



**VIA EMAIL TO: SUBMISSIONS@CFTC.GOV**

5 September 2014

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

Dear Mr. Kirkpatrick:

Pursuant to CFTC regulation §40.6(a), LCH.Clearnet LLC ("LCH.Clearnet"), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the "CFTC"), is submitting for self-certification a new schedule of Securities Acceptable for Margin Cover Purposes with associated haircut information (the "Schedule") to be implemented on 22 September 2014.

The Schedule is attached hereto in the appendices, along with a confidential submission.

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

LCH.Clearnet proposes to implement the new Schedule following a standard quarterly review of haircuts applied to margin collateral. Additionally, gold has been removed from the Schedule.

This new Schedule will be notified via a circular to Clearing Members prior to the implementation date and the changes do not affect the list of acceptable securities.

### **Part II: Amendments to the Rules and Regulations of LCH.Clearnet**

No rule changes are required.

### **Part III: Core Principle Compliance**

LCH.Clearnet will continue to comply with all Core Principles following the implementation of this Schedule. The introduction of this new Schedule will ensure continued compliance with the Core Principles, in particular Core Principle D (Risk Management) and L (Public Information).

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

LCH.Clearnet has posted a notice of pending certification with the CFTC and a copy of the submission on LCH.Clearnet's website at: [http://www.lchclearnet.com/rules\\_and\\_regulations/ltd/default.asp](http://www.lchclearnet.com/rules_and_regulations/ltd/default.asp).



**Part V: Opposing Views**

There were no opposing views expressed to LCH.Clearnet by governing board or committee members, members of LCH.Clearnet or market participants that were not incorporated into the rule.

**Certification**

LCH.Clearnet LLC hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in the Commission regulation § 40.6, that attached rule submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

Should you have any questions please contact me at [Suprio.chaudhuri@lchclearnet.com](mailto:Suprio.chaudhuri@lchclearnet.com)

Yours sincerely,

A handwritten signature in blue ink that reads "Suprio Chaudhuri".

Suprio Chaudhuri  
Chief Compliance Officer, LCH.Clearnet LLC  
Tel: 1 212 513 5629



