



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

20<sup>th</sup> May 2014

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 that remove the Baltic Exchange Dry Index ("BDI") product from the EnClear Service.

Please find attached as Appendix I blacklined rulebook changes to the LCH.Clearnet and FCM Rulebooks.

**Part I: Explanation and Analysis**

The BDI (Baltic Exchange Dry Index) is an Index that draws data from the Cape, Pmax, Smax and Handy Indices. The BDI is actively referenced in the maritime trade. LCH.Clearnet offers a cash settled swap that trades against the BDI. The Baltic Exchange has announced that it will not provide an EOD forward curve for this product. Therefore, LCH.Clearnet will delist the BDI product from the suite of EnClear eligible products on 6 June 2014.

**Part II: Description of Rule Changes**

References to the BDI product will be removed from the LCH.Clearnet General Regulations (3.4.2, 3.4G, Part B (OTC EnClear Regulations), Procedures (2E.2.2.1) and FCM Procedures (2C.2.2.1).

**Part III: Core Principle Compliance**

The rule changes submitted herein ensure continued compliance with the DCO Core Principles. 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 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/proposed\\_rules.asp](http://www.lchclearnet.com/rules_and_regulations/ltd/proposed_rules.asp)].

**Part VI: 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 this proposal.

**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 [jay.iyer@lchclearnet.com](mailto:jay.iyer@lchclearnet.com) or [vikesh.patel@lchclearnet.com](mailto:vikesh.patel@lchclearnet.com)

Yours sincerely,

A handwritten signature in black ink, appearing to be "Jay Iyer".

Jay Iyer  
Chief Compliance Officer  
LCH.Clearnet Limited



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"WCI" means World Container Index of 15 Christopher Street, London EC2A 2BS.

"Worldscale Point" or "WS Point" means a point of the pricing index operated by the Worldscale Association.

"Worldscale Rate" or "WS Rate" means the number of Worldscale Points.

Tanker Voyage Routes, Dry Voyage Routes, Dry Timecharter Basket Routes, Dry Trip Timecharter Routes and Timecharter Voyage Routes are those defined by the Baltic Exchange.

3.4.2 The following sets of terms are designated as Specific Standard Terms of a registered LCH EnClear OTC Contract arising from an Eligible OTC Trade (Freight Division).

The table below shows which set of terms (identified by the individual sub-section number of this section 3) applies to the relevant type of freight forward contract or option contract and route:

Name of freight contract and route	Section
\$ Per Tonne Tanker Voyage Routes	Section 3.4A
Dry Voyage Routes	Section 3.4B
Dry Timecharter Basket Routes - Forwards	Section 3.4C
Dry Trip Timecharter Routes	Section 3.4D
Dry Timecharter Voyage Route	Section 3.4E
Dry Timecharter Trip & Basket Routes - Options	Section 3.4F
<del>SCFI Container Swaps</del> <del>Baltic Exchange Dry Index</del>	<del>Section 3.4H</del> <del>Section 3.4G</del>
<del>WCI Container Swaps</del> <del>SCFI Container Swaps</del>	<del>Section 3.4I</del> <del>Section 3.4H</del>
<del>Iron Ore Swap</del> <del>WCI Container Swaps</del>	<del>Section 3.4J</del> <del>Section 3.4I</del>
<del>Iron Ore Option</del> <del>Iron Ore Swap</del>	<del>Section 3.4K</del> <del>Section 3.4J</del>
<del>Fertilizer Swaps</del> <del>Iron Ore Option</del>	<del>Section 3.4L</del> <del>Section 3.4K</del>
<del>Fertilizer Swap Option</del> <del>Fertilizer Swaps</del>	<del>Section 3.4M</del> <del>Section 3.4L</del>
<del>European Hot Rolled Coil Steel Swaps</del> <del>Fertilizer Swap Option</del>	<del>Section 3.4N</del> <del>Section 3.4M</del>
<del>Chinese Hot Rolled Coil Steel Swap</del> <del>European Hot Rolled Coil Steel Swaps</del>	<del>Section 3.4O</del> <del>Section 3.4N</del>
<del>Turkish Import Scrap Steel Swap</del> <del>Chinese Hot Rolled Coil Steel Swap</del>	<del>Section 3.4P</del> <del>Section 3.4O</del>



~~Chinese Domestic Hot Rolled Ribbed Bar Steel Swap~~ ~~Turkish Import Scrap Steel Swap~~ Section 3.4Q ~~Section 3.4P~~

~~API 2 cif ARA (Argus/McCloskey) Coal Swap Contract~~ ~~Chinese Domestic Hot Rolled Ribbed Bar Steel Swap~~ Section 3.4R ~~Section 3.4Q~~

~~API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contract~~ ~~API 2 cif ARA (Argus/McCloskey) Coal Swap Contract~~ Section 3.4S ~~Section 3.4R~~

~~API 2 of ARA (Argus/McCloskey) Coal Option Contract~~ ~~API 4 fob Richards Bay (Argus/McCloskey) Coal Swap Contract~~ Section 3.4T ~~Section 3.4S~~

