



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

25 February 2014

Ms. Melissa Jurgens  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street NW  
Three Lafayette Centre  
Washington DC 20581

Dear Ms. Jurgens:

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 (the "Schedule") to be implemented starting on 11 March 2014.

The submission cover sheet and Schedule are attached hereto as appendices.

**Part I: Explanation and Analysis**

LCH.Clearnet proposes to implement the new Schedule following a standard quarterly review of haircuts applied to margin collateral. The revised Schedule provides for separate haircuts for conventional bonds and inflation-linked bonds ("ILBs"), whereas these haircuts were previously combined. This change benefits members who post conventional bonds as it separates the higher haircuts on ILBs.

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

**Part II: Description of rule changes**

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/lc/proposed\\_rules.asp](http://www.lchclearnet.com/rules_and_regulations/lc/proposed_rules.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 [julian.oliver@lchclearnet.com](mailto:julian.oliver@lchclearnet.com)

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Julian Oliver', written over a circular stamp or mark.

Julian Oliver, Director Compliance and Public Affairs  
LCH.Clearnet  
+44 (0) 207 392 8297



**Appendix I**

**Submission Cover Sheet**

LCH.Clearnet LLC, 17 State Street, 28 Floor, New York, NY 10004

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*LCH.Clearnet Group Limited | LCH.Clearnet Limited | LCH.Clearnet SA | LCH.Clearnet LLC*

# SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) LCHLLC Date: 25 Feb 2014

**IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.**

**ORGANIZATION** LCH.Clearnet LLC

**FILING AS A:**  DCM  SEF  DCO  SDR  ECM/SPDC

## TYPE OF FILING

- **Rules and Rule Amendments**

- Certification under § 40.6 (a) or § 41.24 (a)
- “Non-Material Agricultural Rule Change” under § 40.4 (b)(5)
- Notification under § 40.6 (d)
- Request for Approval under § 40.4 (a) or § 40.5 (a)
- Advance Notice of SIDCO Rule Change under § 40.10 (a)

- **Products**

- Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)
- Swap Class Certification under § 40.2 (d)
- Request for Approval under § 40.3 (a)
- Novel Derivative Product Notification under § 40.12 (a)

## RULE NUMBERS

n/a

## DESCRIPTION

LCH.Clearnet LLC is submitting for self-certification a new schedule of Securities Acceptable for Margin Cover Purposes due to changes to the haircuts applied to margin collateral.



**Appendix II**

**Securities Acceptable for Margin Cover Purposes**

LLC - Margin Collateral Haircut Schedule				11-Mar-14		
Government Securities (Description & Bloomberg Code)		Term	Base Haircut	ILB Add-On	Change (Conventional Bonds)	Change (ILBs)
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%			
Austria	Austrian Treasury Bill (RATB) Austrian Government Bond (RAGB)	> 30yrs	4.25%			
		4 business days <= 1yr	0.25%			
		> 1yr <= 3yrs	1.00%			
		> 3yrs <= 7 yrs	2.75%			
		> 7yrs <= 11yrs	3.00%			
Belgium	Belgian Treasury Bill (BGTB) Belgian Government Bond (BGB)	> 11yrs <= 30yrs	6.50%			
		> 30yrs	6.50%			
		4 business days <= 1yr	1.25%			
		> 1yr <= 3yrs	3.00%			
		> 3yrs <= 7 yrs	6.00%			
Canada	Canadian Treasury Bill (CTB) Canadian Government Bond (CAN) Canada Government Real Return Bond (CAN)	> 7yrs <= 11yrs	7.75%			
		> 11yrs <= 30yrs	10.50%			
		> 30yrs	10.50%			
		10 calendar days <= 1yr	0.25%			
		> 1yr <= 3yrs	0.88%			
Denmark	Danish Treasury Bill (DGTB) Danish Government Bond (DGB) Danish Government I/L (DGBI)	> 3yrs <= 7 yrs	1.63%			
		> 7yrs <= 11yrs	2.25%	1.00%	-1.00%	
		> 11yrs <= 30yrs	4.00%	4.00%	-4.00%	
		> 30yrs	4.00%	4.00%	-4.00%	
		6 business days <= 1yr	0.38%			
Finland	Finnish Treasury Bill (RFTB) Finnish Government Bonds (RFGB)	> 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)	> 1yr <= 3yrs	1.00%	0.50%	-0.50%	
		> 3yrs <= 7 yrs	2.00%	2.00%	-2.00%	
		> 7yrs <= 11yrs	2.50%	3.00%	-2.75%	0.25%
		> 11yrs <= 30yrs	6.00%	2.75%	-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)	> 11yrs <= 30yrs	6.38%			
		> 30yrs	6.38%			
		3 business days <= 1yr	0.25%			
		> 1yr <= 3yrs	0.88%			
		> 3yrs <= 7 yrs	2.00%			
Japan	Japanese Treasury Bill (JGTB) Japanese Treasury Discount Bill (JTDB) Japanese Government Bond (JGB)	> 7yrs <= 11yrs	2.75%			
		> 11yrs <= 30yrs	6.38%			
		> 30yrs	6.38%			
		6 business days <= 1yr	2.00%			
		> 1yr <= 3yrs	2.25%			

