

VIA CFTC PORTAL

6 September 2019

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

LCH Limited Self-Certification: SwapClear block trade allocations

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 related to the process for block trade allocations.

Part I: Explanation and Analysis

Allocations allows Users to allocate the notional of a block trade into individual funds. LCH’s rulebook outlines a number of ways Members and Clients can notify LCH of their allocations. SwapClear allows Clients to use the SwapClear Portal as a way of submitting the allocations. The rulebook has been updated to reflect this.

The rule changes will go live on, or after, 20 September 2019.

Part II: Description of Rule Changes

Regulation 56 (u)(iii) of the General Regulation and Regulation 46 (p)(iii) of the FCM Regulations has been updated to give the option of clearing clients to provide the allocation notice to LCH via the SwapClear Portal.

The texts of the rule changes are attached hereto as:

- i. **Appendix I**, General Regulations
- ii. **Appendix II**, FCM Regulations

Part III: Core Principle Compliance

LCH reviewed the changes against the requirements of the Core Principles and found it 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 changes.

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.

Yours sincerely



Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I
General Regulations



**GENERAL REGULATIONS OF
LCH LIMITED**

- (u) **Unallocated SCM SwapClear Transactions.** In accordance with all other applicable provisions of the Rulebook, a SwapClear Clearing Member may register a SwapClear Contract subject to post-registration allocation on behalf of a Pre-Allocation Executing Party in accordance with the following provisions:
- (i) In order for a SwapClear Transaction executed by a Pre-Allocation Executing Party to be subject to post-registration allocation (such transaction, an “**Unallocated SCM SwapClear Transaction**”), the SwapClear Clearing Member that will be registering the Unallocated SCM SwapClear Transaction (such SwapClear Clearing Member, a “**Pre-Allocation SwapClear Clearing Member**”) must have notified the Clearing House that it wishes to establish an SCM SwapClear Suspension Sub-Account with respect to that Pre-Allocation Executing Party and the Clearing House shall have opened such SCM SwapClear Suspension Sub-Account for the SwapClear Clearing Member.
 - (ii) The SwapClear Contract registered on behalf of a Pre-Allocation Executing Party that results from an Unallocated SCM SwapClear Transaction (an “**Unallocated SCM SwapClear Contract**”) shall be registered in the SCM SwapClear Suspension Sub-Account. The beneficial owner of the Unallocated SCM SwapClear Contract shall be the unidentified SwapClear Clearing Client on whose behalf the Unallocated SCM SwapClear Transaction was executed.
 - (iii) In order to allocate an Unallocated SCM SwapClear Transaction, a Pre-Allocation Executing Party or Pre-Allocation SwapClear Clearing Member must provide the Clearing House with one or more Allocation Notices. Each Allocation Notice shall be delivered to the Clearing House via an Approved Trade Source System, the SwapClear API or such other means as notified by the Clearing House. Clearing Members agree that Clearing Clients (including FCM Clients) may provide Allocation Notices to the Clearing House on their behalf via the SwapClear Portal. Where the foregoing delivery methods are unavailable, or in such other circumstances that the Clearing House deems appropriate, the Pre-Allocation Executing Party or Pre-Allocation SwapClear Clearing Member as the case may be may provide the Allocation Notice in the form of a direct written request, subject that the processing of an Allocation Notice received as a direct written request may take the Clearing House up to five (5) Business Days.
 - (iv) Where an Allocation Notice: (i) contains instructions that would result in the allocation of a notional value that is greater than the notional value of the Unallocated SCM SwapClear Contract to which such Allocation Notice relates; or (ii) does not relate to an Unallocated SCM SwapClear Contract; or (iii) seeks to allocate part of all of an Unallocated SCM SwapClear Contract to a Proprietary Account of a SwapClear Clearing Member other than the Pre-Allocation SwapClear Clearing Member, then such Allocation Notice shall be ineligible and shall be rejected by the Clearing House. For the avoidance of doubt, the Post-Allocation Clearing Member(s) need not be the same as the Pre-Allocation SwapClear Clearing Member. Unless or until the Clearing House receives an eligible Allocation Notice, the Unallocated SCM SwapClear Contract shall remain in the Pre-Allocation SwapClear Clearing Member’s SCM SwapClear Suspension Sub-Account and subject to the rules of the Clearing House.

