

Via CFTC Portal Submission

2 October 2018

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

LCH Limited Self-Certification: New Margin Collateral Haircut Schedule

Dear Mr Kirkpatrick,

LCH Limited ("LCH"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "Commission" or "CFTC"), is submitting for self-certification, pursuant to CFTC regulation §40.6(a), changes to its Margin Collateral Haircut Schedule (the "Schedule"), and changes to the fees applied to non-cash collateral posted to the Clearing House. These changes will take effect on or after 19 October, 2018.

Part I: Explanation and Analysis

LCH proposes to implement a revised Schedule which introduces new eligible margin collateral. LCH is adding to its list of eligible margin collateral, the debt instruments listed below (issued with a minimum size of EUR400m or USD500m per ISIN, and a maximum maturity of 30 years):

1. Kommuninvest i Sverige AB ("KI");
2. International Bank for Reconstruction and Development ("IBRD");
3. The European Financial Stability Facility ("EFSF") and the European Stability Mechanism ("ESM");
4. European Bank for Reconstruction and Development ("EBRD");
5. The European Investment Bank ("EIB");
6. European Union ("EU");
7. Landwirtschaftliche Rentenbank ("Rentenbank").

EFSF Floating-Rate Notes ("FRNs") and Bonds issued by any of the above that have structured features will be not be eligible.

The revised Schedule is attached here to as Appendix A.

Additionally, LCH is amending the fees applied to non-cash collateral posted to the Clearing House by its clearing members to satisfy margin obligations. To date one fee has been applied regardless of the issuer, and only differed depending on whether a tri-party or bilateral mechanism was used to deliver such non-cash collateral to the Clearing House. These revised fees will be more granular and will vary depending the delivery mechanism (i.e. tri-party or bilateral) and the issuer. The fees will be published on the LCH website, and is attached hereto as Appendix B.

The revised Schedule and new fees have been notified via a circular to clearing members.

Part II: Description of Rulebook Changes

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

Part III: Core Principle Compliance

LCH concludes the compliance with the Core Principles is not adversely impacted by this proposal, and in particular complies with Core Principle D and L.

Part IV: Public information

LCH has posted a notice of pending CFTC certification, with a copy of this submission on the LCH website at <https://www.lch.com/resources/rules-and-regulations/proposed-rule-changes-0>

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 no incorporated into this proposal.

Certification

LCH hereby certifies to the Commission, pursuant to the procedures set forth in Commission regulation §40.6(a), that the attached submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

Should you have any questions regarding this submission please contact me at julian.oliver@lch.com

