

VIA CFTC PORTAL

Mr. Christopher Kirkpatrick
Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington, DC 20581

8 January 2020

LCH Limited Self-Certification: Open Access

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 make clear that LCH has a commitment to treat trade venues and approved trade source systems on an open and non-discriminatory basis.

Part I: Explanation and Analysis

LCH allows market participants to have choice in which venue they use to clear all eligible trades at LCH. This approach is referred to as “open access”.

LCH proposes to codify this in its procedures. This change does not represent a variation in the way that LCH operates.

These rule changes will go live on, or after, 25 January 2021.

Part II: Description of Rule Changes

Section 1.3.5 of Procedures Section 2C and Section 2.1.3 of the FCM Procedures have been updated with a new paragraph on Open Access which notes that LCH has a commitment to treat trade venues and approved trade source systems on an open and non-discriminatory basis

The text of the changes is attached hereto as:

- i. **Appendix I**, Procedures Section 2C
- ii. **Appendix II**, FCM Procedures

Part III: Core Principle Compliance

LCH has reviewed the changes against the requirements of the Core Principles and finds 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: <https://www.lch.com/resources/rules-and-regulations/proposed-rule-changes-0>.

Part V: Opposing Views

There were no opposing views expressed by LCH's governing board or executive committee, members of LCH or market participants that were not incorporated into the change.

Certification

LCH hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in the Commission regulation § 40.6, that the 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.

Yours sincerely



Julian Oliver
Chief Compliance Officer
LCH Limited

Appendix I
Procedures Section 2C



LCH LIMITED

PROCEDURES SECTION 2C

SWAPCLEAR CLEARING SERVICE

Member(s) in re-registering the trade on the correct basis but the Clearing House shall not be liable to a SwapClear Clearing Member or to any other party with regard to the registration (or lack of registration or re-registration) of any such SwapClear Contract.

1.3.5 *Registration of New Trades*

The following section does not apply to Backloaded Trades, which are dealt with in section 1.3.6 below.

Prior to it registering a SwapClear Contract resulting from a SwapClear Transaction other than a Sub-Block Trading Venue Transaction, the Clearing House will require the SwapClear Clearing Member in whose name such SwapClear Contract is to be registered to transfer to the Clearing House adequate Collateral in respect of initial margin requirements, variation margin requirements, and/or the settlement payment obligations (as applicable) relating to such Contract as a precondition to registration (taking into account any Client Buffer and/or SwapClear Tolerance, if any). In accordance with Regulation 55(e)(iv) (*Registration of SwapClear Contracts*), a SwapClear Clearing Member becomes obligated to transfer such Collateral (taking into account any Client Buffer and/or SwapClear Tolerance, if any) to the Clearing House at the time when the relevant SwapClear Transaction (that is not a Sub-Block Trading Venue Transaction) has been submitted or deemed to be submitted (as applicable) by the SwapClear Clearing Member and such SwapClear Clearing Member shall transfer such Collateral to the Clearing House prior to registration of the resulting SwapClear Contract. In respect of a SwapClear Contract resulting from a SwapClear Transaction that is a Sub-Block Trading Venue Transaction, the SwapClear Clearing Member in whose name such SwapClear Contract is registered shall transfer to the Clearing House sufficient Collateral in respect of such SwapClear Contract at such time after the registration of such SwapClear Contract as the Clearing House shall require.

Notwithstanding the foregoing (i) if the Clearing House registers a SwapClear Contract resulting from a SwapClear Transaction that is not a Sub-Block Trading Venue Transaction where one or both of the relevant SwapClear Clearing Members has not provided sufficient Collateral prior to registration, the SwapClear Clearing Members shall be bound by the terms of the SwapClear Contract relating thereto arising under Regulation 55 and any other applicable provision of the Rulebook, and (ii) if the Clearing House rejects a SwapClear Transaction that is a Sub-Block Trading Venue Transaction for reasons of insufficient Collateral, the Clearing House shall not be liable to any SwapClear Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such SwapClear Transaction.

Upon a SwapClear Transaction being submitted to the Clearing House for registration, the Clearing House will determine whether to accept or reject the SwapClear Transaction within the required timeframe under all Applicable Law.

