

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

10 February 2021

LCH Limited Self-Certification: Discontinuation of Economic Amendments functionality

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 reflect the discontinuation of the functionality permitting economic amendments of a cleared swap.

Part I: Explanation and Analysis

LCH is proposing to decommission the discretionary economic amendment process which allows LCH's clearing members and clearing clients to process an economic amendment of a trade post clearing. Examples of an eligible economic amendment include amending the upfront fee value date on a trade or amending a trades' holiday conventions. Following the decommissioning of the economic amendment process, LCH will still permit LCH's clearing members and clearing clients to process non-economic amendments of a cleared swap. Examples of non-economic amendments would be adding a client ID (internal trade reference) on a trade or a netting id (a way to segregate trades in specific groups for netting).

The economic amendments functionality is rarely used by LCH's clearing members and clearing clients, and, when it is, it is an operationally cumbersome process for LCH to perform.

LCH notified its clearing members and clearing clients of the proposed change and received no adverse comments.

These rule changes will go live on, or after, 26 February 2021.

Part II: Description of Rule Changes

Section 1.32 and 1.33 of Procedures Section 2C will be amended to reflect the decommissioning of the economic amendments functionality to SwapClear contracts. The equivalent change has been made to the FCM Procedures in Section 2.1.14 and 2.1.15.

The text of the changes is attached hereto as:

Appendix I – Procedures Section 2C

Appendix II – FCM Procedures

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 (L) – Public Information. LCH communicated the discontinuation of the discretionary economic amendments process to its membership and the change will be codified in its publicly available Rulebook. Market participants can therefore make an informed decision about using LCH's services following this change. As a result, LCH believes that this change is consistent with the requirements of Core Principle L and Commission Rule 39.21(a).

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, clearing 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

with the Inflation Swaps Operational Specifications) and the SwapClear End of Day Price.

1.32 Notifications via Approved Trade Source Systems

- 1.32.1 With prior approval of the Clearing House, SwapClear Clearing Members and SwapClear Clearing Clients may elect to submit and receive certain post-trade messages via any Approved Trade Source System previously approved by the Clearing House for the results of compression procedures, Permitted Transfers and ~~economic and~~ non-economic amendments of SwapClear Contracts.
- 1.32.2 A SwapClear Clearing Member, either on its own account or with respect to a SwapClear Clearing Client (where applicable), acknowledges and agrees, with respect to an election to receive messages and/or notifications under this Section 1.31 from the Clearing House via an Approved Trade Source System, that (i) 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 Approved Trade Source System or the timeliness or otherwise of the delivery of any notices, reports or details by that Approved Trade Source System to the Clearing House of the SwapClear Clearing Member or SwapClear Clearing Client, as applicable, (ii) the Clearing House will process and use any information provided to it under this Section 1.31 via an Approved Trade Source System on an “as is” basis (with no obligation to verify any details), (iii) the Clearing House accepts no liability for (A) any error within or corruption of any data sent by an Approved Trade Source System to the Clearing House, the SwapClear Clearing Member or any SwapClear Clearing Client or (B) any delay in or failure of the transmission of such data to the Clearing House, the SwapClear Clearing Member or any SwapClear Clearing Client.
- 1.32.3 Any request for the Clearing House to approve the submission and receipt of post-trade messages via any Approved Trade Source System must be made in writing and using the Clearing House’s standard documentation. Through making a request, a SwapClear Clearing Member, either on their own account or with respect to a SwapClear Clearing Client, is deemed to represent and warrant that the individual making the request is appropriately authorized to do so.

