

**Via CFTC Portal**

17 July 2023

**Mr. Christopher J. Kirkpatrick**  
**Office of the Secretariat**  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street NW  
Washington, DC 20581

**Re:** Proposed LCH SA Initiative – Extension of Eligible Collateral to Caisse d'Amortissement de la Dette Sociale (CADES), Spain Inflation (SPGBEI) and European Union T-Bills (EUB)

Dear Mr. Kirkpatrick,

Pursuant to CFTC regulation §40.6(a), LCH SA, a derivatives clearing organization (“**DCO**”) registered with the Commodity Futures Trading Commission (the “**CFTC**”), is submitting for self-certification the proposed amendment to the Non-Cash collateral that a Clearing Member may post with LCH SA to meet the clearing member’s initial and additional margin requirements (the “**Proposed Rule Change**”).

The intended date of implementation of this the Proposed Rule Change is on August 1<sup>st</sup>, , 2023, subject to any relevant regulatory review or approval process duly completed and in no event will the proposed changes be implemented earlier than ten (10) business days after the formal filing with the CFTC.

The text of the Proposed Rule Change is attached hereto as Appendix.

**Part I: Explanation and Analysis**

In response to clearing member requests and in order to harmonize its offer with LCH Limited, LCH SA is proposing to expand the eligible collateral to be posted by a clearing member to satisfy the margin requirements.

LCH SA is proposing to add the following debt instruments to the current list of eligible collateral<sup>1</sup>:

- Spain Inflation (SPGBEI)
- Caisse d'Amortissement de la Dette Sociale (CADES)
- European Union T-Bills (EUB)

This will improve the collateral optimization and the consistency with our clearing offer as those three debts are already eligible for clearing on LCH SA RepoClear service.

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<https://www.lch.com/sites/default/files/media/files/Acceptable%20Collateral%20Haircuts%20LCH%20SA.pdf>

The proposed change will also preserve the CCP's liquidity equilibrium as these debt instruments are EUR-denominated only and eligible to 3G Pool with no impact to our liquidity coverage ratio (LCR).

### **Part II: Description of Rule changes**

LCH SA is already accepting as collateral margin Inflation Bonds for the following EU government debts: France, Germany, and Italy. The proposed Rule Change is simply adding Spain to the current list of eligible collateral.

European Union debt is already eligible as collateral margin at LCH SA, the Proposed Rule Change is expanding the ticker list with EUB.

Further, LCH SA is also proposing to add CADES to the Agency bonds (KFW and RENTEN) already eligible as collateral margin.

There is no change to any LCH SA risk methodology including the Liquidity Risk Modelling Framework or to the CDS Clearing Rules as a result of this extension.

### **Part III: Core Principles Compliance**

LCH SA has reviewed the Proposed Rule Changes against the requirements of Commission' regulations and DCO Core Principles, and finds that these changes will continue to comply with all the requirements and standards therein and in particular with the following principles and Commission's regulations including, but not limited to § 39.13, 39.15, and 39.27.

**DCO Core Principle D – Risk management.** CFTC Regulation 39.13 requires a DCO to ensure that it possesses the ability to manage the risks associated with discharging the responsibilities of the derivatives clearing organization through the use of appropriate tools and procedures. The additional Eligible Collateral that LCH SA is proposing to permit clearing members to post with LCH SA to satisfy the clearing member's margin requirements is limited to sovereign and supranational/agency debt that is issued by jurisdictions that have a high credit score and subject to conservative haircuts in line with LCH SA's collateral eligibility criteria and risk management framework. The addition of those debts will not impact the CCP's LCR as well as any risk methodology.

### **Part IV: Public Information**

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

### **Part V: Opposing Views**

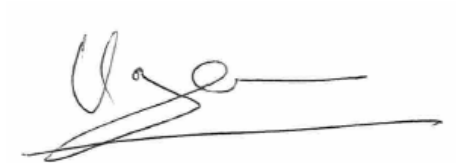
There were no opposing views expressed to LCH SA by governing board or committee members, members of LCH SA that were not incorporated into the rules.

**Certification**

LCH SA hereby certifies to the CFTC, pursuant to the procedures set forth in the Commission regulation §40.6, that this change submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

If you require any additional information or have any questions regarding this submission, please contact the undersigned.

Best regards,

A handwritten signature in black ink, appearing to read 'Uzan', with a long horizontal line extending to the right.

**Carole Uzan**  
Chief Compliance Officer  
+33 1 86 47 64 82  
[carole.uzan@lseg.com](mailto:carole.uzan@lseg.com)

**APPENDIX**

Text of the Proposed Rule Change



Acceptable  
Collateral Haircuts L