Government Securities (Description & Bloomberg Code)		Term	Base Haircut	ILB Add-On	Change (Conventional Bonds)	Change (ILBs)
Luxembourg	Luxembougois Government Bonds (LGB)	5 business days <= 1yr	0.50%			
		> 1yr <= 3yrs	1.25%			
		> 3yrs <= 7 yrs	2.00%			
		> 7yrs <= 11yrs	2.88%			
		> 11yrs <= 30yrs	6.25%			
Netherlands	Dutch Treasury Certificate (DTB) Dutch Government Bond (NETHER)	> 30yrs	6.25%			
		10 business days <= 1yr	0.25%			
		> 1yr <= 3yrs	0.88%			
		> 3yrs <= 7 yrs	2.00%			
		> 7yrs <= 11yrs	2.25%			
Norway	Norwegian Treasury Bill (NGTB) Norwegian Government Bond (NGB)	> 11yrs <= 30yrs	6.75%			
		> 30yrs	6.75%			
		9 business days <= 1yr	0.25%			
		> 1yr <= 3yrs	1.25%			
		> 3yrs <= 7 yrs	2.25%			
Sweden	Swedish Treasury Bill (SWTB) Swedish Government Bond (SGB) Swedish Government I/L (SGBI)	> 7yrs <= 11yrs	3.75%			
		> 11yrs <= 30yrs	4.00%			
		> 30yrs	4.00%			
		4 business days <= 1yr	0.13%			
		> 1yr <= 3yrs	1.00%	0.75%	-0.75%	
		> 3yrs <= 7 yrs	2.50%			
		> 7yrs <= 11yrs	2.88%			
		> 11yrs <= 30yrs	4.13%	0.37%		0.37%
		> 30yrs	4.13%	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>	0.25%				
		> 1yr <= 3yrs	1.00%				
		> 3yrs <= 7 yrs	2.25%	1.25%		-1.25%	
		> 7yrs <= 11yrs	3.00%	2.25%		-2.25%	
		> 11yrs <= 30yrs	5.50%	3.00%		-1.00%	2.00%
		> 30yrs	7.50%	1.00%		-0.75%	0.25%
<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>	0.25%				
		> 1yr <= 3yrs	1.38%				
		> 3yrs <= 7 yrs	2.75%	0.75%		-0.75%	
		> 7yrs <= 11yrs	3.50%	1.75%		-1.75%	
		> 11yrs <= 30yrs	6.75%	4.50%		-1.00%	3.50%
		> 30yrs	6.75%	4.50%		-1.00%	3.50%

<b>Mortgage Backed Securities (Description &amp; Bloomberg Code)</b>		<b>Term Since Issue</b>	<b>Base Haircut</b>	<b>Change</b>
<b>US MBS</b>	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	

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

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

<b>Other Stipulations</b>		
<b>Haircuts</b>	<b>FX</b>	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.
	<b>Additional</b>	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.
<b>Market of Issue</b>	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 to be maintained using ISIN lists.	
<b>Excluded Instruments</b>	Zero coupon bonds, stripped bonds and perpetual bonds Japanese Govt FRNs and Japanese Govt ILBs	
<b>Concentration Controls</b>	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.	