



Banking and Capital Markets Regulation Unit  
Financial System and Services Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600  
Australia

August 1 2014

Dear sirs,

### **IMPLEMENTATION OF AUSTRALIA'S G-20 OVER-THE-COUNTER DERIVATIVES COMMITMENTS**

This letter provides the submission of LCH.Clearnet Ltd ("LCH.Clearnet") to the Government's July 2014 Proposals Paper on the AUD-IRD central clearing mandate.

LCH.Clearnet is a subsidiary of the LCH.Clearnet Group, the world's leading clearing house group, which services major international exchanges and platforms, as well as a range of OTC markets. It clears a broad range of asset classes including cash equities, exchange traded derivatives, commodities, energy, freight, interest rate swaps, credit default swaps, bonds, repos, and foreign exchange derivatives. The Group's central clearing counterparties ("CCPs") have over 190 clearing members and over 600 clients across 22 countries.

LCH.Clearnet is the only non-Australian CCP to have been granted an Australian Clearing and Settlement Facility Licence and is currently providing clearing services for over-the-counter interest rate swaps to a number of major Authorised Deposit-taking Institutions through its SwapClear service. LCH.Clearnet is also licenced in Australia to clear for the FEX commodities and energy exchange. LCH.Clearnet is supervised directly by both ASIC and the RBA.

In addition to its Australian licence, LCH.Clearnet is regulated in the UK, US, Singapore, Quebec and Ontario. LCH.Clearnet SA is regulated in France, the Netherlands, Belgium, Portugal, the UK and the US. LCH.Clearnet LLC is registered in the US. LCH.Clearnet and LCH.Clearnet SA are authorised under EMIR to provide services throughout the EU, and LCH.Clearnet LLC has applied for recognition in the EU.

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Access to international CCPs such as LCH.Clearnet is important and integral to the implementation of Australia's G20 commitments, and LCH.Clearnet is delighted to be given the opportunity to provide its submission to assist the Government make its determination.

We address certain of the paper's questions below.

3. *Could you please comment on the incremental costs and benefits of merging the timing and the determinations for G4 and AUD IRD?*

For LCH.Clearnet itself there would be no additional costs and benefits of merging the timing and the determinations for G4 and AUD IRD. It would have the advantage of simplicity for planning and implementation. There are margin and collateral efficiencies from portfolio-margining all five (and other) currencies together.

6. *Do you have comments on a possible coordination of the AUD IRD mandate with similar overseas requirements? If so, to which key overseas jurisdictions should an Australian mandate be linked?*

If possible, it would be simpler to coordinate the introduction of the mandate with another jurisdiction. This would reduce the scope for confusion over which entity is captured in each jurisdiction, where it is vital that the definitions are clear and unambiguous. Since it appears that the USA is contemplating extending its mandate to AUD (and other currencies) in the near future, we believe that the Australian mandate should be co-ordinated such that an AUD mandate does not follow behind that of the USA. In Europe, consultation on the G4 is now under way but AUD is not included in the initial proposal..

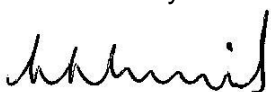
7. *Do you have comments on the proposed timetable for implementing the central clearing obligation?*

The proposed timetable is acceptable.

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We hope that the Treasury finds this submission useful and we look forward to engaging further as policies are developed. Please do not hesitate to contact me at [rory.cunningham@lchclearnet.com](mailto:rory.cunningham@lchclearnet.com) or 02 8226 8824 regarding any questions raised by this letter or to discuss these comments in greater detail.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Rory Cunningham', written in a cursive style.

**Rory Cunningham**  
**Director, Australian Compliance & Asia-Pacific Regulatory Affairs**