~~API 4 fob Richard Bay (Argus McCloskey) Coal Option Contract~~ ~~API 2 of ARA (Argus/McCloskey) Coal Option Contract~~ Section 3.4U ~~Section 3.4T~~

~~API 4 fob Richard Bay (Argus McCloskey) Coal Option Contract~~ Section 3.4U

**3.4A Cash Settled Freight Forward Contracts: \$ Per Tonne Tanker Voyage Routes**

Description	Cash settled \$ per tonne freight forward contracts on the following Tanker Voyage Routes:  Baltic TD3 (DD3) (260,000 mt ME Gulf – Japan) Baltic TD5 (DD5) (130,000 mt W Africa – USAC) Baltic TD7 (DD7) (80,000 mt North Sea – Cont) Baltic TD19 (D19) (80,000 mt Cross Med) Baltic TC2 (DC2) (37,000 mt Continent – USAC) Baltic TC6 (DC6) (30,000 mt Algeria/Euromed) Baltic TC14 (D14) (38,000 mt. US Gulf – Continent)
Lot Size	1,000 mt
Currency	US Dollars
Pricing	US \$/tonne
Minimum Tick	US \$ 0.0001 to account for final settlement
Fixed Price	The traded price (in \$/t) or the previous day's settlement price, as supplied end of day by the Baltic Exchange
Floating Price	In respect of daily settlement, the floating price is the end of day price (in \$/t) as supplied by the Baltic Exchange.

Business Days UK Business Days

### 3.4E Cash Settled Freight Forward Contracts: Dry Timecharter Voyage Route

Description Cash settled freight forward contract on the following Timecharter Voyage Route:

S7 (East Coast India – China)

Lot Size 1 day

Currency US Dollars

Pricing US \$ per day

Minimum Tick US \$ 0.0001 to account for final settlement

Fixed Price The traded price or the previous day's settlement price as supplied end of day by the Baltic Exchange

Floating Price In respect of daily settlement, the floating price will be the end of day price as supplied by the Baltic Exchange.

In respect of final settlement, the floating price will be the mean of the daily Baltic Exchange spot price assessments for every trading day in the expiry month.

Expiry / Last Trading Date At 18:00 hours UK time on last business day of each month within the contract series.

Exception – December contracts will expire on the 24th December, or previous business day, where the 24th December is a non-working day.

Contract Series Traded as months and quarters, out to 4 whole quarters (a maximum of 14 months)

Final Payment Date The first business day following expiry

Business Days UK Business Days

### 3.4F Cash Settled Premium Paid Options: Dry Timecharter Trip & Basket Routes

Description Cash settled Premium Paid Options on the following Dry Timecharter Basket Routes:

CTO (Capesize TC Avg 4 routes)

CPO (New Capesize TC Avg 5 routes)

PTO (Panamax TC Avg 4 routes)

STO (Supramax TC Avg 6 routes)

## HTO (Handysize TC Avg 6 routes)

Cash settled Premium Paid Options on the following Dry Trip Timecharter Routes:

## P2O (Cont Trip Far East)

These contracts, if in-the-money expire into their underlying freight forward contracts with a traded price equal to the Strike Price (see below)

Lot Size	1 day
Currency	US Dollars
Pricing	US \$ per day
Minimum Tick	US \$1 per day
Option Type	Options are European style and will be automatically exercised on the expiry day if they are in-the-money. If an option is out-of-the-money it will expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. No manual exercise is permitted.
Option Premium	The Premium is paid at the time of purchase.
Last Trading Date	At 18:00 hours UK time on last Business Day of each month within the contract series.  Exception – December contracts will expire on the 24th December, or previous Business Day, where the 24th December is a non working day
Expiry	18:00 hours UK time on the Last Trading Date  Automatic exercise settings are pre-set to exercise contracts which are one minimum price fluctuation or greater in-the-money when compared to the relevant reference price.  Members are not permitted to override automatic exercise settings or manually enter exercise instructions for this contract.  The reference price will be a price in US dollars, cents and hundredths of a cent (\$0.0001), per day equal to the final settlement price for the underlying freight forward contracts.  For these purposes final settlement price means the final settlement price on the expiry day of the underlying freight forward contracts.

Contract Series	Trade as months, out to 3 whole calendar years (a maximum of 47 months)
Strike Price	Any whole \$ value
Business Days	UK Business Days

