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**Via Electronic Submission**

March 11, 2016

Mr. Christopher Kirkpatrick  
Secretary  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street NW  
Washington DC 20581

**Re: LCH.Clearnet Limited Request for Order Under Section 4d(f)(3)(B) of the  
Commodity Exchange Act**

Dear Mr. Kirkpatrick:

FIA, the leading trade organization for the futures, options and over-the-counter (“OTC”) cleared derivatives markets,<sup>1</sup> is pleased to submit this letter in support of the request that LCH.Clearnet Limited (“LCH”) has submitted to the Commodity Futures Trading Commission (“Commission”) by letter dated November 17, 2015, for an order pursuant to Section 4d(f)(3)(B) of the Commodity Exchange Act (“Act”) (“Section 4d(f) Order”) authorizing LCH and its clearing member FCMs to participate in a Portfolio Margining Service<sup>2</sup> through the commingling of certain interest rate futures with economically-correlated interest rate swaps in an FCM clearing member’s omnibus cleared swaps customer account (“Request”).<sup>3</sup>

As explained in detail in the Request, the requested Section 4d(f) Order would allow LCH to:

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<sup>1</sup> FIA is the only association representative of all organizations that have an interest in the listed derivatives markets. Its membership includes the world’s largest derivatives clearing firms as well as leading derivatives exchanges and clearing organizations from more than 20 countries. As the principal members of the derivatives clearing organizations, our member firms play a critical role in the reduction of systemic risk in the financial markets. They provide the majority of the funds that support these clearinghouses and commit a substantial amount of their own capital to guarantee customer transactions.

FIA’s core constituency consists of futures commission merchants (“FCMs”), and the primary focus of the association is the global use of exchanges, trading systems and clearinghouses for derivatives transactions. FIA’s regular members, which act as the majority clearing members of the US exchanges, handle more than 90 percent of the customer funds held for trading on US futures exchanges. FIA’s mission is to support open, transparent and competitive markets, protect and enhance the integrity of the financial system and to promote high standards of professional conduct.

<sup>2</sup>Unless otherwise indicated, capitalized terms have the same meaning set forth in LCH’s Request.

<sup>3</sup> Letter from Julian Oliver, Chief Compliance Officer, LCH.Clearnet Limited, to Christopher Kirkpatrick, Secretary to the Commission, dated Nov. 17, 2015.

- (i) Commingle Rates Futures and Rates Swaps in an FCM clearing member's FCM Omnibus SwapClear Client Account with LCH subject to Section 4d(f) of the Act and Part 22 of the CFTC Regulations;
- (ii) Margin such commingled Rates Futures and Rates Swaps on a portfolio basis pursuant to LCH's margin methodology (as set forth in LCH's Request); and
- (iii) Provide similar commingling and portfolio margining relief to LCH's FCM Clearing Members that participate in LCH's proposed FCM Portfolio Margining Service.<sup>4</sup>

FIA has consistently encouraged the Commission to adopt procedures to permit, in appropriate circumstances, risk-based portfolio margining across markets, as a means of promoting sound risk management, reducing systemic risk and allowing more efficient use of capital.<sup>5</sup>

We believe that each request for a Section 4d(f) Order should be evaluated on its own merits and, upon careful consideration of LCH's Request, our view is that LCH's Request does not appear to raise any novel issues that the Commission must consider. For example, the Commission recently issued an order authorizing ICE Clear Europe and its FCM clearing members (i) to hold funds deposited to margin foreign futures in a cleared swaps account under section 4d(f), and (ii) to provide for portfolio margining of such foreign futures and cleared swaps.<sup>6</sup> Accordingly, FIA believes that the Commission should grant the requested Section 4d(f) Order.

In light of the foregoing, FIA encourages the Commission to grant LCH's Request and authorize LCH and its clearing member FCMs to participate in the Portfolio Margining Service through the commingling of economically-correlated Rates Futures and Rates Swaps in an FCM clearing member's FCM Omnibus SwapClear Client Account with LCH.

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<sup>4</sup> We understand that the requested Section 4d(f) Order is not intended to, and will not, relieve FCM clearing members of any obligations that they may otherwise have to customers under the applicable provisions of EMIR.

<sup>5</sup> Letter from John M. Damgard, President, Futures Industry Association, to David A. Stawick, Secretary to the Commission, and Elizabeth M. Murphy, Secretary to the Securities and Exchange Commission, dated December 11, 2011; Letter from John M. Damgard, President, Futures Industry Association, to David A. Stawick, Secretary to the Commission, and Elizabeth M. Murphy, Secretary to the Securities and Exchange Commission, dated September 14, 2009; Letter from John M. Damgard, President, Futures Industry Association, to Jean A. Webb, Secretary to the Commission, dated April 2, 2002; Letter from John M. Damgard, President, Futures Industry Association, to Jonathan G. Katz, Secretary to the Securities and Exchange Commission, dated March 2, 2005.

<sup>6</sup> Order of the Commission regarding "Treatment of Funds Held in Connection with Clearing by ICE Clear Europe of Contracts Traded on ICE Futures Europe" (Aug. 8, 2012).

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## **Conclusion**

FIA appreciates the opportunity to submit these comments in support of the LCH Request. If the Commission has any questions concerning the matters discussed in this letter, please contact Allison Lurton, FIA's Senior Vice President and General Counsel, at (202) 772-3057 or [alurton@fia.org](mailto:alurton@fia.org).

Sincerely,

A handwritten signature in cursive script that reads "Walt L. Lukken".

Walt Lukken  
President & Chief Executive Officer

cc: Honorable Timothy G. Massad, Chairman  
Honorable Sharon Bowen, Commissioner  
Honorable J. Christopher Giancarlo, Commissioner  
Jeffrey Bandman, Acting Director, Division of Clearing and Risk