

Via CFTC Portal

19 December 2014

Ms. Parisa Abadi
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington DC 20581

Dear Ms. Abadi,

Pursuant to CFTC regulation §40.6(a) of the Commission regulations, LCH.Clearnet SA (“LCH.Clearnet”), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the “CFTC”), hereby submits for self certification, amendments to LCH.Clearnet’ Risk model for its CDSClear service. LCH.Clearnet notes that while these changes will result in no changes to the LCH.Clearnet Rules and Regulations, they are however within the definition of a “Rule” as contained in §40.1(i) and are therefore being submitted for the Commission’s review.

Part I: Explanation and Analysis

In order to introduce CDS Single names, LCH.Clearnet introduced a VaR-based model in December 2013. As a result of an independent model review performed in 2014, LCH.Clearnet is proposing a number of refinements aimed at correcting certain features of the model. As set forth below, a number of possible efficiencies have been identified:

- Initial margin (spread risk)
- Short charge (jump to default risk)
- Liquidity charge
- Stress testing and Default Fund sizing

Part II: Description of Rule Changes

This Submission does not require any changes to the Rulebook. LCH.Clearnet has communicated all related material, detailing the change, to the CFTC via emails.

Part III: Core Principle Compliance

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 would not be adversely affected by these changes.

Part IV: Public Information

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-regulations/proposed-rules-changes>

Part V: Opposing Views

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

Certification

LCH.Clearnet SA 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: françois.faure@lchclearnet.com.



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