



**VIA EMAIL TO: SUBMISSIONS@CFTC.GOV**

25 October 2013

Ms. Melissa Jurgens  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street NW  
Three Lafayette Centre  
Washington DC 20581

Dear Ms. Jurgens:

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet Limited (“LCH.Clearnet”), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the “CFTC”), is submitting for self-certification changes to its rulebook adding TrueEx as an Approved Trade Source System for the SwapClear service. These rulebook changes will be implemented and effective on 8 November 2013.

Please find attached as appendices the Submission Cover Sheet and the relevant changes to the LCH.Clearnet rulebook.

### **Part I: Explanation and Analysis**

LCH.Clearnet has executed a clearing services agreement with trueEX LLC to provide clearing services to its Designated Contract Market (DCM) and Swap Execution Facility (SEF). Accordingly, LCH.Clearnet is amending its rulebook to add TrueEx as an Approved Trade Source System and in compliance with its rulebook obligation will issue a member circular in due course.

### **Part II: Description of Rule Changes**

The implementation of these changes requires amendments to sections 2C.3.4 and 2A.3.4 of the Clearing House Procedures and FCM Procedures, respectively. The relevant pages of the rulebook are attached at Appendix II.

### **Part III: Core Principle Compliance**

The rule change submitted herein ensures continued compliance with a DCO’s open access requirement found in Core Principle C. LCH.Clearnet will continue to comply with all Core Principles following the introduction of these changes and has concluded that its compliance with the Core Principles will not be adversely affected by these changes.

### **Part IV: Public Information**

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LCH.Clearnet Group Limited | LCH.Clearnet Limited | LCH.Clearnet SA | LCH.Clearnet LLC



LCH.Clearnet has posted a notice of pending certification with the CFTC and a copy of the submission on LCH.Clearnet's website at: [http://www.lchclearnet.com/rules\\_and\\_regulations/ltd/default.asp](http://www.lchclearnet.com/rules_and_regulations/ltd/default.asp).

**Part V: Opposing Views**

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

**Certification**

LCH.Clearnet Limited 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 [laurian.cristea@lchclearnet.com](mailto:laurian.cristea@lchclearnet.com).

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Laurian Cristea', enclosed in a blue oval scribble.

Laurian Cristea  
Senior Vice President, Compliance & Regulation  
US Contact: +1 212.513.5610



**Appendix I**  
**Submission Cover Sheet**



**Appendix II**  
**LCH.Clearnet Limited Rulebook**

At each end of day margin run, the Clearing House will recalculate and call, on an account by account basis, required margin in respect of the MER requirements of each SwapClear Clearing Member currently participating in the MER Arrangements.

#### 2C.3.4 **Approved Trade Source Systems**

Currently, the Approved Trade Source Systems designated by the Clearing House for SwapClear are MarkitWire, Bloomberg ~~and~~, Tradeweb and TrueEx. Where the Clearing House approves additional Approved Trade Source Systems, it will notify SwapClear Clearing Members via a member circular.

SwapClear Transactions presented through an 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 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 Approved Trade Source System or the timeliness or otherwise of the delivery of any SwapClear Transaction details by that Approved Trade Source System to the Clearing House. Such matters form part of the relationship between the SwapClear Clearing Members and that Approved Trade Source System.

The Clearing House will process any SwapClear Transaction reported to it by an Approved Trade Source System on an "as is" basis and, subject to the General Regulations and these Procedures, will register any such SwapClear Transaction on the basis of the data provided to it by the Approved Trade Source System and approved by the relevant SwapClear 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 Approved Trade Source System to the Clearing House or to a SwapClear 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 SwapClear Contract on the basis of incorrect or corrupted data sent to it by an Approved Trade Source System and consented to (where applicable) by a SwapClear Clearing Member, the SwapClear Clearing Member concerned shall be bound by the terms of such SwapClear Contract. The Clearing House shall use its reasonable endeavours to assist the relevant SwapClear Clearing 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.

SwapClear Clearing Members shall ensure that Necessary Consents are provided by appropriately authorised personnel. Apart from in respect of Necessary Consents, the Clearing House is not able to, and will not, verify the authorisation of the source of any details of any transaction reported to it for registration by any Approved Trade Source System. The Clearing House shall have no liability in the event that any SwapClear Clearing Member suffers any loss through the unauthorised granting of a Necessary Consent.

#### 2C.3.5 **Registration of New Trades**

Prior to it registering a SwapClear Contract, the Clearing House will require the SwapClear Clearing Member in whose name such SwapClear Contract is to be registered to provide it with cover for initial and variation margin in respect of such contract as a precondition to registration (taking into account any MER and/or SwapClear Tolerance, if any). In accordance with Regulation 47(d)(iv), a SwapClear Clearing Member becomes obligated to provide such cover (taking into account MER and/or SwapClear Tolerance, if any) to the Clearing House at the time when both SwapClear Contracts, or the SwapClear Contract and the FCM SwapClear Contract (as applicable), relating to the relevant SwapClear Transaction have been submitted or deemed to be submitted (as applicable) by the

(swapclear.clientservices@lchclearnet.com). Changes in Participation Status are processed at the end of each month. All relevant documentation must be completed and returned to the Clearing House no later than 5 Business Days prior to the end of the month preceding the month to which the change in Participation Status applies. An FCM Clearing Member's Participation Status will remain unchanged until the Business Day following the day that the Clearing House confirms via email that the change in Participation Status has been processed. The Clearing House shall be entitled to treat the Participation Status of an FCM Clearing Member as continuing unchanged from month to month until such time as appropriate notice is received from such FCM Clearing Member and processed by the Clearing House in accordance with the provisions of this paragraph.

Each FCM Clearing Member participating in the MER Arrangements will be called for MER Cover separately in respect of its Proprietary Account and/or its FCM Omnibus SwapClear Client Account with LCH. MER Cover is part of an FCM Clearing Member's required Initial Margin. Hence, for the avoidance of doubt, failure to furnish MER Cover when required by the Clearing House will constitute a breach of these FCM Procedures and the FCM Regulations. MER Cover deposited to an FCM Omnibus SwapClear Client Account with LCH is credited to its FCM Buffer Sub-Account, and treated as FCM Buffer. Any FCM Buffer (but not including Encumbered FCM Buffer) maintained in an FCM Omnibus SwapClear Client Account with LCH at End of Day is credited towards the satisfaction of any MER requirements applicable to such account during the End of Day margin run.

As FCM SwapClear Contracts are registered to an FCM Clearing Member's relevant accounts, the Clearing House will apply any available MER Cover (which is treated as FCM Buffer when held in an FCM Omnibus SwapClear Client Account with LCH) as Initial Margin in respect of such newly registered FCM SwapClear Contracts prior to utilizing any available SwapClear Tolerance (if any).

At each End of Day margin run, the Clearing House will recalculate and call, on an account by account basis, Required Margin in respect of the MER requirements applicable to each FCM Clearing Member participating in the MER Arrangements on such day.

#### 2A.3.4 **SwapClear FCM Approved Trade Source Systems**

Currently the FCM Approved Trade Source Systems designated by the Clearing House for SwapClear are MarkitWire, Bloomberg ~~and~~ Tradeweb ~~and~~ TrueEx. Where the Clearing House approves additional FCM Approved Trade Source Systems, it will notify FCM Clearing Members via member circular.

FCM SwapClear Transactions submitted 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.