

Via CFTC Portal

14th February 2018

Mrs. Parisa Abadi

Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington DC 20581

Dear Mrs. Abadi,

Pursuant to CFTC regulation §40.6(a), LCH SA (“LCH”), a derivatives clearing organization (“DCO”) registered with the Commodity Futures Trading Commission (the “CFTC”), is submitting for self-certification the proposed changes necessary to implement a new end of day price contribution window for CDX North American indices and related single names.

The intended date of implementation is 30th March 2018 subject to any relevant regulatory review and/or approval process duly completed and in no event, the new service will be implemented earlier than ten (10) business days after the formal filing with the CFTC.

Part I: Explanation and Analysis

LCH is proposing to amend the current version of Section 5 of the CDS Clearing Procedures (the “Procedures”) to include the new end of day price contribution window for CDX North American indices and related single names.

LCH has communicated to the CFTC staff all related material detailing the proposed changes as duly attached hereto as Appendix.

The implementation of the new end of day price contribution window by LCH will be contingent on LCH’s receipt of all necessary regulatory review comments and approvals.

Part II: Description of Rule Changes

Paragraph 5.18 of Section 5 of the Procedures has been mainly amended to provide for the new times (New York City local time) that will apply to CDX North American indices and related single names in respect of:

- the request for price contributions made by the Index Publisher and the price contributions to be made by the relevant clearing members;
- the communication of the Firm Days by LCH to the relevant clearing members;
- the execution of cross trades and the notification of such execution by the relevant clearing members.

Part III: Core Principle Compliance

LCH will continue to comply with all Core Principles following the introduction of this change and has concluded that its compliance with the Core Principles would not be adversely affected by this change.

Part IV: Public Information

LCH has posted a notice of pending certifications 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>

Part V: Opposing Views

There were no opposing views expressed to LCH by governing board or committee members, members of LCH that were not incorporated into the rule.

Certification

LCH hereby certifies to the CFTC, pursuant to the procedures set forth in the Commission regulation §40.6, that this change submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

Should you have any questions please contact me at: françois.faure@lch.com

A handwritten signature in blue ink, appearing to read 'Faure', written over a horizontal line.

Francois Faure
Chief Compliance Officer
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APPENDIX

- 1) Extracts of Section 5 of the CDS Clearing Procedures

[...]

5.18 END OF DAY PRICE CONTRIBUTION

References to times and deadlines in this paragraph 5.18 are to London local time (being Greenwich Mean Time (GMT) or British Summer Time (BST) as applicable.) unless otherwise specified.

5.18.1 Market Data submission

LCH SA has appointed the Index Publisher to be a Third Party Data Aggregator for the purposes of the CDS Admission Agreement.

On each Price Contribution Day, LCH SA will request the Index Publisher to obtain Market Data from each Price Contribution Participant for CDS and Index Swaptions in respect of which they have Open Positions.

Price Contribution Participants are required to submit Market Data between 16.30 and 16.35 on each Price Contribution Day. at the times set out in paragraph 5.18.3 below.

If a Clearing Member wishes to appoint a Price Contribution Delegate, it shall first obtain the prior approval of LCH SA. For that purpose, the relevant Clearing Member shall contact LCH SA's CDSClear Business Development & Relationship Management team (cdsclearbusinessdevrm@lch.com, +44 (0) 203 137 4516) and shall provide such information as may be required by LCH SA. For the avoidance of doubt, LCH SA has full discretion as to the approval of a Price Contribution Delegate for any Clearing Member.

In accordance with Article 2.2.0.5 of the CDS Clearing Rule Book, a Clearing Member that is a Select Member may decide to receive, or as the case may be, stop receiving the Price Requirement Files (as defined in paragraph 5.18.3 below). For that purpose, the relevant Clearing Member shall contact LCH SA's CDSClear Business Development & Relationship Management team (cdsclearbusinessdevrm@lch.com, +44 (0) 203 137 4516) and shall provide such information as may be required by LCH SA.

5.18.2 Calculation of End of Day Contributed Prices

- (a) In respect of CDS

The process for the calculation of End of Day Contributed Prices in respect of CDS involves the following steps for the Index Publisher (unless otherwise specified):

- (i) Receipt of Price Contribution Participants' Market Data by the Index Publisher

- (ii) Application of bid/ask constraint by the Index Publisher. The bid/ask constraint values are defined by LCH SA and updated from time to time
 - (iii) Determination of clearing price
 - (iv) Determination of any cross trades (potential)
 - (v) Communication of clearing price
- (b) In respect of Index Swaptions

The process for the calculation of End of Day Contributed Prices in respect of Index Swaptions involves the following steps:

- (i) Receipt of Price Contribution Participants' Market Data by the Index Publisher
- (ii) Communication of Market Data by the Index Publisher to LCH SA
- (iii) Application of bid/ask constraint by LCH SA. The bid/ask constraint values are defined by LCH SA and updated from time to time.
- (iv) Determination of clearing price by LCH SA
- (v) Determination of any cross trades (potential) by LCH SA.