Where the Clearing House determines to accept the SwapClear Transaction, registration shall occur immediately and the SwapClear Transaction shall be

automatically replaced with (as applicable) (i) two separate SwapClear Contracts, one between the relevant SwapClear Clearing Member and the Clearing House and the other between the same or another SwapClear Clearing Member and the Clearing House, or (ii) one SwapClear Contract between the relevant SwapClear Clearing Member and the Clearing House and one FCM SwapClear Contract between the relevant FCM Clearing Member and the Clearing House. The SwapClear clearing system will respond, after processing, with a message confirming the registration. The registration notification message will be sent using the SwapClear Clearing Member reporting system and/or the FCM Clearing Member reporting system (as applicable) (including by way of the originating Approved Trade Source System). The definitive report of a registered SwapClear Contract will be shown within the SwapClear Clearing Member reporting system (see Section 1.1.3) on the SwapClear Clearing Member reporting account.

Non-Standard Fixing Offsets for SwapClear Transactions

SwapClear Clearing Members may submit for registration SwapClear Transactions that are OIS transactions with non-standard fixing offsets of [-1 to -10] Business Days, where the fixing for any Business Day 'i' in an interest period is equal to the fixing in respect of the Business Day falling [-1 to 10] Business Days prior to such day 'i'. For the avoidance of doubt, SwapClear Contracts registered as OIS transactions with non-standard fixing offsets will retain the underlying set of compounding coupon sub-periods and their respective weights.

Open Access

The Clearing House provides access to Approved Trade Source Systems and Trading Venues on an open and non-discriminatory basis.

1.3.6 Backloading of Existing Trades

A SwapClear Transaction that has a Trade Date of greater than ten calendar days prior to the date of presentation of such SwapClear Transaction to the Clearing House for clearing is considered a backloaded trade by the Clearing House (a "**Backloaded Trade**"). Due to the nature of Backloaded Trades, SwapClear Clearing Members should note that a relatively large amount of Collateral is required to register such trades. The Clearing House provides the facility for SwapClear Clearing Members to load such eligible existing SwapClear Transactions, through an Approved Trade Source System. Where the Clearing House approves additional Approved Trade Source Systems for these purposes, it will notify SwapClear Clearing Members via a member circular. Backloading requires bilateral agreement between the relevant Executing Parties and acceptance by the SwapClear Clearing Member(s) or the SwapClear Clearing Member and the FCM Clearing Member (as the case may be) of the full particulars required by the Clearing House for each such SwapClear Transaction.

At least once every Business Day, the Clearing House will carry out a process (each a "**Backload Registration Cycle**") for the registration of Backloaded

Appendix II
FCM Procedures



FCM PROCEDURES OF THE CLEARING HOUSE

LCH LIMITED

(c) *FCM SwapClear Clearing System Calendars*

The FCM SwapClear clearing system uses the SwapsMonitor Financial Calendar for its processing. This will require all FCM Clearing Members to be licensees of the SwapsMonitor Financial Calendar. The calendars, as applicable to the FCM SwapClear clearing system, will be available online for inspection and for file download from FCM Clearing Member Reporting (see Section 2.1.1(c)).

With respect to FCM SwapClear Contracts where the Currency is Israeli Shekel (ILS), the Clearing House will not recognize Sunday as a Business Day.

2.1.3 **Registration**

(a) *Submission for Registration*

Prior to and as a precondition to the registration of an eligible FCM SwapClear Transaction, the relevant FCM Clearing Member must provide notice to and receive approval from the Clearing House (or have previously provided such notice and received such approval), in such form as determined by the Clearing House in its sole discretion, with respect to each type of FCM SwapClear Transaction to be presented for registration (be it with respect to tenor, currency or other eligibility criteria). Notwithstanding anything herein to the contrary, if (i) notification pursuant to this paragraph is not received by the Clearing House, (ii) the relevant FCM Clearing Member does not receive approval from the Clearing House pursuant to this paragraph, or (iii) approval granted pursuant to this paragraph has been rescinded by the Clearing House, the Clearing House may, in its sole discretion, reject the registration of any relevant FCM SwapClear Transaction.

The Clearing House receives details of a new eligible FCM SwapClear Transaction using agreed format messages via an FCM Approved Trade Source System. The FCM Approved Trade Source System will send these trades to the Clearing House once they have been bilaterally agreed by two Executing Parties, or otherwise executed by or on behalf of two Executing Parties on an FCM Trading Venue, and will confirm which FCM Clearing Member(s) has been elected to register the FCM SwapClear Transaction.

(b) *Conditions to Registration*

In respect of an FCM SwapClear Transaction that is not an FCM Trading Venue Transaction, following receipt of information from the FCM Approved Trade Source System, the Clearing House will notify the relevant FCM Clearing Member, via member reports, the ClearLink API or otherwise, that a third party Executing Party has elected it to register the FCM SwapClear Transaction with the Clearing House (the “**FCM Notification**”). Where an FCM Clearing Member has been elected to clear both FCM SwapClear Contracts resulting from the registration of

an FCM SwapClear Transaction in the capacities described in this paragraph, such FCM Clearing Member will receive two separate FCM Notifications from the Clearing House in relation to such FCM SwapClear Transaction. All FCM Notifications shall be provided within the required timeframe under all Applicable Law. In all other cases, no FCM Notifications will be provided to any FCM Clearing Member.

