

VIA CFTC Portal

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

14 September 2022

Subject: Weekly Notification of Rule Amendment for the Week of 12 September 2022

Dear Mr Kirkpatrick,

Please accept this notification pursuant to CFTC regulation § 40.6(d) of the below-described changes to the LCH Limited ("LCH") concentration limit for non-cash margin collateral in Singapore government bonds.

LCH maintains limits related to the percentage of collateral types that clearing members may use to meet initial margin requirements. LCH intends to increase the Singapore government bonds limit from 50% to 75% of the initial margin requirement. This change follows increased demand from clearing members. The change will be reflected on LCH's website, please see a red line of this change in **Appendix I**.

These changes will come into effect on or after 20 September 2022. Clearing members will be notified via circular in advance of the effective date.

No change is required to the LCH Rulebook.

Should you have any questions regarding this submission please contact me at Ebba.Andersson1@lseg.com.

Yours sincerely,



Ebba Andersson
Senior Compliance Officer, LCH Limited

An LSEG Business

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LCH Group Holdings Limited | LCH Limited | Banque Centrale de Compensation | LCH.Clearnet LLC

LCH Limited. Registered in England No. 25932 Registered Office: 10 Paternoster Square, London, EC4M 7LS

Appendix I

Redlined version of LCH's website

(<https://www.lch.com/collateral-management/ltd-collateral-management/ltd-acceptable-collateral/ltd-acceptable-securities>)

LTD Acceptable Securities

Main navigation

- **LTD Collateral Management**
 - **LTD Acceptable Collateral**
 - [LTD Acceptable Cash](#)
 - **LTD Acceptable Securities**
 - [LTD Fees on Collateral](#)
 - [LTD Collateral Management System](#)
 - [LTD Collateral Contacts](#)

LCH Ltd accepts a wide range of debt securities issued by high quality sovereign government issuers and certain government agencies to meet initial margin obligations.

All securities posted as collateral are subject to "haircuts". The size of the haircut is influenced by the tenor of the bond being pledged by the Clearing Member the nature of the security and an FX haircut. Haircuts are typically smaller for bonds with shorter maturities and higher for securities with longer tenors.



LTD - Margin Collateral Haircut Schedule

Details on the various securities that we accept at LCH Ltd as cover for initial margin available from the link below.

[Download](#)

The above link refers to securities collateral acceptable to LCH Ltd as initial margin cover for business cleared. Certain European regulators have agreed that OTC instruments registered with LCH Ltd should be exempt (following Directive 2000/12/EC of 20 March 2000) from credit equivalent amount add-on. Any such exemption applies to LCH Ltd Clearing Members only where initial margin requirements are met with cash or Government Securities acceptable by LCH Ltd. Clearing Members are responsible for ensuring that they comply fully with all regulatory requirements.

Securities collateral - Essential Details

Usually, whenever securities are transferred to LCH Ltd, these securities are held by LCH Ltd under the terms of a deed of charge between LCH Ltd and the respective Clearing Member or client.

As such, before any securities are accepted, the Clearing Member (or client) must have executed the deed of charge.

Please note that, under certain circumstances, Sponsored Members may execute a Title Transfer agreement as an alternative to the Deed of Charge. For further details, please contact collateral.product@lch.com

To facilitate margin delivery, Clearing Members may lodge securities either directly with LCH or using a tri-party arrangement. All Clearing Member proposals for the lodgement, release or substitution of securities must be submitted through the Collateral Management System (CMS).

Certain taxation restrictions and requirements may apply to securities including, but not limited to:

- i. Before pledging Spanish Government securities, Clearing Members will be required to provide LCH with details of their tax status, in accordance with Spanish tax law
- ii. Before pledging Italian Government securities, Clearing Members will be required to complete a Tax Exemption Application Form, which can be obtained from LCH
- iii. Before pledging US Government securities, Clearing Members will be required to provide LCH with details of their tax status, in accordance with US tax law

The following concentration limits apply to each Clearing Member, in respect of its securities collateral*:

- **Italian & Spanish Securities**
 - For Italian & Spanish members : the lower of (i) 50% of the value of the initial margin requirement (EUR equivalent) and (ii) EUR 500 million
 - For other members : the lower of (i) 50% of the value of the initial margin requirement (EUR equivalent) and (ii) EUR 1250 million, of which, Spanish securities EUR 500 million and Italian securities EUR 750 million
- **Supranational Securities** – the lower of (i) 50% of the value of the initial margin requirement (EUR equivalent) and (ii) EUR 500 million.
- **US Agency Securities** – the lower of (i) 20% of the value of the initial margin requirement (USD equivalent) and (ii) USD 500 million.
- **European Agency Securities** – the lower of (i) 20% of the value of initial margin requirement (EUR equivalent) and (ii) EUR 500 million.
- **GNMA MBS Securities** – the lower of (i) 20% of the value of the initial margin requirement (USD equivalent) and (ii) USD 500 million.
- **Kommuninvest Securities** – EUR 50 million.
- **Network Rail** – GBP 200million.
- **Singapore Securities** – the lower of (i) ~~75~~50% of the value of the initial margin requirement and (ii) SGD 500 million
- **Caisse d'Amortissement de la Dette Sociale (CADES)** – EUR 500 million.

*The following additional concentration limits apply at a group level across all Clearing Members within the same group:

- **Italian & Spanish Securities**
 - For Italian & Spanish members : EUR 500 million
 - For other members : EUR 1250 million, of which, Spanish securities EUR 500 million and Italian securities EUR 750 Million
- **Supranational Securities** – EUR 500 million.
- **US Agency Securities** – USD 500 million.
- **European Agency Securities** – EUR 500 million.
- **GNMA MBS Securities** – USD 500 million.
- **Kommuninvest Securities** – EUR 50 million.
- **Network Rail** – GBP 200million.
- **Singapore Securities** – SGD 500 million
- **Caisse d'Amortissement de la Dette Sociale (CADES)** – EUR 500 million.

LCH Limited acceptable securities are also eligible for FCM collateral purposes and will be subject to all other constraints applicable to margin collateral more generally.

For additional information about posting non-cash collateral at LCH Ltd please see Section 4 of LCH Ltd's Procedures.

Securities Collateral Lodge and Release Cut-Off Times

LCH sets cut-off times for the posting of both bilateral non-cash collateral and triparty non-cash collateral with LCH. The deadlines are as follows:

Bilateral Non-Cash Collateral Deadline			
Depository	Place of Settlement	Deadline for CMS instructions (London time)	Deadline for email instructions (London time)
Euroclear UK/IE (CREST)	Euroclear UK/IE	17:30	12:00
Euroclear Bank	Euroclear Bank	17:30	12:00
Bank of New York	Fedwire	19:30	12:00
Citibank New York	Fedwire	19:30	12:00
BMO Harris	Fedwire	19:30	12:00
Austraclear	Austraclear	23:30	12:00
The Monetary Authority of Singapore (MAS)	MAS	09:00	(S-1) 12:00

Triparty Non-Cash Collateral Deadlines

Triparty Agent	Deadline for CMS instructions (London time)	Deadline for email instructions (London time)
Euroclear Bank	17:00	12:00
Clearstream	17:30	12:00

Deadlines for next day settlements are as above on settlement day minus one (S-1). Deadlines for local markets and cross border instructions are at least one hour before the market deadline (please contact collateral.clientservices@lch.com for more details).

With the exception of FCM Clearing Member's Client Accounts, LCH requires a minimum of 2 working days notice for any substitution of collateral in excess of £50mn cash value. This applies in respect of cash being substituted for non-cash, or vice versa and substituting cash for cash in an alternative currency.

Triparty Collateral Management

At LCH we are great supporters of triparty collateral services and the benefits that they can provide for our Clearing Members.

Triparty collateral management allows you to post non-cash collateral to LCH Ltd to cover initial margin requirements in a more efficient way than pledging bonds bilaterally, which can be operationally burdensome and inefficient.

Triparty services provide a more streamlined process. They're automated, facilitating the delivery of non-cash collateral to LCH to meet your initial margin obligations on your behalf without requiring you to specify the specific securities you wish to post.

The utilisation of triparty agents among our membership is growing, with around 20% of LCH's non-cash collateral delivered to the clearing house through triparty services.

More automation and more efficiency – what's not to like?



LCH Ltd Triparty Registration Form - Euroclear

[Download](#)



LCH Ltd Triparty Registration Form - Clearstream

[Download](#)

Standard Settlement Instructions

Below you can find the relevant settlement information for posting margin to LCH Ltd.

The accounts to which margin should be posted at each custodian bank can differ, depending on the government issuing the security you're posting and whether margin is been posted under an FCM membership or as a non-FCM member.

For ease of use CMS will automatically restrict the options available based on the mnemonic and ISIN selected.