Yours sincerely,



Julian Oliver, Chief Compliance Officer

Appendix A

Margin Collateral Haircut Schedule

LTD - Margin Collateral Haircut Schedule		22-Oct-18		
Government Securities (Description & Bloomberg Code)		Term	Haircut (Conventional Bonds)	Haircut (Inflation Linked Bonds)
Australia	Australian Treasury Bill (ACTB) Australian Government Bond (ACGB) Australian Government I/L (ACGB)	11 business days <= 1yr	5.88%	5.88%
		> 1yr <= 3yrs	6.25%	6.25%
		> 3yrs <= 7 yrs	7.50%	7.50%
		> 7yrs <= 11yrs	8.00%	8.00%
		> 11yrs <= 30yrs	12.13%	12.13%
		> 30yrs	NA	NA
Austria	Austrian Treasury Bill (RATB) Austrian Government Bond (RAGB)	4 business days <= 1yr	5.50%	NA
		> 1yr <= 3yrs	6.25%	NA
		> 3yrs <= 7 yrs	8.00%	NA
		> 7yrs <= 11yrs	8.25%	NA
		> 11yrs <= 30yrs	11.50%	NA
		> 30yrs	13.63%	NA
Belgium	Belgian Treasury Bill (BGTB) Belgian Government Bond (BGB)	4 business days <= 1yr	6.13%	NA
		> 1yr <= 3yrs	7.00%	NA
		> 3yrs <= 7 yrs	8.75%	NA
		> 7yrs <= 11yrs	10.00%	NA
		> 11yrs <= 30yrs	13.25%	NA
		> 30yrs	16.13%	NA
Canada	Canadian Treasury Bill (CTB) Canadian Government Bond (CAN) Canada Government Real Return Bond (CAN)	10 calendar days <= 1yr	5.50%	5.50%
		> 1yr <= 3yrs	6.13%	6.13%
		> 3yrs <= 7 yrs	6.88%	6.88%
		> 7yrs <= 11yrs	7.50%	7.75%
		> 11yrs <= 30yrs	10.25%	11.63%
		> 30yrs	10.50%	11.63%
Denmark	Danish Treasury Bill (DGTB) Danish Government Bond (DGB) Danish Government I/L (DGBI)	6 business days <= 1yr	5.63%	5.63%
		> 1yr <= 3yrs	6.25%	6.25%
		> 3yrs <= 7 yrs	7.25%	7.25%
		> 7yrs <= 11yrs	7.88%	7.88%
		> 11yrs <= 30yrs	12.00%	NA
		> 30yrs	NA	NA
Finland	Finnish Treasury Bill (RFTB) Finnish Government Bonds (RFGB)	4 business days <= 1yr	5.50%	NA
		> 1yr <= 3yrs	6.25%	NA
		> 3yrs <= 7 yrs	7.25%	NA
		> 7yrs <= 11yrs	8.00%	NA
		> 11yrs <= 30yrs	11.50%	NA
		> 30yrs	NA	NA
France	Bons du Trésor à Taux Fixe et Intérêt Précompté (BTF) Bons du Trésor à Taux Fixe et Intérêt Annuel (BTNS) Bons du Trésor à Taux Fixe et Intérêt Annuel I/L (BTNS) Obligations Assimilables du Trésor (FRTR) Obligations Assimilables du Trésor I/L (FRTR)	4 business days <= 1yr	5.75%	5.75%
		> 1yr <= 3yrs	6.25%	6.25%
		> 3yrs <= 7 yrs	7.25%	8.25%
		> 7yrs <= 11yrs	8.13%	9.75%
		> 11yrs <= 30yrs	11.75%	13.25%
		> 30yrs	14.50%	NA
Germany	German Treasury Bill (BUBILL) Bundesschatzanweisungen (BKO) Bundesobligationen (OBL) Bundesobligationen I/L (OBLI) Deutsche Bundesrepublik (DBR) Deutschland I/L (DBRI)	3 business days <= 1yr	5.50%	5.50%
		> 1yr <= 3yrs	6.13%	6.13%
		> 3yrs <= 7 yrs	7.25%	8.00%
		> 7yrs <= 11yrs	8.00%	8.50%
		> 11yrs <= 30yrs	12.25%	12.25%
		> 30yrs	13.63%	13.63%
Italy	Buoni Ordinari del Tesoro (BOTS) Buoni del Tesoro Poliennali (BTPS) Buoni del Tesoro Poliennali I/L (BTPS) Certificati di Credito del Tesoro (CCTS)	3 business days <= 1yr	8.00%	8.50%
		> 1yr <= 3yrs	10.50%	11.25%
		> 3yrs <= 7 yrs	14.13%	14.50%
		> 7yrs <= 11yrs	15.88%	20.50%
		> 11yrs <= 30yrs	19.75%	23.25%
		> 30yrs	21.63%	NA
Japan	Japanese Treasury Bill (JGTB) Japanese Treasury Discount Bill (JTDB) Japanese Government Bond (JGB)	6 business days <= 1yr	6.88%	NA
		> 1yr <= 3yrs	7.50%	NA
		> 3yrs <= 7 yrs	8.38%	NA
		> 7yrs <= 11yrs	8.38%	NA
		> 11yrs <= 30yrs	11.63%	NA
		> 30yrs	13.63%	NA