Following receipt of an FCM Notification, an FCM Clearing Member may choose to grant or refuse consent to register the FCM SwapClear Transaction.

It is a condition for registration of such FCM SwapClear Transaction that an FCM Clearing Member provides a separate consent (each, an “**FCM Acceptance**”) in respect of each FCM Notification received by it in relation to the registration of such FCM SwapClear Transaction. The Clearing House has an automated system which it operates on each business day for the purposes of rejecting FCM SwapClear Transactions which have been presented for clearing but in respect of which any necessary FCM Acceptance has not been notified to the Clearing House prior to the LCH Cut-off Time. The “**LCH Cut-off Time**” in respect of an FCM SwapClear Transaction will be the expiry of the timeframe determined by the Clearing House. If an FCM Clearing Member has not notified the Clearing House of an FCM Acceptance prior to the LCH Cut-Off Time, it will be deemed to have rejected the relevant FCM SwapClear Transaction. Any FCM Acceptance provided prior to the LCH Cut-Off Time shall be irrevocable and any FCM Acceptance provided following the LCH Cut-Off Time shall be invalid.

In circumstances where the registration of an FCM SwapClear Transaction is conditional upon one or more FCM Acceptances(s) being notified by the applicable FCM Clearing Member(s), the relevant FCM SwapClear Transaction shall be deemed to have been "submitted" to the Clearing House by each such FCM Clearing Member at the time when it notifies the Clearing House of its FCM Acceptance. In all other circumstances, an FCM SwapClear Transaction shall be "submitted" to the Clearing House by the applicable FCM Clearing Member upon being presented to the Clearing House for clearing by or on behalf of such FCM Clearing Member.

In accordance with Section 2.1.3(e) of these FCM Procedures, it is a precondition for registration of an FCM SwapClear Contract resulting from an FCM SwapClear Trading Venue Transaction other than a Sub-Block Trading Venue Transaction that the applicable FCM Clearing Member has complied with all requirements to furnish sufficient Margin (taking into account available SwapClear Tolerance) in respect of such FCM SwapClear Contract, any amounts due in respect of such FCM SwapClear Contract and any other amounts required by the Clearing House to register the FCM SwapClear Contract (collectively “**Required Registration Amounts**”) to the Clearing House as of the time of its “submission” or “deemed submission” of the FCM SwapClear Transaction to which the FCM SwapClear Contract relates.

In exceptional circumstances, where an FCM Clearing Member experiences technical issues such that it is unable to accept or reject an FCM Notification, it may contact the Clearing House via email to request that an FCM SwapClear Transaction to which an FCM Notification relates be accepted or rejected on its behalf. In such circumstances, and unless the Clearing House notifies the FCM Clearing Member otherwise, the Clearing House will manually accept or reject the FCM SwapClear Transaction on behalf of the requesting FCM Clearing Member and will confirm registration or rejection of the FCM SwapClear Transaction via email. In the event that an FCM Clearing Member requests the manual acceptance or rejection of an FCM SwapClear Transaction it shall ensure that such acceptance is requested by appropriately authorized personnel. The Clearing House shall have no liability in the event that an FCM Clearing Member suffers a loss through the unauthorised manual acceptance or rejection of an FCM SwapClear Transaction.

Where, in the context of a Default, the Clearing House executes a hedging FCM SwapClear Transaction, which is:

- (A) not an FCM Trading Venue Transaction, with a Hedging Rates Service Clearing Member for the purpose of Risk Neutralisation, and such FCM SwapClear Transaction is presented for clearing to the Clearing House, the Defaulting Rates Service Clearing Member shall be deemed to have received an FCM Notification, in respect of such FCM SwapClear Transaction, and to have notified an FCM Acceptance, in respect of such FCM SwapClear Transaction, to the Clearing House before the relevant LCH Cut-off Time; and
- (B) an FCM Trading Venue Transaction, with a Hedging Rates Service Clearing Member for the purpose of Risk Neutralisation, and such FCM SwapClear Transaction is presented for clearing to the Clearing House, the FCM Trading Venue on which such FCM SwapClear Transaction was executed shall be deemed to be an FCM Eligible Trading Venue, in respect of the Defaulting Rates Service Clearing Member, at the time of execution of such FCM SwapClear Transaction and such FCM SwapClear Transaction shall be deemed to be an FCM Eligible Trading Venue Transaction, in respect of the Defaulting Rates Service Clearing Member.