~~1.33 Economic Amendments to SwapClear Contracts~~

~~The SwapClear Clearing System provides functionality for certain Economic Terms of each Contract in an Amendment Pair to be amended to have new identical Economic Terms (both such amendments, together, an “Economic Amendment”) upon request, provided that the requirements and conditions specified in this Section 1.33 are met.~~

~~For purposes of this Section 1.33, an “Amendment Pair” means two SwapClear Contracts or one SwapClear Contract and one FCM SwapClear Contract, each registered in respect of the same SwapClear Transaction, and “Economic Amendment CM” means each SwapClear Clearing Member of each Contract in the Amendment Pair that is being requested for Economic Amendment.~~

~~Notwithstanding anything to the contrary in this Section 1.33, the Clearing House may reject any Economic Amendment Request in its sole and absolute discretion, and the Clearing House shall not be liable for any costs, expenses, damages or losses of whatsoever nature, whether direct or indirect, suffered by a SwapClear Clearing Member and/or SwapClear Clearing Client in connection with this Section 1.33, including effecting a requested Economic Amendment erroneously or failing to effect a requested Economic Amendment.~~

~~1.33.1—Economic Amendment Requests~~

~~Each request for an Economic Amendment (an “**Economic Amendment Request**”) to be made to an Amendment Pair pursuant to this Section 1.33 must be prepared and submitted in the form and manner prescribed by the Clearing House from time to time by each Economic Amendment CM for that Amendment Pair. A SwapClear Clearing Client (including an FCM Client) may submit, on behalf of an Economic Amendment CM, an Economic Amendment Request, or any details connected therewith, to the Clearing House.~~

~~An Economic Amendment Request must:~~

- ~~(a) — specify the relevant Contract requested to be amended by the Economic Amendment Request along with all details relating to the Economic Amendment as required by the Clearing House from time to time;~~
- ~~(b) — specify the original and amended Economic Terms of the Contract identified in (i) above; and~~
- ~~(c) — specify such other details as the Clearing House may reasonably require from time to time.~~

~~Where relevant, the Clearing House shall notify the requesting Economic Amendment CM or SwapClear Clearing Client of its rejection of an Economic Amendment Request as soon as reasonably practicable after rejection of that Economic Amendment Request.~~

~~1.33.2—Procedure for Effecting an Economic Amendment to an Amendment Pair~~

~~The process for effecting an Economic Amendment to an Amendment Pair under this Section 1.33 is as follows:~~

- ~~(a) — the Clearing House must receive an Economic Amendment Request in accordance with Section 1.33.1 above from an Economic Amendment CM, or SwapClear Clearing Client on behalf of such, for that Amendment Pair, in each case, by the end of the business day requested for such Economic Amendment, or such other time as notified by the Clearing House from time to time (the “**Economic Amendment Cut-off Time**”);~~
- ~~(b) — the Clearing House must receive consent to the relevant Economic Amendment Request from each Economic Amendment CM, in the form and manner prescribed by the Clearing House from time to time, by close of the relevant business day, provided that each Economic~~

~~Amendment CM shall be deemed to have provided consent to the Clearing House to the relevant Economic Amendment Request unless an Economic Amendment CM provides evidence to the contrary or as otherwise reasonably determined by the Clearing House;~~

- ~~(c) immediately upon an Economic Amendment Request being submitted to the Clearing House by the Economic Amendment CMs and/or relevant SwapClear Clearing Client(s), as the case may be, in accordance with this Section 1.33:~~
- ~~(i) that Economic Amendment Request may not be rescinded, reversed or revoked; and~~
 - ~~(ii) each Economic Amendment CM for that Amendment Pair is deemed to:~~
 - ~~(A) represent and warrant that such Economic Amendment will not violate or result in the violation of any Applicable Law; and~~
 - ~~(B) represent and warrant, either on behalf of itself or the relevant SwapClear Clearing Client, that the individual making the Economic Amendment Request is appropriately authorised to do so and all of the conditions set forth in this Section 1.33 (other than the condition relating to the Clearing House's right to reject) have been, or will be, satisfied; and~~
- ~~(d) each of the conditions specified in Section 1.33.3 below are satisfied in all respects at the applicable Economic Amendment Cut-off Time for that Economic Amendment.~~

~~If all requirements specified in this Section 1.33.2 are met, the requested Economic Amendment shall take effect in accordance with this Section 1.33.~~

~~If any requirements specified in this Section 1.33.2 are not met, the requested Economic Amendment shall automatically be rejected, or shall be deemed to be automatically rejected, by the Clearing House.~~

~~1.33.3 Conditions Precedent to an Economic Amendment~~

~~It is a condition precedent for any requested Economic Amendment taking effect under this Section 1.33 to an Amendment Pair that:~~