5.18.3 Price submission procedure

Price Contribution Participants should submit Market Data in accordance with the following procedure:

- LCH SA will transmit to the Index Publisher, on a daily basis, the Market Data for Clearing Members with Open Positions in Cleared Transactions;
- Price Contribution Participants will receive price requirement files listing the Open Positions in respect of which they are required to submit Market Data (each a "**Price Requirement File**");
- The Price Requirement Files will be available from the Index Publisher's website for download daily between 14.30 and 15.00;:
 - in respect of a CDS with a CDS Contractual Currency in Euro: from 13.15;
 - in respect of an Index Swaption: from 13.15; or
 - in respect of a CDS with a CDS Contractual Currency in US Dollar: from 14.30 New York City local time.

provided that where the Price Contribution Day occurs on the Price Contribution Day immediately preceding:

- 1 January;
- in respect of CDS with a CDS Contractual Currency in US Dollar: 4 July; or
- 25 December,

the Price Requirement Files may be available at earlier times as notified in advance by LCH SA.

- Price Contribution Participants upload Market Data submissions to the Index Publisher for the Cleared Transactions listed in the Price Requirement File between 16.00 and 16.35; ;
 - in respect of a CDS with a CDS Contractual Currency in Euro: between 16.30 and 16.35;
 - in respect of an Index Swaption: between 16.30 and 16.35; or
 - in respect of a CDS with a CDS Contractual Currency in US Dollar: between 16.30 and 16.35 New York City local time,

provided that where the Price Contribution Day occurs on the Price Contribution Day immediately preceding:

- 1 January;
- in respect of CDS with a CDS Contractual Currency in US Dollar: 4 July; or
- 25 December,

Price Contribution Participants may be required to upload Market Data submissions at earlier times as notified in advance by LCH SA.

- Market Data can be re-submitted during this time; where a Price Contribution Participant does this the latest submitted Market Data will be taken into account by the Index Publisher;
- Market Data should be supplied via a Markit spreadsheet or a Markit API;
- Price Contribution Participants' Market Data submission can either be Bid/Ask pairs or Mids;
- The Index Publisher carries out real time checks on the data submitted to take account of fat-fingering, invalid reference data, etc. A validation log will be available to Price Contribution Participants for erroneous submissions/warnings.

5.18.4 Use of composite spreads/prices

To the extent LCH SA has not received End of Day Contributed Prices in respect of CDS with a CDS Contractual Currency in Euro or Market Data in respect of Index Swaptions from the

Index Publisher by 17.15 or in respect of CDS with a CDS Contractual Currency in US Dollar from the Index Published by 17.15 New York City local time, it will use:

- (a) With respect to Index Cleared Transactions, composite prices/spreads for the purposes of calculating the Variation Margin Requirement for each Margin Account of a Clearing Member on the next following Business Day;
- (b) With respect to Single Name Cleared Transactions, a computation of end of day contributed spreads and composite spreads for the purpose of calculating the Variation Margin Requirement for each Margin Account of a Clearing Member on the next following Business Day; and
- (c) With respect to Index Swaption Cleared Transactions, a computation of end of day contributed spreads and composite spreads for the purpose of calculating the Variation Margin Requirement for each Margin Account of a Clearing Member on the next following Business Day,

in accordance with Article 4.2.7.1 of the CDS Clearing Rule Book.

5.18.5 **Trade crossing**

In order to validate the Market Data submitted by Price Contribution Participants in accordance with this Paragraph 5.18, LCH SA shall require Price Contribution Participants to undertake trade crossing in accordance with Article 4.2.7.7 of the CDS Clearing Rule Book.

For the avoidance of doubt, in respect of Price Contribution Participants that are Select Members, or as the case may be their Price Contribution Delegates, paragraph 5.18.5 shall only apply to them in respect of Market Data that they have submitted.

(a) Firm Days

LCH SA shall determine a number of "Firm Days" being the last Clearing Day of each quarter and 30 other Clearing Days in any calendar year chosen at LCH SA's sole discretion, and shall communicate such Firm Days to Price Contribution Participants promptly after the closure of the submission window at 16.35 :

- in respect of CDS with a CDS Contractual Currency in Euro: at 16.35;
- in respect of an Index Swaption: at 16.35; or
- in respect of CDS with a CDS Contractual Currency in US Dollar: at 16.35 New York City local time,

on each such Firm Day.

