

**VIA CFTC Portal**

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

28 November 2024

**LCH Limited Self-Certification: Extension of eligible collateral: US agency secured debt “MBS” (Fannie Mae & Freddie Mac); Danish Covered Bonds**

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 US agency secured debt “MSB” (Fannie Mae & Freddie Mac) and Danish Covered Bonds.

**Part I: Explanation and Analysis****US agency secured debt “MBS” (Fannie Mae & Freddie Mac)**

LCH proposes to add US agency mortgage-backed securities issued and guaranteed by the US Federal National Mortgage Association (“Fannie Mae”) and the US Federal Home Loan Mortgage Cooperation (“Freddie Mac”) as acceptable margin collateral. LCH already accepts MBSs issued by the US Government National Mortgage Association (“Ginnie Mae”) and unsecured debt issued by Fannie Mae and Freddie Mac as acceptable margin collateral. However, LCH does not accept MBSs issued by Fannie Mae and Freddie Mac. The proposal reflects the demand from LCH’s clearing members, including pension funds.

The haircut method will be harmonized for the three securities (Ginnie Mae, Freddie Mac and Fannie Mae).

**Danish Covered Bonds**

LCH also proposes to add Danish covered bonds, with residential and commercial mortgage underliers, as eligible margin collateral. The Danish covered bonds are issued by mortgage banks and backed by a pool of residential and commercial mortgages (also known as “capital pools”). This initiative looks to align the eligibility criteria to already eligible margin collateral within LCH, namely Danish government bonds denominated in Danish Krona (“DKK”) and covered bonds backed by mortgages issued by Ginnie Mae in the US. The demand is coming from LCH’s Scandinavian clearing members, including Danish pension funds in the SwapClear service.

**Part II: Description of Rule Changes**

There are no changes required to the LCH Rulebook or Procedures as part of these collateral extensions.



LCH is submitting for self-certification revisions to LCH Margin Haircut Schedule on the back of two new collateral extensions, namely US agency secured debt (Fannie Mae & Freddie Mac) and Danish Covered Bonds, as described above.

Please refer to Part II below to understand what these changes are in blackline form. The changes will be effective not earlier than **16 December 2024**.

### **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 US agency secured debt (Fannie Mae & Freddie Mac) and Danish Covered Bonds 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](mailto:aleksandra.wojcik@lseg.com).

Yours sincerely,

*Aleksandra Wojcik*

Aleksandra Wojcik

Regulatory Advisor, LCH Ltd



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**LCH**

## **Confidential Appendix I**

### LCH Margin Collateral Haircut Schedule