Appendix II
FCM Regulations



FCM REGULATIONS OF THE CLEARING HOUSE

LCH LIMITED

FCM Regulations

- (xvi) An ACSP's liability in respect of its acts or omissions is subject to the relevant terms of the applicable Compression Documentation.
- (xvii) Any notification or communication required in connection with a Multilateral Compression Cycle shall be made in accordance with the Compression Documentation or, if not specified in the Compression Documentation, the FCM Procedures or such other guidance as the Clearing House may provide from time to time.
- (xviii) Notwithstanding any other provision of these Regulations or the terms of the FCM SwapClear Contracts, the Clearing House may disclose details of any Compression Proposal and related details of Compression Clearing Members and Authorised Compression Clients to any ACSP or otherwise as the Clearing House considers appropriate in order to facilitate a Multilateral Compression Cycle.
- (xix) Where an FCM Clearing Member is a Rejecting Compression Clearing Member with respect to a Multilateral Compression Cycle on behalf of one or more of its Authorised Compression Clients, the Clearing House may, in its sole discretion, prevent such FCM Clearing Member from participating in future Multilateral Compression Cycles with respect to its FCM Client Sub-Account unless or until the Clearing House considers such FCM Client Sub-Account operationally capable of doing so, in its sole discretion.
- (o) **SwapClear Accounts.** All FCM Omnibus SwapClear Client Accounts with LCH shall not be permitted to contain any FCM Contracts other than FCM SwapClear Contracts or to reflect any Margin other than in connection with FCM SwapClear Contracts.
- (p) **Unallocated FCM SwapClear Transactions.** In accordance with all other applicable provisions of the FCM Rulebook, an FCM Clearing Member may register an FCM SwapClear Contract subject to post-registration allocation on behalf of a Pre-Allocation Executing Party in accordance with the following provisions:
 - (i) In order for a FCM SwapClear Transaction executed by a Pre-Allocation Executing Party and to be subject to post-registration allocation (such transaction, an "**Unallocated FCM SwapClear Transaction**"), the FCM Clearing Member that will be registering the Unallocated FCM SwapClear Transaction (such FCM Clearing Member, a "**Pre-Allocation FCM Clearing Member**") must have notified the Clearing House that it wishes to establish a FCM SwapClear Suspension Sub-Account with respect to that Pre-Allocation Executing Party and the Clearing House shall have opened such FCM SwapClear Suspension Sub-Account for the FCM Clearing Member.
 - (ii) The FCM SwapClear Contract registered on behalf of a Pre-Allocation Executing Party that results from an Unallocated FCM SwapClear Transaction (an "**Unallocated FCM SwapClear Contract**") shall be registered in the FCM SwapClear Suspension Sub-Account. The beneficial owner of the Unallocated FCM SwapClear Contract shall be the unidentified FCM Client on whose behalf the Unallocated FCM SwapClear Transaction was executed.

- (iii) In order to allocate an Unallocated FCM SwapClear Transaction, a Pre-Allocation Executing Party or Pre-Allocation FCM Clearing Member must provide the Clearing House with one or more Allocation Notices. Each Allocation Notice shall be delivered to the Clearing House via an FCM Approved Trade Source System, the SwapClear API or such other means as notified by the Clearing House. FCM Clearing Members agree that FCM Clients may provide Allocation Notices to the Clearing House on their behalf via the SwapClear Portal. Where the foregoing delivery methods are unavailable, or in such other circumstances that the Clearing House deems appropriate, the Pre-Allocation Executing Party or Pre-Allocation FCM Clearing Member as the case may be may provide the Allocation Notice in the form of a direct written request, subject that the processing of an Allocation Notice received as a direct written request may take the Clearing House up to five (5) Business Days.
- (iv) Where an Allocation Notice: (i) contains instructions that would result in the allocation of a notional value that is greater than the notional value of the Unallocated FCM SwapClear Contract to which such Allocation Notice relates; or (ii) does not relate to an Unallocated FCM SwapClear Contract; or (iii) seeks to allocate part of all of an Unallocated FCM SwapClear Contract to a Proprietary Account of a SwapClear Clearing Member other than the Pre-Allocation FCM SwapClear Clearing Member, then such Allocation Notice shall be ineligible and shall be rejected by the Clearing House. For the avoidance of doubt, the Post-Allocation Clearing Member(s) need not be the same as the Pre-Allocation FCM Clearing Member. Unless or until the Clearing House receives an eligible Allocation Notice, the Unallocated FCM SwapClear Contract shall remain in the Pre-Allocation FCM Clearing Member's FCM SwapClear Suspension Sub-Account and subject to the rules of the Clearing House.
- (v) Following receipt of an eligible Allocation Notice, the Clearing House shall (following acceptance from the relevant Post-Allocation Clearing Member(s) and the Pre-Allocation FCM Clearing Member, in the same manner as a new FCM SwapClear Transaction is accepted in accordance with the FCM Procedures):
 - (A) close out the outstanding Unallocated FCM SwapClear Contract and simultaneously register two or more (as applicable) FCM SwapClear Contracts to the same FCM SwapClear Suspension Sub-Account, and these newly registered FCM SwapClear Contracts shall have the same Economic Terms as the Unallocated FCM SwapClear Contract except that they shall have lower notional values corresponding to the allocation instructions provided in the Allocation Notice (which notional values shall, in the aggregate, equal the notional value of the Unallocated FCM SwapClear Contract) – for the purpose of the foregoing, if the Allocation Notice has not allocated the full notional value of the Unallocated FCM SwapClear Contract, one of the FCM SwapClear Contracts so registered by the Clearing House shall be a new Unallocated FCM SwapClear Contract with a notional value equal to that portion of the Unallocated FCM SwapClear Contract that has not been allocated; and