(b) Determination of cross trades

(i) CDS

The Index Publisher will inform LCH SA on each Price Contribution Day where prices submitted by Price Contribution Participants in accordance with this Paragraph 5.18 do not reflect the quoted daily spread for a particular CDS. On each Firm Day, Price Contribution Participants whose price(s) do not reflect the quoted daily spread for a particular CDS on such Firm Day will be required to execute a CDS with another Price Contribution Participant on pre-determined terms, as set out in Paragraph 5.18.5(c)(i) below. CDS must be executed by a Price Contribution Participant:

- in respect of a CDS with a CDS Contractual Currency in Euro: prior to 18.30 ; or
- in respect of a CDS with a CDS Contractual Currency in US Dollar: prior to 17.30 New York local time,

on the Price Contribution Day following the relevant Firm Day.

(ii) Index Swaption

On each Price Contribution Day LCH SA will identify where prices submitted by Price Contribution Participants in accordance with this Paragraph 5.18 do not reflect the quoted daily price for a particular Index Swaption. On each Firm Day, Price Contribution Participants whose price(s) do not reflect the quoted daily price for a particular Index Swaption on such Firm Day will be required to execute a "Delta Hedged Swaption Package" being an Index Swaption and a CDS referencing an eligible Index Version to hedge the Index Swaption delta, with another Price Contribution Participant on pre-determined terms, as set out in Paragraph 5.18.5(c)(ii) below. The Delta Hedged Swaption Package must be executed by a Price Contribution Participant prior to 18.30 on the Price Contribution Day following the relevant Firm Day.

(c) Terms of cross trades

LCH SA shall notify the relevant Price Contribution Participant of the following required CDS or Delta Hedged Swaption Package terms by issuing a Cross Trade Report in accordance with Paragraph 5.16(c)(iii) above:

(i) For CDS:

- Index Version or Reference Entity as applicable
- Red code
- Original Notional Amount or Floating Rate Payer Calculation Amount as applicable
- Currency
- Fixed Rate
- Fixed Rate Payer
- Floating Rate Payer
- Scheduled Termination Date

- applicable ISDA Credit Derivatives Definitions
- Initial Payment Amount
- Initial Payment Payer
- Initial Payment Receiver
- Transaction Type

(ii) For Delta Hedged Swaption Package:

- In respect of the Index Swaption:
 - Swaption Type
 - Swaption Strike
 - Expiration Date
 - Swaption Buyer
 - Swaption Seller
 - Premium
 - Index Version of the Underlying Index Transaction
 - Red Code of the Underlying Index Transaction
 - Scheduled Termination Date of the Underlying Index Transaction
 - Original Notional Amount of the Underlying Index Transaction
 - Currency of the Underlying Index Transaction
- In respect of the CDS referencing an eligible Index Version to hedge the Index Swaption delta:
 - Original Notional Amount
 - Initial Payment Amount

(d) Notification of execution

Price Contribution Participants required to execute cross trades in accordance with this Paragraph 5.18.5 must provide LCH SA with the DTCC trade reference identifiers (TRI):

- in respect of a CDS with a CDS Contractual Currency in Euro: before 18.30 ;
- in respect of an Index Swaption: before 18.30; or
- in respect of a CDS with a CDS Contractual Currency in US Dollar: before 17.30 New York local time,

on the Clearing Day following the relevant Firm Day by emailing this to LCH SA's Operations department at cdsclear.ops@lch.com.

5.18.6 Failure to submit prices

In the event that a General Member or as the case may be its Price Contribution Delegate, does not submit prices to the Index Publisher in accordance with paragraph 5.18.3, LCH SA shall be permitted to invoke Disciplinary Proceedings in respect of the General Member, or as the case may be, the affiliated General Member for which such Price Contribution Delegate acts, in accordance with Section 8 of the Procedures.

In circumstances where a failure to provide prices in accordance with paragraph 5.18 is the only breach by that General Member, or as the case may be, the affiliated General Member for which such Price Contribution Delegate acts, of its obligations under the CDS Clearing Documentation, LCH SA shall not be permitted to declare an Event of Default in respect of that General Member, or as the case may be, the affiliated General Member for which such Price Contribution Delegate acts, pursuant to Article 4.3.1.2 of the CDS Clearing Rule Book.

5.18.7 Failure to execute cross trades

In the event that a Price Contribution Participant does not execute cross trades in accordance with paragraph 5.18.5, LCH SA shall be permitted to invoke Disciplinary Proceedings in respect of that Price Contribution Participant, or as the case may be, the affiliated Clearing Member for which such Price Contribution Participant acts, in accordance with Section 8 of the Procedures.

In circumstances where a failure to execute cross trades in accordance with paragraph 5.18 is the only breach by that Price Contribution Participant, or as the case may be, the affiliated Clearing Member for which such Price Contribution Participant acts, of its obligations under the CDS Clearing Documentation, LCH SA shall not be permitted to declare an Event of Default in respect of that Price Contribution Participant, or as the case may be, the affiliated Clearing Member for which such Price Contribution Participant acts, pursuant to Article 4.3.1.2 of the CDS Clearing Rule Book.

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