Non-Standard Fixing Offsets for SwapClear Transactions

FCM Clearing Members may submit for registration FCM SwapClear Transactions that are OIS transactions with non-standard fixing offsets of [-1 to -10] Business Days, where the fixing for any Business Day 'i' in an interest period is equal to the fixing in respect of the Business Day falling [-1 to -10] Business Days prior to such day 'i'. For the avoidance of doubt, FCM SwapClear Contracts registered as OIS transactions with

non-standard fixing offsets will retain the underlying set of compounding coupon sub-periods and their respective weights.

(c) *Trade Registration Facilitation: SwapClear Tolerance and Standing Order Amount*

In order to facilitate the registration of new FCM SwapClear Transactions by FCM Clearing Members, the Clearing House may offer SwapClear Tolerance on a daily basis, as further described below.

The Clearing House will set SwapClear Tolerance Limits (as defined below) based on a number of factors, including an FCM Clearing Member's credit rating, risk profile and an analysis of the incremental risk registered by an FCM Clearing Member during an historic look-back period. However, the Clearing House sets SwapClear Tolerance Limits in its sole discretion, and may modify its methodologies at any time or may vary it across different FCM Clearing Members.

SwapClear Tolerance:

If an FCM Clearing Member has not furnished sufficient Margin to enable the registration of an FCM SwapClear Contract, then the Clearing House may provide such FCM Clearing Member with temporary "tolerance" in the form of Initial Margin forbearance ("**SwapClear Tolerance**") to enable such registration. An FCM Clearing Member may utilize SwapClear Tolerance in between margin runs on a one-to-one basis to the value of the Initial Margin that would have been required to cover that FCM Clearing Member's Initial Margin requirements for newly registered FCM SwapClear Contracts registered in between margin runs. For the avoidance of doubt, SwapClear Tolerance is provided in the form of temporary Initial Margin forbearance and an FCM Clearing Member's utilization of SwapClear Tolerance does not give rise to any payment or transfer of Collateral by the Clearing House or result in any use of Default Fund resources (except following a default).

The Clearing House will determine, in its sole discretion, the maximum value of the SwapClear Tolerance (which may be zero) (the "**SwapClear Tolerance Limit**") which it will make available to an FCM Clearing Member at any particular time. SwapClear Tolerance is made available by the Clearing House to an FCM Clearing Member at the Clearing House's sole discretion. The Clearing House may adjust the value of an FCM Clearing Member's SwapClear Tolerance Limit, and/or require an FCM Clearing Member to provide Initial Margin in respect of any utilized SwapClear Tolerance, at any time and without prior notice to the relevant FCM Clearing Member. The Clearing House will provide each FCM Clearing Member with information regarding its SwapClear Tolerance Limit and will, as promptly as reasonably practicable, notify it following any adjustment to the amount of its SwapClear Tolerance Limit. Subject to the above, an FCM Clearing Member will typically be required to furnish Initial Margin in respect of

any SwapClear Tolerance utilized by it in the margin run immediately following the time of the relevant registration of an FCM SwapClear Contract where SwapClear Tolerance was utilized.

Any failure of an FCM Clearing Member to satisfy an Initial Margin call relating to utilized SwapClear Tolerance may give rise to a Default in respect of such FCM Clearing Member, just as any failure by an FCM Clearing Member to satisfy any other type of Initial Margin call may give rise to a Default.

Standing Order Amount:

To facilitate the registration of SwapClear Transactions, an FCM Clearing Member may elect to maintain a minimum level of Available FCM Buffer with the Clearing House at the start of a Business Day (such amount, the “**Standing Order Amount**”). The Clearing House may approve such election in its sole discretion. Upon the effectiveness of such election, if, at the end of a Business Day, the amount of a given FCM Clearing Member’s Available FCM Buffer is less than the Standing Order Amount, the Clearing House will call the FCM Clearing Member for an amount of cash Collateral equal to the difference. Any amount so called and received by the Clearing House pursuant to this section shall constitute FCM Buffer of the given FCM Clearing Member.

The form and manner of an election by an FCM Clearing Member pursuant to this section shall be determined by the Clearing House in its sole discretion (a “**Standing Order Request**”). In the event an FCM Clearing Member wishes to rescind or modify its Standing Order Request, it must contact the Clearing House’s Client Services Department (ratesclientservices@lch.com). The Clearing House may reduce the Standing Order Amount or terminate a Standing Order Request in its sole discretion.

Through submitting a Standing Order Request, an FCM Clearing Member warrants that the individual making the request on behalf of the FCM Clearing Member is appropriately authorized to do so.