### ~~3.4G Cash Settled Freight Index Contract: Baltic Exchange Dry Index~~

<del>Description</del>	<del>Cash settled freight swap on the Baltic Exchange Dry Index (BDI)</del>
<del>Lot Size</del>	<del>1 BDI tick</del>
<del>Currency</del>	<del>US Dollars</del>
<del>Pricing</del>	<del>1 BDI tick = US \$1</del>
<del>Minimum Tick</del>	<del>US \$ 0.0001 to account for final settlement</del>
<del>Fixed Price</del>	<del>The traded price or the previous day's settlement price as supplied end of day by the Baltic Exchange</del>
<del>Floating Price</del>	<del>In respect of daily settlement, the floating price will be the end of day price as supplied by the Baltic Exchange.  In respect of final settlement, the floating price will be the mean of the daily Baltic Exchange BDI assessments for every trading day in the expiry month.</del>
<del>Expiry / Last Trading Date</del>	<del>At 18:00 hours UK time on last business day of each month within the contract series.  Exception -- December contracts will expire on the 24th December, or previous business day, where the 24th December is a non working day.</del>
<del>Contract Series</del>	<del>Traded as months, quarters and calendars, out to 2 whole calendar years (a maximum of 35 months)</del>
<del>Final Payment Date</del>	<del>The first business day following expiry</del>
<del>Business Days</del>	<del>UK Business Days</del>

### 3.4H3.4G Cash Settled SCFI Container Freight Swap Agreement

Description	SCFI cash settled container freight swap agreements on the following routes:  CNW (Shanghai – North West Europe)  CMD (Shanghai – Mediterranean)  CSW (Shanghai – US West Coast)
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**2E.2 FREIGHT DIVISION****2E.2.1 Introduction**

**This Section 2E.2 only applies to the Freight Division of the LCH EnClear OTC Services.**

References to "LCH EnClear OTC Clearing Members" or "GCMs" in this section, means those GCMs who are party to, or accept, Eligible OTC Trades in the Freight Division for clearing by the Clearing House. See Section 2E.1.3 for further details about obtaining approval to clear within the Freight Division.

**2E.2.2 OTC Freight Division Products Eligible for Clearing**

Only trades in products approved by the Clearing House for the LCH EnClear OTC Freight Division ("Eligible Products") may be submitted for registration. The contract terms of Eligible Products for the Freight Division are set out in Section 3.4 of Part A of the Schedule to the LCH EnClear OTC Regulations and may be amended from time to time.

Below is a list of Eligible Products in the Freight Division; this list is split into three categories of products within Freight Division. The list may change from time to time.

**2E.2.2.1 FFA (Forward Freight Agreement) Products**

Dry Timecharter Basket Routes – Forwards (CTC, CPT, PTC, STC, HTC)

Dry Timecharter Trip & Basket Routes – Options (CTO, CPO, PTO, STO, HTO, P2O)

Dry Voyage Routes (C3E, C4E, C5E, C7E)

Dry Trip Timecharter Routes (P1E, P2E, P3E, P1A, P2A, P3A)

Dry Timecharter Voyage Route (S7)

\$ per Tonne Tanker Voyage Routes (DD3, DD5, DD7, D19, DC2, DC6, D14)

~~Baltic Exchange Dry Index (BDI)~~

**2E.2.2.2 CFSA (Container Freight Swap Agreement) Products**

CNW (Shanghai – North West Europe)

CMD (Shanghai – Mediterranean)

CSW (Shanghai – US West Coast)

CSE (Shanghai – US East Coast)

**2E.2.2.3 WCI Container Products**

WRS (Rotterdam – Shanghai)

WLS (Los Angeles – Shanghai)

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**2C.2 Freight Division****2C.2.1 Introduction**

**This Section 2C.2 only applies to the Freight Division of the FCM EnClear Clearing Services.**

References to “FCM EnClear Clearing Members” or “ECFCMs” in this section, means those ECFCMs who are party to, or accept, FCM EnClear Transactions in the Freight Division for clearing by the Clearing House. See Section 2C.1.3.1 for further details about obtaining approval to clear within the Freight Division.

**2C.2.2 OTC Freight Division Products Eligible for Clearing**

Only trades in products approved by the Clearing House for the LCH FCM EnClear OTC Freight Division (“Eligible Products”) may be submitted for registration. The contract terms of Eligible Products for the Freight Division are set out in Section 3.4 of Part A of Schedule C to the FCM Regulations and may be amended from time to time.

Below is a list of Eligible Products in the Freight Division; this list is split into four categories of products within Freight Division. The list may change from time to time.

**2C.2.2.1 FFA (Forward Freight Agreement) Products**

Dry Timecharter Basket Routes – Forwards (CTC, CPT, PTC, STC, HTC)

Dry Timecharter Basket Routes – Options (CTO, CPO, PTO, STO, HTO)

Dry Voyage Routes (C3E, C4E, C5E, C7E)

Dry Trip Timecharter Routes (P1E, P2E, P3E, P1A, P2A, P3A)

Dry Timecharter Voyage Route (S7)

Tanker Voyage Routes (TD3, TD5, TD7, T19, TC2, TC4, TC5, TC6)

\$ per Tonne Tanker Voyage Routes (DD3, DD5, DD7, D19, DC2, DC6)

~~Baltic Exchange Dry Index (BDI)~~

**2C.2.2.2 CFSA (Container Freight Swap Agreement) Products**

CNW (Shanghai – North West Europe)

CMD (Shanghai – Mediterranean)

CSW (Shanghai – US West Coast)

CSE (Shanghai – US East Coast)

**2C.2.2.3 WCI Container Products**

WRS (Rotterdam – Shanghai)