**Appendix I**

**Securities Acceptable for Margin Cover Purposes**

LLC - Margin Collateral Haircut Schedule		22-Sep-14		
Government Securities (Description & Bloomberg Code)		Term	Base Haircut (Conventional Bonds)	Inflation Linked Bonds (ILBs) Add-On
Australia	Australian Treasury Bill (ACTB) Australian Government Bond (ACGB) Australian Government I/L (ACGB)	11 business days <= 1yr	0.63%	
		> 1yr <= 3yrs	1.00%	
		> 3yrs <= 7 yrs	2.25%	
		> 7yrs <= 11yrs	2.75%	
		> 11yrs <= 30yrs	4.25%	1.00%
		> 30yrs	4.25%	1.00%
Austria	Austrian Treasury Bill (RATB) Austrian Government Bond (RAGB)	4 business days <= 1yr	0.25%	
		> 1yr <= 3yrs	1.00%	
		> 3yrs <= 7 yrs	2.75%	
		> 7yrs <= 11yrs	3.00%	
		> 11yrs <= 30yrs	6.50%	
		> 30yrs	6.50%	
Belgium	Belgian Treasury Bill (BGTB) Belgian Government Bond (BGB)	4 business days <= 1yr	1.00%	
		> 1yr <= 3yrs	2.75%	
		> 3yrs <= 7 yrs	5.50%	
		> 7yrs <= 11yrs	7.25%	
		> 11yrs <= 30yrs	10.25%	
		> 30yrs	10.50%	
Canada	Canadian Treasury Bill (CTB) Canadian Government Bond (CAN) Canada Government Real Return Bond (CAN)	10 calendar days <= 1yr	0.25%	
		> 1yr <= 3yrs	0.88%	
		> 3yrs <= 7 yrs	1.63%	
		> 7yrs <= 11yrs	2.25%	1.00%
		> 11yrs <= 30yrs	4.00%	2.50%
		> 30yrs	4.00%	2.50%
Denmark	Danish Treasury Bill (DGTB) Danish Government Bond (DGB) Danish Government I/L (DGBI)	6 business days <= 1yr	0.38%	
		> 1yr <= 3yrs	1.00%	
		> 3yrs <= 7 yrs	2.00%	
		> 7yrs <= 11yrs	2.63%	
		> 11yrs <= 30yrs	4.75%	
		> 30yrs	4.75%	
Finland	Finnish Treasury Bill (RFTB) Finnish Government Bonds (RFGB)	4 business days <= 1yr	0.25%	
		> 1yr <= 3yrs	1.00%	
		> 3yrs <= 7 yrs	2.00%	
		> 7yrs <= 11yrs	2.25%	
		> 11yrs <= 30yrs	3.75%	
		> 30yrs	3.75%	
France	Bons du Trésor à Taux Fixe et Intérêt Précompté (BTF) Bons du Trésor à Taux Fixe et Intérêt Annuel (BTNS) Bons du Trésor à Taux Fixe et Intérêt Annuel I/L (BTNS) Obligations Assimilables du Trésor (FRTR) Obligations Assimilables du Trésor I/L (FRTR)	4 business days <= 1yr	0.50%	
		> 1yr <= 3yrs	1.00%	0.50%
		> 3yrs <= 7 yrs	2.00%	2.00%
		> 7yrs <= 11yrs	2.50%	3.00%
		> 11yrs <= 30yrs	6.00%	2.75%
		> 30yrs	8.75%	
Germany	German Treasury Bill (BUBILL) Bundesschatzanweisungen (BKO) Bundesobligationen (OBL) Bundesobligationen I/L (OBLI) Deutsche Bundesrepublik (DBR) Deutschland I/L (DBRI)	3 business days <= 1yr	0.25%	
		> 1yr <= 3yrs	0.88%	
		> 3yrs <= 7 yrs	2.00%	
		> 7yrs <= 11yrs	2.75%	
		> 11yrs <= 30yrs	6.38%	
		> 30yrs	6.38%	
Japan	Japanese Treasury Bill (JGTB) Japanese Treasury Discount Bill (JTDB) Japanese Government Bond (JGB)	6 business days <= 1yr	2.00%	
		> 1yr <= 3yrs	2.25%	
		> 3yrs <= 7 yrs	4.00%	
		> 7yrs <= 11yrs	4.50%	
		> 11yrs <= 30yrs	8.75%	
		> 30yrs	8.75%	

Government Securities (Description & Bloomberg Code)		Term	Base Haircut (Conventional Bonds)	Inflation Linked Bonds (ILBs) Add- On
<b>Luxembourg</b>	Luxembougois Government Bonds (LGB)	<b>5 business days &lt;= 1yr</b> > 1yr <= 3yrs > 3yrs <=7 yrs > 7yrs <= 11yrs > 11yrs <= 30yrs > 30yrs	0.50% 1.25% 2.00% 2.88% 6.25% 6.25%	
<b>Netherlands</b>	Dutch Treasury Certificate (DTB) Dutch Government Bond (NETHER)	<b>10 business days &lt;= 1yr</b> > 1yr <= 3yrs > 3yrs <=7 yrs > 7yrs <= 11yrs > 11yrs <= 30yrs > 30yrs	0.25% 0.88% 2.00% 2.25% 6.75% 6.75%	
<b>Norway</b>	Norwegian Treasury Bill (NGTB) Norwegian Government Bond (NGB)	<b>9 business days &lt;= 1yr</b> > 1yr <= 3yrs > 3yrs <=7 yrs > 7yrs <= 11yrs > 11yrs <= 30yrs > 30yrs	0.25% 1.25% 2.25% 3.75% 4.00% 4.00%	
<b>Sweden</b>	Swedish Treasury Bill (SWTB) Swedish Government Bond (SGB) Swedish Government I/L (SGBI)	<b>4 business days &lt;= 1yr</b> > 1yr <= 3yrs > 3yrs <=7 yrs > 7yrs <= 11yrs > 11yrs <= 30yrs > 30yrs	0.13% 1.00% 2.50% 2.88% 4.13% 4.13%	0.75%   0.37% 0.37%
<b>United Kingdom</b>	United Kingdom Treasury Bill (UKTB) United Kingdom Gilt (UKT) United Kingdom Index Linked Gilt (UKTI)	<b>9 business days &lt;= 1yr</b> > 1yr <= 3yrs > 3yrs <=7 yrs > 7yrs <= 11yrs > 11yrs <= 30yrs > 30yrs	0.25% 1.00% 2.25% 3.00% 5.50% 7.50%	1.25% 2.25% 3.00% 1.00%
<b>United States</b>	United States Treasury Bill (B) United States Treasury Bond (T) United States Treasury Inflation Indexed Bond (TII)	<b>3 business days &lt;= 1yr</b> > 1yr <= 3yrs > 3yrs <=7 yrs > 7yrs <= 11yrs > 11yrs <= 30yrs > 30yrs	0.25% 1.38% 2.75% 3.50% 6.75% 6.75%	0.75% 1.75% 3.50% 3.50%