- ~~(a) the requested Economic Amendment relates to a SwapClear Contract Term prescribed by the Clearing House as applicable for Economic Amendment under this Section 1.33;~~
- ~~(b) (i) each Economic Amendment CM for such Amendment Pair and (ii) if that Amendment Pair comprises a SwapClear Contract entered into by a SwapClear Clearing Member on behalf of a SwapClear Clearing Client, each such SwapClear Clearing Client, has satisfied all~~

~~conditions and executed all documents necessary or required by the Clearing House in order to give effect to that Economic Amendment;~~

~~(e) — no Economic Amendment CM for such Amendment Pair is a Defaulter;~~

~~(d) — neither Economic Amendment CM of either Contract in such Amendment Pair has rejected that Economic Amendment using the form and manner prescribed by the Clearing House from time to time (it being understood that each such Economic Amendment CM will be presumed by the Clearing House not to have rejected that Economic Amendment unless such Economic Amendment CM provides evidence to the contrary or as otherwise reasonably determined by the Clearing House); and~~

~~(e) — the Clearing House has not rejected the Economic Amendment Request for that Economic Amendment, acting in its sole and absolute discretion.~~

4.33.41.33 **Actions in Respect of an FCM Client Default**

Following an FCM Client Default (as defined in the FCM Regulations) and in connection with a request from an FCM Clearing Member to the Clearing House to transfer one or more FCM SwapClear Contracts (including those submitted for registration pursuant to Section 2.1.13(c) of the FCM Procedures) from (i) a Defaulting FCM Client's FCM Client Sub-Account or (ii) an FCM Clearing Member's Proprietary Account to the Proprietary Account of a SwapClear Clearing Member, such SwapClear Clearing Member shall transfer (or make available) required margin into its Proprietary Account.

2. PORTFOLIO MARGINING SERVICE

2.1 Introduction

The Portfolio Margining Service is an optional service which provides Joint Rates Service Clearing Members portfolio-margining functionality in respect of pairs of accounts which are held in the SwapClear and Listed Interest Rates Services by transferring Eligible Listed Interest Rates Contracts between accounts in each Service.

A Joint Rates Service Clearing Member must opt-in to the Portfolio Margining Service in accordance with the procedure set out in paragraph 2.2 below and meet the PM Eligibility Criteria (as defined below) in order to benefit from the portfolio-margining functionality provided by the service. However it should be noted that, regardless of whether or not a Joint Rates Service Clearing Member opts in, the SwapClear Service and Listed Interest Rates Service share a common default fund. Accordingly, the risk profile of participating in either one of such Services may be impacted by other Clearing Members participating in the other such Service whether or not as a Portfolio Margining Clearing Member. In particular, the resources of a Clearing Member that is a member of the SwapClear Service and the Listed Interest Rates Service will be made available to cover the Clearing House's losses in a different manner to those of a Clearing Member that is only a member of one of those Services, regardless of whether that Clearing Member opts-in to the Portfolio Margining Service. SwapClear Clearing

Appendix II
FCM Procedures



FCM PROCEDURES OF THE CLEARING HOUSE

LCH LIMITED

the Clearing House shall be entitled to request additional evidence and/or documentation for legal, regulatory or risk management reasons; and

- (g) the relevant FCM Clearing Member shall transfer (or make available) Required Margin into its Proprietary and/or the applicable FCM Client Sub-Account, taking into account that an FCM Clearing Member may not request the transfer of an Associated Collateral Balance in connection with a transfer of an FCM SwapClear Contract from an FCM Client Sub-Account to a Proprietary Account.

2.1.14 *Notifications via FCM Approved Trade Source Systems*

With prior approval of the Clearing House, FCM Clearing Members and FCM Clients may elect to submit and receive certain post-trade messages via any FCM Approved Trade Source System previously approved by the Clearing House for the results of compression procedures, Permitted Transfers and ~~economic and~~ non-economic amendments of FCM SwapClear Contracts.

