

VIA CFTC PORTAL

1 October 2021

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

LCH Limited Self-Certification: Singapore Dollar Initial Margin Collateral

Dear Mr. Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (“CFTC”) Regulation §40.6(a), LCH Limited (“LCH”), a derivatives clearing organization registered with the CFTC, is submitting for self-certification revisions to the LCH rules to accommodate accepting Singapore Dollar (“SGD”) cash and securities as collateral to meet initial margin requirements.

Part I: Explanation and Analysis

On 31 August 2021, LCH opened a SGD account with the Monetary Authority of Singapore (“MAS”), on MAS’s real-time gross settlement system known as the New MAS Electronic Payment and Book-Entry System (“MEPS+”). LCH intends to allow clearing members (except FCM clearing members) to make SGD cash deposits into its account on MEPS+ to meet initial margin requirements. LCH also proposes adding SGD securities as acceptable margin collateral and providing the associated haircuts.

Consequently, LCH is submitting for self-certification revisions to its rules, as described in Part II below. These revisions are in the: (i) LCH Procedures, Section 3: (*Financial Transactions*); (ii) LCH Procedures, Section 4: (*Margin and Collateral*) (jointly the “Procedures”); and (iii) LCH Margin Collateral Haircut Schedule.

Part II: Description of Rule Changes

The following is a summary of the revisions to be made to the Procedures.

LCH Procedures, Section 3: Financial Transactions

Section 1.4 (*New MAS Electronic Payment and Book-Entry System*) is added to provide for the use of the MEPS+ by clearing members to deposit initial margin. The rules provide that if a clearing member instructs a payment to LCH’s account on MEPS+ on a certain business day, the value date for that payment will be that business day. LCH will process only same day value instructions and will not process forward-dated instructions.

The rules provide that any SGD payment by a clearing member to satisfy variation margin requirements will be collected via the protected payments system (“PPS”). Additionally, PPS calls and payments in respect of SGD to satisfy variation margin requirements are for value on the next business day.

An LSEG Business

LCH | Aldgate House | 33 Aldgate High Street | London EC3N 1EA | T: +44 (0)20 7426 7000 | F: +44 (0)20 7426 7001 | lch.com

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

LCH Limited. Registered in England No. 25932 Registered Office: Aldgate House, 33 Aldgate High Street, London EC3N 1EA

LCH Procedures, Section 4: Margin and Collateral

Section 1.3 (*Instructions via CMS*) is updated. It provides that, to ensure LCH credits the correct amount of funds to the clearing member's account after a transfer of SGD cash to LCH's account on MEPS+, the clearing Member must enter the relevant details into the LCH collateral management system ("**CMS**") and LCH will then send the clearing member a CMS instruction reference number ("**CMS Reference**"). The clearing member then transfers SGD to LCH's account on MEPS+, inputting the CMS Reference into their payment instruction. If the clearing member fails to input the CMS Reference or inputs an incorrect CMS Reference, LCH will return the cash to the clearing member on or before the relevant cash deadline, on the same business day.

LCH Margin Haircut Schedule

The LCH Margin Haircut Schedule will be updated to include: Singapore Treasury Bill (SITB), Singapore Government Bonds (SIGB), Monetary Authority of Singapore Bill (MASPSP), and associated haircuts.

The changes to the rules are included as **Appendices I – III** in black line form. The changes will be effective not earlier than October 18, 2021.

Part III: Core Principle Compliance

LCH reviewed the proposed rule changes against the requirements of the Core Principles and finds it will continue to comply with all the requirements and standards set forth therein. Specifically, these rule changes have potential relevance to Core Principle D (Risk Management).

The changes described in this filing ensure that LCH meets the objectives of Core Principle D, including that LCH possess the ability to manage the risks associated with discharging its responsibilities through the use of appropriate tools and procedures. Core Principle D also requires LCH to limit the assets it accepts as initial margin to those that have minimal credit, market, and liquidity risks. LCH believes SGD cash and securities have minimal credit, market, and liquidity risks and are therefore appropriate collateral types to accept as margin.

LCH considered its risk management requirements, specifically those related to the types of assets that LCH may accept as margin, and determined that the changes outlined in this filing will not impact LCH's compliance with Core Principle D. As a result, LCH believes these changes are consistent with the requirements of Core Principle D on Risk Management under CFTC Regulation §39.13.

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: <https://www.lch.com/resources/rulebooks/proposed-rule-changes>.

Part V: Opposing Views

There have been no opposing views expressed to LCH by governing board or committee members, members of LCH or market participants.

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Certification

LCH hereby certifies to the CFTC, pursuant to the procedures set forth in CFTC Regulation §40.6, that the attached submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Should you have any questions please contact me at julian.oliver@lseg.com.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Julian Oliver', enclosed in a light blue rectangular box.

Julian Oliver
Chief Compliance Officer
LCH Limited

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Appendix I
LCH Procedures, Section 3: Financial Transactions
Changed Pages

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Appendix II
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Confidential Appendix III
LCH Margin Collateral Haircut Schedule

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