~

5.3.2 *Invoking of Business Continuity Plans*

~~The Clearing House is contracted with specialist providers for dedicated and syndicated work area recovery facilities. The agreement between the Clearing House and the providers stipulates that dedicated work area recovery positions will be available immediately.~~

Depending on the severity of an incident, a full or partial invocation of Business Continuity Plans ~~the service~~ may be required. Recovery options available include the use of dedicated work area recovery facilities, regional handovers and remote access capabilities for all staff.

~~In the event of a metropolitan incident, critical clearing services will be handed over to another region in order to meet regulatory deadlines.~~

~~5.3.3—**Limited invocation**~~

~~If the Clearing House's assessment of the incident suggests that reoccupation of its principal office will be possible within two hours, then it is likely that only the mission critical activities, as determined by the Clearing House, will be recovered at a recovery site. In the event of a metropolitan incident, critical clearing services may be handed over to another region in order to seek to ensure continuity of business (including meeting regulatory deadlines)(MCA) will be recovered to the recovery site. All other activities will cease until its principal office becomes available.~~

~~The following message will be posted in accordance with section 5.3.1:~~

~~"The Clearing House has invoked Business Continuity Plans for its MCA's. Please refer to the Clearing House's Procedures—Business Continuity for further information."~~

~~Additional messages may be provided to FCM Clearing Members of particular FCM Clearing Services.~~

~~5.3.4—**Full invocation**~~

~~If Once a decision has been taken to proceed with full invocation of Business Continuity Plans, FCM Clearing Members will be informed at the earliest opportunity. This will be achieved by disseminating the following message using the methods described in Section 5.3.1 (Communicating with FCM Clearing Members) above.~~

~~"The Clearing House has invoked all Business Continuity Plans. Please refer to the Clearing House's Procedures—Business Continuity for further information."~~

~~Additional messages may be provided to FCM Clearing Members of particular FCM Clearing Services.~~

~~It is anticipated that a maximum period of two hours will elapse between the invocation of full Business Continuity Plans and the relocation of recovery teams. During this time, most of the activities normally carried out at its the Clearing House's principal office will cease.~~

~~The Clearing House operates data centres that are geographically distinct and that are not located at its principal office, which means that an evacuation of the principal office will not affect Clearing Members' ability to access IT applications.~~

~~Please note that the Clearing House's primary data center is not located at its principal office and so an evacuation of the site will not affect FCM Clearing Members' ability to access IT applications. If the two main data centres are impacted by an incident, a failover will occur to the third (recovery) data centre.~~

5.3.3 *Imminent expiry of options*

~~The responsibility for exercising options before their expiry deadline lies solely with FCM Clearing Members and any assistance given by the Clearing House is on a reasonable endeavours' basis only. If an evacuation of its principal office coincides with, or is soon before, an option expiry, this assistance may cease.~~

~~5.3.5~~

~~Clearing Members are reminded that the responsibility for exercising options prior to their expiry deadline lies solely with them and that any assistance given by the Clearing House is purely on a 'reasonable efforts' basis. If an evacuation of its principal office coincides with an option expiry, this assistance may cease.~~

If the Clearing House's invocation of Business Continuity Plans coincides with an option expiry, the notification of FCM Clearing Members' option allocations and the deadline for the entry of option exercises may be delayed.

5.3.65.3.4 *Arrangements for cover*

In order to simplify the Treasury process, it is likely that a number of routine Treasury pProcedures may be amended or suspended. The Clearing House will advise FCM Clearing Members of these changes through available reporting channels, as necessary. These may include but are not limited to:

- (a) the acceptance/release of securities ~~and guarantees~~;
- (b) the conversion of currencies; and
- (c) the ability to cover liabilities using collateral denominated in other currencies.

5.3.75.3.5 *Registration of Contracts*

The Clearing House will register new business in accordance with the relevant FCM Procedures. ~~However, the Clearing House reserves the right, at its discretion, to amend the timing of registration as it deems necessary in accordance with the Business Continuity Plans. If n the event that registration is to be delayed,~~ the Clearing House will notify FCM Clearing Members as soon as practically possible.

5.3.85.3.6 *New address for document delivery*

Following invocation of the Business Continuity Plans, the Clearing House will provide new address details for document delivery. The Clearing House will arrange to have its mail forwarded to its office recovery site.

5.3.95.3.7 *Permanent change of address*

The Clearing House is able to occupy the recovery site for a maximum of 180 consecutive days. If the incident is so serious that the Clearing House is unable

to reoccupy its principal office, within this time period, FCM Clearing Members will be informed of the proposed new office location and contact numbers ~~prior to~~ before occupation of the premises. This information will be communicated via the methods described in Section 5.3.1 (Communicating with FCM Clearing Members) above.

FCM Clearing Members will be informed of the date when the new arrangements will take effect.

~~5.3.10~~ ***Return to normal***

~~When the Clearing House is able to resume a normal service a message will be disseminated using the methods described in Section 5.3.1 (Communicating with FCM Clearing Members) above. Assuming that it has been possible to return to its principal office the following message will be broadcast:~~

~~"The Clearing House has returned to its principal office. Please revert to normal contact telephone numbers and procedures."~~

~~If normal working is being resumed at a site other than its principal office FCM Clearing Members will already have been informed of the new office location and contact numbers (see Section 5.3.8 (New address for document delivery) above). The following message will be broadcast:~~

~~"The Clearing House is resuming normal service at <insert location name>. Please use the new contact numbers previously supplied."~~

~~Additional messages may be provided to FCM Clearing Members of particular FCM Clearing Services.~~

5.4 Clearing House data centers

~~5.4.1~~ ***Failure of LCH's data center***

If the Clearing House's primary data center fails during business hours, those Clearing House IT systems that are used by FCM Clearing Members will be temporarily unavailable while processing is transferred to the secondary data center.

~~5.4.2~~ ***Failure of LCH's secondary data center***

~~If following a failure of the primary data center, the Clearing House's secondary data center fails during business hours, those Clearing House IT systems that are used by the FCM Clearing Members will be temporarily unavailable while processing is transferred to the tertiary data center.~~

5.5 Compliance with Business Continuity Testing

FCM Clearing Members are required to participate in the Clearing House's ~~b~~ Business ~~c~~ Continuity ~~p~~ Planning (~~BCP~~) coordination and testing programs, as required by CFTC Regulation 39.18. The Clearing House will notify FCM Clearing Members when it intends to carry out any such test via an FCM Clearing Member circular and via a posting on www.lch.com at least 90 days in advance. The Clearing House will, ~~prior~~

| ~~to~~before the date of any such test, provide FCM Clearing Members with further details of the steps that will be required under the relevant program.