(d) *SwapClear FCM Approved Trade Source Systems and FCM Trading Venues*

(i) FCM Approved Trade Source Systems

Application for FCM Approved Trade Source System status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of FCM Approved Trade Source Systems currently approved by the Clearing House is available on the Clearing House's website. Where the Clearing House approves additional FCM Approved Trade Source Systems, it will notify FCM Clearing Members via member circular.

FCM SwapClear Transactions presented through an FCM Approved Trade Source System must be in an acceptable message format, as prescribed by the Clearing House.

Notwithstanding the designation by the Clearing House of any system as an FCM Approved Trade Source System, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Approved Trade Source System or the timeliness or otherwise of the delivery of any FCM SwapClear Transaction details by that FCM Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the FCM Clearing Members and that FCM Approved Trade Source System.

The Clearing House will process any FCM SwapClear Transaction reported to it by an FCM Approved Trade Source System on an “as is” basis and, subject to the FCM Rulebook, will register any such FCM SwapClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and approved by the relevant FCM Clearing Member. The Clearing House has no obligation to verify that the details received properly reflect the trade entered into by the relevant Executing Parties.

The Clearing House accepts no liability for any error within or corruption of any data sent by an FCM Approved Trade Source System to the Clearing House or to an FCM Clearing Member or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM SwapClear Contract on the basis of incorrect or corrupted data sent to it by an FCM Approved Trade Source System and accepted by an FCM Clearing Member, the FCM Clearing Member concerned shall be bound by the terms of such FCM SwapClear Contract. The Clearing House shall use its reasonable efforts to assist the relevant FCM Clearing Members in re-registering the trade on the correct basis but the Clearing House shall not be liable to the FCM Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such FCM SwapClear Contract.

FCM Clearing Members shall ensure that FCM Acceptances are provided by appropriately authorized personnel. Apart from the foregoing acceptance, the Clearing House is not able to, and will not, verify the authorization of the source of any details of any transaction reported to it for registration by any FCM Approved Trade Source System. The Clearing House shall have no liability in the event that any FCM Clearing Member suffers any loss through the unauthorized FCM Acceptance.

(ii) FCM Trading Venues

While the Clearing House receives details of an FCM SwapClear Transaction via an FCM Approved Trade Source System pursuant to

Section 2.1.3(a) of these FCM Procedures, such FCM Approved Trade Source System may in providing such details to the Clearing House rely upon similar details delivered to it by an FCM Trading Venue (where such FCM SwapClear Transaction is executed on such FCM Trading Venue). Additionally, the Clearing House may rely on details relating to an FCM SwapClear Transaction obtained from an FCM Trading Venue for verification purposes or in order to generate reports or to exercise its rights or discretion under Regulation 45. In this regard, the Clearing House may direct the FCM Trading Venues to use prescribed format messages or classifications.

Notwithstanding the approval by the Clearing House of any FCM Trading Venues, the Clearing House makes no warranty (and will accept no liability) as to the effectiveness, efficiency, performance or any other aspect of the services provided by any FCM Trading Venue or the timeliness or otherwise of the delivery of any FCM SwapClear Transaction details by that FCM Trading Venue. Such matters form part of the relationship between the FCM Clearing Members and that FCM Trading Venue.

The Clearing House will process any FCM SwapClear Transaction reported to it by an FCM Trading Venue on an “as is” basis, and subject to the FCM Rulebook, may register any FCM SwapClear Contract arising from such FCM SwapClear Transaction on the basis of the data provided to it by the FCM Approved Trade Source System and the relevant FCM Trading Venue. The Clearing House has no obligation to verify that the details received properly reflect the trade entered into by the relevant Executing Parties or that the FCM Trading Venue is correctly applying the format messages or classifications that the Clearing House has prescribed.

The Clearing House accepts no liability for any error within or corruption of any data sent by an FCM Trading Venue to the Clearing House or any delay in or failure of the transmission of such data to the Clearing House. In the event that the Clearing House registers any FCM SwapClear Contract on the basis of incorrect or corrupted data recorded by it or sent to it by an FCM Trading Venue, the FCM Clearing Member concerned shall be bound by the terms of such FCM SwapClear Contract. The Clearing House shall use its reasonable endeavors to assist the relevant FCM Clearing Members in re-registering the trade on the correct basis but the Clearing House shall not be liable to the FCM Clearing Member or anyone else with regard to the registration (or lack of registration or re-registration) of any such FCM SwapClear Contract.

Open Access

The Clearing House provides access to FCM Approved Trade Source Systems and FCM Trading Venues on an open and non-discriminatory basis.