An FCM Clearing Member, either on its own behalf or on behalf of an FCM Client, as applicable, acknowledges and agrees, with respect to an election to receive messages and/or notifications under this Section 2.1.13 from the Clearing House via an FCM Approved Trade Source System, that (i) 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 notices, reports or details by that FCM Approved Trade Source System to the Clearing House of the FCM Clearing Member or FCM Client, as applicable, (ii) the Clearing House will process and use any information provided to it under this Section 2.1.13 via an FCM Approved Trade Source System on an “as is” basis (with no obligation to verify any details), (iii) the Clearing House accepts no liability for (A) any error within or corruption of any data sent by an FCM Approved Trade Source System to the Clearing House, the FCM Clearing Member or any FCM Client or (B) any delay in or failure of the transmission of such data to the Clearing House, the FCM Clearing Member or any FCM Client.

Any request for the Clearing House to approve the submission and receipt of post-trade messages via any FCM Approved Trade Source System must be made in writing and using the Clearing House’s standard documentation. Through making a request, an FCM Clearing Member, either on its own behalf or on behalf of an or FCM Client, is deemed to represent and warrant that the individual making the request is appropriately authorized to do so.

~~2.1.15 — [Reserved.] Economic Amendments to FCM SwapClear Contracts~~

~~The FCM SwapClear Service Clearing System provides functionality for certain Economic Terms of each Contract in an Amendment Pair to be amended to have new identical Economic Terms (both such amendments, together, an “Economic Amendment”) upon request, provided that the requirements and conditions specified in this Section are met.~~

~~For purposes of this Section 2.1.14, an “**Amendment Pair**” means two FCM SwapClear Contracts or one SwapClear Contract and one FCM SwapClear Contract, each registered in respect of the same FCM SwapClear Transaction, and “**Economic Amendment CM**” means each FCM Clearing Member of each Contract in the Amendment Pair that is being requested for Economic Amendment.~~

~~Notwithstanding anything to the contrary in this Section 2.1.14, the Clearing House may reject any Economic Amendment Request in its sole and absolute discretion, and the Clearing House shall not be liable for any costs, expenses, damages or losses of whatsoever nature, whether direct or indirect, suffered by an FCM Clearing Member and/or FCM Client in connection with this Section 2.1.14, including effecting a requested Economic Amendment erroneously or failing to effect a requested Economic.~~

~~(a) *Economic Amendment Requests*~~

~~Each request for an Economic Amendment (an “**Economic Amendment Request**”) to be made to an Amendment Pair pursuant to this Section 2.1.14 must be prepared and submitted in the form and manner prescribed by the Clearing House from time to time by each Economic Amendment CM for that Amendment Pair. An FCM Client may submit, on behalf of an Economic Amendment CM, an Economic Amendment Request, or any details connected therewith, to the Clearing House.~~

~~An Economic Amendment Request must:~~

~~(A) specify the relevant Contract requested to be amended by the Economic Amendment Request along with all details relating to the Economic Amendment as required by the Clearing House from time to time;~~

~~(B) specify the original and amended Economic Terms of the Contract identified in (i) above; and~~

~~(C) specify such other details as the Clearing House may reasonably require from time to time.~~

~~Where relevant, the Clearing House shall notify the requesting Economic Amendment CM or FCM Client of its rejection of an Economic Amendment Request as soon as reasonably practicable after rejection of that Economic Amendment Request.~~

~~(b) *Procedure for Effecting an Economic Amendment to an Amendment Pair*~~

~~The process for effecting an Economic Amendment to an Amendment Pair under this Section 2.1.14 is as follows:~~

~~(A) the Clearing House must receive an Economic Amendment Request in accordance with Section 2.1.14 above from an Economic Amendment CM, or FCM Client on behalf of such, for that Amendment Pair, in each case, by the end of the business day requested for such Economic Amendment, or such other~~

~~time as notified by the Clearing House from time to time (the “**Economic Amendment Cut-off Time**”);~~

~~(B) the Clearing House must receive consent to the relevant Economic Amendment Request from each Economic Amendment CM, in the form and manner prescribed by the Clearing House from time to time, by close of the relevant business day, provided that each Economic Amendment CM shall be deemed to have provided consent to the Clearing House to the relevant Economic Amendment Request unless an Economic Amendment CM provides evidence to the contrary or as otherwise reasonably determined by the Clearing House;~~

