



VIA CFTC Portal

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

27 February 2025

LCH Limited Self-Certification: Extension of eligible collateral: China Government Bonds in EUR/USD

Dear Mr Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (“CFTC”) regulation §40.6(a), LCH Limited (“LCH”), a derivatives clearing organization (“DCO”) registered with the CFTC is submitting for self-certification the proposed extension of eligible non-cash collateral to China Government Bonds in EUR/USD.

Please note the collateral extension is still subject to a regulatory approval from the Bank of England.

Part I: Explanation and Analysis

China Government Bonds in EUR/USD

LCH proposes to expand the scope of accepted collateral to include liquid fixed-coupon International Bonds issued by the Central People’s Government of the People’s Republic of China (“China”) denominated in EUR and USD.

LCH accepts a range of collateral types issued by high quality issuers for clearing members’ margin obligations. These include for instance sovereign governments and governments agencies. As part of this proposal, LCH is looking to add liquid fixed-coupon International Bonds issued by China under English Law and traded in USD and EUR. It is important to highlight that 144A China International Bonds in USD are not in scope of this proposal.

The acceptable maturities will be capped at 10 years and only bonds with a current notional amount outstanding of min 500m USD will be accepted. Concentration limits will be set at an ISIN, Member and Member Group level, and there will be no direct wrong way risk permitted. The proposal reflects the demand from the LCH’s clearing members.

Part II: Description of Rule Changes

There are no changes required to the LCH Rulebook or Procedures as part of this collateral extension. However, LCH is submitting for self-certification revisions to LCH Margin Haircut Schedule on the back of the new collateral extension, China Government Bonds in EUR/USD, as described above.

The changes will be effective on or after **31 March 2025** (subject to a regulatory approval from the Bank of England).



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 China Government Bonds denominated in EUR/USD 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 were no opposing views expressed to LCH by governing board or committee members, members of LCH or market participants.

Certification

LCH hereby certifies to the Commodity Futures Trading Commission, 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 aleksandra.wojcik@lseg.com.

Yours sincerely,

Aleksandra Wojcik

Regulatory Advisor, LCH Ltd



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Confidential Appendix I

LCH Margin Collateral Haircut Schedule