

## VIA CFTC PORTAL

May 16, 2022

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

### **LCH Limited Self-Certification: Margin Haircut Schedule - Inflation Linked GILTs**

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 a new schedule of securities acceptable for margin cover purposes (“Schedule”).

#### **Part I: Explanation and Analysis**

LCH proposes to increase the haircut for inflation linked GILTs with a less than one year maturity by 25bps (from 0.25% to 0.5%) due to increased volatility and backtesting breaches. Consequently, LCH is submitting for self-certification revisions to its Margin Haircut Schedule.

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

The following is a summary of the revisions to be made to the LCH Margin Haircut Schedule.

The LCH Margin Haircut Schedule will be updated to increase the haircut for inflation linked GILTs with a less than one year maturity by 25bps (from 0.25% to 0.5%).

The changes to the rules are included as confidential **Appendix I** with the change in red. The changes will be effective no earlier than May 31, 2022. No changes are required to the LCH Rulebook or Procedures.

#### **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, this rule change has 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 increasing the haircuts for inflation linked GILTs with a maturity of less than one year appropriately manages LCH’s credit, market, and liquidity risks.

LCH considered its risk management requirements 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.

#### **An LSEG Business**

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

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**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.

**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 [michelle.weiler@lseg.com](mailto:michelle.weiler@lseg.com).

Sincerely,



Michelle Weiler  
US Compliance Officer  
LCH Limited

**Confidential Appendix I**  
LCH Margin Collateral Haircut Schedule