Government Securities (Description & Bloomberg Code)		Term	Haircut (Conventional Bonds)	Haircut (Inflation Linked Bonds)
Luxembourg	Luxembougois Government Bonds (LGB)	5 business days <= 1yr	5.88%	NA
		> 1yr <= 3yrs	6.50%	NA
		> 3yrs <= 7 yrs	7.38%	NA
		> 7yrs <= 11yrs	8.13%	NA
		> 11yrs <= 30yrs	11.38%	NA
		> 30yrs	13.63%	NA
Netherlands	Dutch Treasury Certificate (DTB) Dutch Government Bond (NETHER)	10 business days <= 1yr	5.87%	NA
		> 1yr <= 3yrs	6.13%	NA
		> 3yrs <= 7 yrs	7.25%	NA
		> 7yrs <= 11yrs	7.50%	NA
		> 11yrs <= 30yrs	11.63%	NA
		> 30yrs	12.38%	NA
Norway	Norwegian Treasury Bill (NGTB) Norwegian Government Bond (NGB)	9 business days <= 1yr	5.50%	NA
		> 1yr <= 3yrs	6.50%	NA
		> 3yrs <= 7 yrs	7.50%	NA
		> 7yrs <= 11yrs	8.88%	NA
		> 11yrs <= 30yrs	NA	NA
		> 30yrs	NA	NA
Spain	Spanish Letras del Tesoro (SGLT) Spanish Government Bond (SPGB)	3 business days <= 1yr	7.88%	NA
		> 1yr <= 3yrs	10.63%	NA
		> 3yrs <= 7 yrs	14.38%	NA
		> 7yrs <= 11yrs	16.63%	NA
		> 11yrs <= 30yrs	22.38%	NA
		> 30yrs	23.88%	NA
Sweden	Swedish Treasury Bill (SWTB) Swedish Government Bond (SGB) Swedish Government I/L (SGBI)	4 business days <= 1yr	5.38%	6.00%
		> 1yr <= 3yrs	6.25%	6.50%
		> 3yrs <= 7 yrs	7.50%	7.50%
		> 7yrs <= 11yrs	8.13%	8.13%
		> 11yrs <= 30yrs	11.88%	11.88%
		> 30yrs	NA	NA
Switzerland	Swiss Treasury Bill (SWISTB) Swiss Government Bond (SWISS)	3 business days <= 1yr	5.88%	NA
		> 1yr <= 3yrs	6.13%	NA
		> 3yrs <= 7 yrs	7.00%	NA
		> 7yrs <= 11yrs	7.75%	NA
		> 11yrs <= 30yrs	13.75%	NA
		> 30yrs	14.63%	NA
United Kingdom	United Kingdom Treasury Bill (UKTB) United Kingdom Gilt (UKT) United Kingdom Index Linked Gilt (UKTI)	9 business days <= 1yr	5.50%	5.50%
		> 1yr <= 3yrs	6.25%	6.25%
		> 3yrs <= 7 yrs	7.50%	8.50%
		> 7yrs <= 11yrs	8.25%	10.00%
		> 11yrs <= 30yrs	11.25%	13.13%
		> 30yrs	13.50%	17.13%
United States	United States Treasury Bill (B) United States Treasury Bond (T) United States Treasury Inflation Indexed Bond (TII)	3 business days <= 1yr	5.50%	5.88%
		> 1yr <= 3yrs	6.63%	7.63%
		> 3yrs <= 7 yrs	8.00%	8.25%
		> 7yrs <= 11yrs	8.75%	10.00%
		> 11yrs <= 30yrs	12.50%	16.00%
		> 30yrs	NA	NA

Mortgage Backed Securities (Description & Bloomberg Code)		Term Since Issue	Haircut
US MBS	General National Mortgage Association (GNMA)	New (0 - 30 months)	17.25%
		Medium (30- 60 months)	19.75%
		Seasoned (> 60 months)	NA

Government & Regional Agencies (Description & Bloomberg Code)		Term	Haircut
EUR Agencies	Kreditanstalt für Wiederaufbau (KfW) FMS Wertmanagement (FMSWER)	3 business days <= 1yr	5.88%
		> 1yr <= 3yrs	6.13%
		> 3yrs <=7 yrs	7.00%
		> 7yrs <= 11yrs	7.88%
		> 11yrs <= 30yrs	14.63%
		>30yrs	NA
EUR Agencies	Rentenbank (RENTEN)	2 business days <= 1yr	5.88%
		> 1yr <= 3yrs	7.25%
		> 3yrs <=7 yrs	8.75%
		> 7yrs <= 11yrs	11.75%
		> 11yrs <= 30yrs	14.63%
		>30yrs	NA
US Agencies	Federal National Mortgage Association (FNMA) Federal Home Loan Mortgage Corporation (FHLMC) Federal Home Loan Banks (FHLB)	3 business days <= 1yr	6.00%
		> 1yr <= 3yrs	6.75%
		> 3yrs <=7 yrs	8.38%
		> 7yrs <= 11yrs	9.25%
		> 11yrs <= 30yrs	12.50%
		>30yrs	NA
REG Agencies	Kommuninvest I Sverige (KOMINS)	6 business days <= 1yr	15.25%
		> 1yr <= 3yrs	15.25%
		> 3yrs <=7 yrs	15.25%
		> 7yrs <= 11yrs	15.25%
		> 11yrs <= 30yrs	15.25%
		>30yrs	NA