~~(C) immediately upon an Economic Amendment Request being submitted to the Clearing House by the Economic Amendment CMs and/or relevant FCM Client(s), as the case may be, in accordance with this Section 2.1.14;~~

~~(A) that Economic Amendment Request may not be rescinded, reversed or revoked; and~~

~~(B) each Economic Amendment CM for that Amendment Pair is deemed to:~~

~~(1) represent and warrant that such Economic Amendment will not violate or result in the violation of any Applicable Law; and~~

~~(2) represent and warrant, either on behalf of itself or the relevant FCM Client, that the individual making the Economic Amendment Request is appropriately authorised to do so and all of the conditions set forth in this Section 2.1.14 (other than the condition relating to the Clearing House’s right to reject) have been, or will be, satisfied; and~~

~~(D) each of the conditions specified in sub clause (c) below are satisfied in all respects at the applicable Economic Amendment Cut-off Time for that Economic Amendment.~~

~~— If all requirements specified in this sub clause (c) are met, the requested Economic Amendment shall take effect in accordance with this Section 2.1.14.~~

~~— If any requirements specified in this sub clause (c) are not met, the requested Economic Amendment shall automatically be rejected, or shall be deemed to be automatically rejected, by the Clearing House.~~

~~(e) *Conditions Precedent to an Economic Amendment*~~

~~— It is a condition precedent for any requested Economic Amendment taking effect under this Section 2.1.14 to an Amendment Pair that:~~

~~(A) the requested Economic Amendment relates to an FCM SwapClear Contract Term prescribed by the Clearing House as applicable for Economic Amendment under this Section 2.1.14;~~

~~(B) (A) each Economic Amendment CM for such Amendment Pair and (B) if that Amendment Pair comprises an FCM SwapClear Contract entered into by an FCM Clearing Member on behalf of an FCM Client, each such FCM Client, has~~

~~satisfied all conditions and executed all documents necessary or required by the Clearing House in order to give effect to that Economic Amendment;~~

~~(C) no Economic Amendment CM for such Amendment Pair is a Defaulter;~~

~~(D) neither Economic Amendment CM of either Contract in such Amendment Pair has rejected that Economic Amendment using the form and manner prescribed by the Clearing House from time to time (it being understood that each such Economic Amendment CM will be presumed by the Clearing House not to have rejected that Economic Amendment unless such Economic Amendment CM provides evidence to the contrary or as otherwise reasonably determined by the Clearing House); and~~

~~(E) 2.1.15 the Clearing House has not rejected the Economic Amendment Request for that Economic Amendment, acting in its sole and absolute discretion.~~

2.1.16 *Amendment of Trade References*

An FCM Clearing Member may wish to change its own trade reference numbers/codes by which they identify trades registered in the FCM SwapClear Service. Subject to any such FCM Clearing Member meeting all the Clearing House's requirements, including those set forth in paragraph (a) below and under these FCM Procedures, the Clearing House will, as part of its service to FCM Clearing Members, amend its records in order to reflect any such change. Such change has no effect whatsoever on the terms of any registered FCM SwapClear Contract or any other obligations of the FCM Clearing Member party to such contract.

(a) *Trade Reference Amendment Request Form*

FCM Clearing Members may submit a request to the Clearing House to amend a trade reference (either on behalf of the given FCM Clearing Member or an FCM Client) (a "**Trade Amendment Request**"). Trade Amendment Requests must be submitted in the form and manner prescribed by the Clearing House from time to time, and may be approved by the Clearing House in its sole discretion. Upon approval by the Clearing House, Trade Amendment Requests will typically be processed within two Business Days. In the event the Clearing House is unable, or determines it will be unable, to process an approved Trade Amendment Request within two business days, it shall attempt to notify the given FCM Clearing Member as soon as reasonably practicable.

(b) *Processing*

The Clearing House shall reject a Trade Amendment Request in the event that:

(A) it is not made in accordance with these FCM Procedures;

(B) any trade reference submitted in the Trade Amendment Request does not (a) match the FCM Clearing Member's trade reference