

**VIA CFTC PORTAL**

2 September, 2016

Mr. Christopher Fitzpatrick  
Commodity Futures Trading Commission  
1155 21st Street NW  
Three Lafayette Centre  
Washington DC 20581

**LCH.Clearnet Limited Self-Certification: Member Circular on the liquidity margin calculation (IMMFP) model change for the Rates Service**

Dear Mr Kirkpatrick,

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet Ltd ("LCH"), a derivatives clearing organization registered with the Commodity Futures Trading Commission ("CFTC"), is submitting for self-certification a Circular to SwapClear Clearing Members on the implementation of an update to the liquidity margin calculation (IMMFP) for the Rates Service incorporating OIS indices and LIBOR like indices risk.

**Part I: Explanation and Analysis**

In the current SwapClear liquidity framework, add-on charges are computed treating 'IBOR and OIS indices entirely independently. While in some cases this can be very conservative, in other cases it underestimates the likely exit cost for a position. The change models liquidity using both indices and single currency basis swaps to more accurately assess the exit cost by evaluating the best hedge trades that could be used to neutralise the risk.

The Member Circular on the above changes is attached hereto as **Appendix I**. The circular will be sent to the SwapClear Clearing Members not before September 19<sup>th</sup>, 2016.

**Part II: Description of Rule Changes**

This submission does not require any changes to the LCH Rulebook.

**Part III: Core Principle Compliance**

LCH has concluded that compliance with the Core Principles will not be adversely affected by this change.

**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:

<http://www.lch.com/rules-regulations/proposed-rules-changes>

**Part V: Opposing Views**

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

**Certification**

LCH hereby certifies to the CFTC, pursuant to the procedures set forth in 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 [julian.oliver@lch.com](mailto:julian.oliver@lch.com).

Yours sincerely



Julian Oliver  
Chief Compliance Officer  
LCH.Clearnet Limited

Appendix I

LCH.Clearent Limited - SwapClear Circular

Circular No. LCH Circular No xxx

Service Circular No. SwapClear Circular No xx

Date: xx September 2016

To: All SwapClear Clearing Members

**Subject: IMMFP Model Change**

Dear Member,

As previously communicated to members, LCH plans to implement an update to its liquidity margin calculation (IMMFP) for the Rates Service incorporating 'IBOR/OIS risk.

Following regulatory approval of the revised model, SwapClear intends to implement the change on 1<sup>st</sup> October 2016. Full details of the new model are available on the Secure Area under SwapClear Member Information > Risk Management > Liquidity Margin > Proposed Changes. Impact analysis will be produced and distributed to all members ahead of the release date.

Any questions should be directed to [SwapClearMembershipSales2@LCH.Com](mailto:SwapClearMembershipSales2@LCH.Com).