Supranationals (Description & Bloomberg Code)		Term	Haircut
Supranationals	International Bank for Reconstruction & Development (IBRD)	12 business days <= 1yr	5.88%
		> 1yr <= 3yrs	7.25%
		> 3yrs <=7 yrs	8.75%
		> 7yrs <= 11yrs	11.75%
		> 11yrs <= 30yrs	13.75%
		>30yrs	NA
Supranationals	European Investment Bank (EIB)	9 business days <= 1yr	5.75%
		> 1yr <= 3yrs	7.25%
		> 3yrs <=7 yrs	10.00%
		> 7yrs <= 11yrs	11.75%
		> 11yrs <= 30yrs	13.75%
		>30yrs	NA
Supranationals	European Stability Facility Mechanism (EFSF) European Stability Mechanism (ESM) European Stability Mechanism T Bills (ESMTB)	4 business days <= 1yr	5.75%
		> 1yr <= 3yrs	7.25%
		> 3yrs <=7 yrs	8.75%
		> 7yrs <= 11yrs	11.75%
		> 11yrs <= 30yrs	13.75%
		>30yrs	NA
Supranationals	European Bank for Reconstruction & Development (EBRD)	2 business days <= 1yr	5.75%
		> 1yr <= 3yrs	7.25%
		> 3yrs <=7 yrs	8.75%
		> 7yrs <= 11yrs	NA
		> 11yrs <= 30yrs	NA
		>30yrs	NA
Supranationals	European Union (EU)	12 business days <= 1yr	5.75%
		> 1yr <= 3yrs	7.25%
		> 3yrs <=7 yrs	8.75%
		> 7yrs <= 11yrs	11.75%
		> 11yrs <= 30yrs	13.75%
		>30yrs	NA