Mortgage Backed Securities (Description & Bloomberg Code)		Term Since Issue	Base Haircut
US MBS	General National Mortgage Association (G2)	New (0 - 30 months)	12.00%
	Federal National Mortgage Association (FN)	Medium (30- 60 months)	14.50%
	Federal Home Loan Mortgage Corporation (FG)	Seasoned (> 60 months)	N/a

Government Agencies (Description & Bloomberg Code)		Term	Base Haircut
US Agencies	Federal National Mortgage Association (FNMA) Federal Home Loan Mortgage Corporation (FHLMC) Federal Home Loan Banks (FHLB)	3 business days <= 1yr	0.75%
		> 1yr <= 3yrs	1.50%
		> 3yrs <=7 yrs	4.00%
		> 7yrs <= 11yrs	5.00%
		> 11yrs <= 30yrs	8.25%
EUR Agencies	Kreditanstalt für Wiederaufbau (KfW) FMS Wertmanagement (FMSWER)	3 business days <= 1yr	0.63%
		> 1yr <= 3yrs	1.25%
		> 3yrs <=7 yrs	2.25%
		> 7yrs <= 11yrs	2.63%
		> 11yrs <= 30yrs	6.63%

Securities issued under Government Credit Guarantee Schemes		Term	Base Haircut
Australia	Government Guaranteed Bonds	3 business days <= 1yr	1.25%
		> 1yr <= 3yrs	3.00%
		> 3yrs <=7 yrs	
Austria	Government Guaranteed Bonds	3 business days <= 1yr	1.00%
		> 1yr <= 3yrs	3.25%
		> 3yrs <=7 yrs	
France	Government Guaranteed Bonds	3 business days <= 1yr	1.00%
		> 1yr <= 3yrs	4.00%
		> 3yrs <=7 yrs	
Germany	Government Guaranteed Bonds	3 business days <= 1yr	0.75%
		> 1yr <= 3yrs	2.75%
		> 3yrs <=7 yrs	
Netherlands	Government Guaranteed Bonds	3 business days <= 1yr	0.75%
		> 1yr <= 3yrs	2.75%
		> 3yrs <=7 yrs	
Sweden	Government Guaranteed Bonds	3 business days <= 1yr	0.75%
		> 1yr <= 3yrs	4.50%
		> 3yrs <=7 yrs	

Other Stipulations		
Haircuts	FX	To capture the potential FX exposure related to cover being provided in a currency other than the underlying liability, a 4% incremental FX haircut will be applied upon all non-US Dollar securities.
	Additional	Certain collateral can at times be subject to additional haircuts above those stated. Members lodging this collateral will be contacted directly as appropriate, and further detail can be obtained by contacting CaLM Risk.
Market of Issue		Government securities must be issued in the home country of the issuer and be denominated in the domestic currency to be acceptable.  Government agencies and securities issued under Government Credit Guarantee Schemes must both be issued in the home country of the issuer and be denominated in the domestic currency to be acceptable. These instrument categories are maintained using ISIN lists.
Excluded Instruments		Zero coupon bonds, stripped bonds and perpetual bonds Japanese Govt FRNs and Japanese Govt ILBs
Concentration Controls		In addition to the concentration limits in place upon particular asset types as noted above, LCH.Clearnet reserves the right to manage specific concentrations in margin collateral in all circumstances. Where positions are considered to be excessively concentrated, members will be contacted directly with a view to re-alignment of their portfolio.

**Appendix II**