Other Stipulations																																														
Haircuts	FX (Cash & Non-Cash)	<p>A 5.25% incremental FX haircut has been applied to all non-cash securities in the schedule above, regardless of the currency of the asset.</p> <p>Using the grid below, LCH will apply a further incremental FX haircut in any instances where (i) there is a mismatch between the main currency of risk on the cleared positions and currency of collateral (cash and non-cash) and (ii) the implied FX haircut using the grid is greater than the 5.25% already applied to the non-cash securities.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>USD</th> <th>EUR</th> <th>GBP</th> </tr> </thead> <tbody> <tr> <th>USD</th> <td style="background-color: #d9ead3;">0.0%</td> <td>4.0%</td> <td>4.8%</td> </tr> <tr> <th>EUR</th> <td>4.1%</td> <td style="background-color: #d9ead3;">0.0%</td> <td>3.7%</td> </tr> <tr> <th>GBP</th> <td>5.0%</td> <td>3.8%</td> <td style="background-color: #d9ead3;">0.0%</td> </tr> <tr> <th>AUD</th> <td>6.5%</td> <td>5.5%</td> <td>5.5%</td> </tr> <tr> <th>CHF</th> <td>5.2%</td> <td>4.2%</td> <td>5.9%</td> </tr> <tr> <th>JPY</th> <td>4.4%</td> <td>5.9%</td> <td>8.0%</td> </tr> <tr> <th>SEK</th> <td>5.0%</td> <td>3.3%</td> <td>5.4%</td> </tr> <tr> <th>DKK</th> <td>4.1%</td> <td>0.1%</td> <td>3.7%</td> </tr> <tr> <th>NOK</th> <td>5.0%</td> <td>3.9%</td> <td>4.6%</td> </tr> <tr> <th>CAD</th> <td>4.1%</td> <td>4.3%</td> <td>4.2%</td> </tr> </tbody> </table>		USD	EUR	GBP	USD	0.0%	4.0%	4.8%	EUR	4.1%	0.0%	3.7%	GBP	5.0%	3.8%	0.0%	AUD	6.5%	5.5%	5.5%	CHF	5.2%	4.2%	5.9%	JPY	4.4%	5.9%	8.0%	SEK	5.0%	3.3%	5.4%	DKK	4.1%	0.1%	3.7%	NOK	5.0%	3.9%	4.6%	CAD	4.1%	4.3%	4.2%
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Additional	Certain collateral can at times be subject to additional haircuts above those stated. Members lodging this collateral will be contacted directly as appropriate, and further detail can be obtained by contacting LCH.																																													
Market of Issue	<p>Government securities must be issued in the home country of the issuer and be denominated in the domestic currency to be acceptable.</p> <p>Government & Regional agencies must both be issued in the home country of the issuer and be denominated in the domestic currency (with the exception of RentenBank which can be denominated in EUR and USD) to be acceptable.</p> <p>Supranationals must be denominated in the currency specified below: International Bank for Reconstruction & Development: USD European Bank for Reconstruction & Development: EUR European Financial Stability Facility/European Stability Mechanism: EUR European Investment Bank: EUR & USD European Union: EUR</p>																																													
Maximum Term Maturity	<p>Haircuts have been set appropriately to reflect the maximum term maturity for each issuer at the time of review, however there may be additional constraints based on currency (please refer below). Any new issuances of maturity greater than those at review will need to be assessed before being accepted as margin collateral. Where are haircut has not been identified, the maturity bucket is not considered eligible.</p> <p>Conventional Bonds maximum eligible term: Australia: 30 yrs Denmark: 30 yrs Finland: 30 yrs Germany: 32 yrs Norway: 11 yrs Sweden: 30 yrs United States: 30 yrs Kreditanstalt für Wiederaufba: 30 yrs FMS Wertmanagement: 30 yrs Kommuninvest I Sverige: 30 yrs Landwirtsch.Rentenbank (EUR denominated bonds) : 30yrs Landwirtsch.Rentenbank (USD denominated bonds) : 11yrs International Bank for Reconstruction & Development: 30 yrs European Bank for Reconstruction & Development: 7 yrs European Financial Stability Facility/European Stability Mechanism: 30yrs European Investment Bank: 30 yrs European Union: 30 yrs</p> <p>Inflation Linked Bonds maximum eligible term: Australia ILB: 25 yrs Denmark ILB: 11 yrs France ILB: 30 yrs Italy ILB: 30 yrs Sweden ILB: 30 yrs United States ILB: 30 yrs</p>																																													
Excluded Instruments	Zero coupon bonds, stripped bonds and perpetual bonds. Japanese Govt FRNs and Japanese Govt ILBs																																													
Concentration Controls	In addition to the concentration limits in place upon particular asset types as noted above, LCH reserves the right to manage specific concentrations in margin collateral in all circumstances. Where positions are considered to be excessively concentrated, members will be contacted directly with a view to re-alignment of their portfolio.																																													
Swiss Bonds	Swiss Bonds can currently only be accepted via the tri-party service offered at EuroClear and Clearstream.																																													
Bilateral Only	The following Issuers can currently only be accepted Bilaterally with LCH: RENTN, KOMINS, IBRD, EIB, EFSF,ESM, ESMTB, EBRD and EU																																													

Appendix B

Non-Cash Collateral Charges published at
<https://www.lch.com/risk-collateral-management/ltd-collateral-management/ltd-fees-collateral>

Securities - Current Spreads

Non-Cash Collateral (bps)

Securities		House & Non-SwapClear Client		SwapClear Client
		Tri-party	Bilateral	
Government Securities	All (as listed in Haircut Schedule)	9.5	11	0
Supranationals	European Financial Stability Facility	N/A*	13	0
	European Stability Mechanism	N/A*	13	0
	European Union	N/A*	13	0
	European Bank for Reconstruction and Development	N/A*	13	0
	European Investment Bank	N/A*	13	0
	International Bank for Reconstruction & Development	N/A*	13	0
	Kommuninvest	N/A*	13	0
Agencies	RentenBank	N/A*	13	0
	Kreditanstalt fuer Wiederaufbau	11.5	13	0
	FMS Wertmanagement	11.5	13	0
	Federal Home Loan Mortgage Corp	11.5	13	0
	Federal National Mortgage Association	11.5	13	0
	Federal Home Loan Bank	11.5	13	0
	Ginnie Mae	11.5	13	0
Effective Date		22/10/2018		
End Date		01/11/2018		

* These issuers are only acceptable bilaterally