

**THIS DOCUMENT IS A NOTICE GIVEN BY LCH PURSUANT TO THE TERMS OF THE
FLOATING RATE CONVERSION ANNEXES (LIBOR) CONTAINED IN THE LCH
RULEBOOK AND IS SPECIFICALLY FOR DISTRIBUTION TO SWAPCLEAR CLEARING
CLIENTS AND FCM CLIENTS**

IMPORTANT: This document summarizes certain matters relating to LCH’s conversion of SwapClear Contracts and SwapClear FCM Contracts that reference LIBORs (other than USD LIBOR). This document is provided for information only and is not intended to be a full description of the transition or a recommendation or advice of any sort as to how the issues described may affect you or what steps or actions you should take. Accordingly, you may not rely upon the contents of this document. LCH Limited does not accept any liability in connection with its contents. All readers should seek their own legal, financial or other advice, as appropriate.

1. INTRODUCTION

1.1 As previously communicated¹:

- (a) on December 4, 2021, LCH intends to convert all outstanding SwapClear Contracts and SwapClear FCM Contracts that (i) use CHF LIBOR, EUR LIBOR or JPY LIBOR² as the floating rate and (ii) are registered with LCH at the end of business in New York on December 3, 2021;
- (b) on December 18, 2021, LCH intends to convert all outstanding SwapClear Contracts and SwapClear FCM Contracts that (i) use GBP LIBOR³ as the floating rate and (ii) are registered with LCH at the end of business in New York on December 17, 2021; and
- (c) any SwapClear Transaction or SwapClear FCM Transaction that references CHF LIBOR, GBP LIBOR, or JPY LIBOR shall not be eligible for registration with LCH after December 4, 2021 (in the case of CHF LIBOR and JPY LIBOR) and December 18, 2021 (in the case of GBP-LIBOR) unless it qualifies as a Legacy LIBOR Transaction. Any Legacy LIBOR Transaction registered with LCH after the applicable date above will be amended as described in paragraph 5 below.

1.2 The purpose of this document is to provide SwapClear Clearing Clients and FCM Clients (referred to herein collectively as ‘clients’) with certain information on how the conversion and related compensation mechanism will operate from a high-level perspective.

1.3 This document does not describe all the commercial, legal or operational details of the conversion nor does it identify comprehensively the associated risks for you. For further information on this, please refer to publicly available materials on the conversion at LCH (available here:

¹ <https://www.lch.com/membership/ltd-membership/ltd-member-updates/summary-lchs-consultation-its-solution-outstanding-0;>
[Shttps://www.lch.com/membership/ltd-membership/ltd-member-updates/supplementary-statement-lchs-solution-outstanding-supplementary-statement-on-lch-s-solution-for-outstanding-cleared-libor-contracts-lch-group](https://www.lch.com/membership/ltd-membership/ltd-member-updates/supplementary-statement-lchs-solution-outstanding-supplementary-statement-on-lch-s-solution-for-outstanding-cleared-libor-contracts-lch-group)

² For purposes of the conversion, the following floating rate options are in-scope: CHF-LIBOR-BBA, EUR-LIBOR-BBA or JPY-LIBOR-BBA (as defined in the ISDA 2000 Definitions or ISDA 2006 Definitions), and CHF-LIBOR, EUR-LIBOR or JPY-LIBOR (as defined in the ISDA 2021 Definitions).

³ For purposes of the conversion, the following floating rate options are in-scope: GBP-LIBOR-BBA (as defined in the ISDA 2000 Definitions or ISDA 2006 Definitions), and GBP-LIBOR (as defined in the ISDA 2021 Definitions).

<https://www.lch.com/Services/swapclear/benchmark-reform>) and discuss the conversion with your clearing member and your professional advisors.

1.4 Capitalized terms used but not defined in this document have the meaning given to them in the LCH Rulebook, available: <https://www.lch.com/resources/rulebooks/lch-limited>.

2. THE CONVERSION (ALL CONTRACTS OTHER THAN FORWARD RATE AGREEMENTS)

2.1 With effect from, and including, December 4, 2021 or December 18, 2021 (as applicable), each SwapClear Contract and SwapClear FCM Contract that is not a Forward Rate Agreement will be amended so that:

(a) each reference to the relevant floating rate option shall, from and including the first Reset Date falling the Relevant Number of Business Days⁴ after December 31, 2021 be replaced by the relevant adjusted risk free rate specified in the right hand column of the following grid:

LIBOR	Adjusted Risk Free Rate⁵
CHF LIBOR	Adjusted SARON
EUR LIBOR	Adjusted ESTR
GBP LIBOR	Adjusted SONIA
JPY LIBOR	Adjusted TONA

(b) the spread published by Bloomberg Index Services Limited⁶ for the relevant tenor and currency of LIBOR shall be added to the adjusted risk free rate referred to in the grid above. This spread is in addition to any “Spread” (as defined in the ISDA Definitions) already existing under the terms of the SwapClear Contract or SwapClear FCM Contract; and

(c) “Delayed Payment” (as defined in the ISDA Definitions) shall be “Applicable” in relation to each SwapClear Contract of SwapClear FCM Contract which references CHF LIBOR, EUR LIBOR, or JPY LIBOR.⁷

2.2 The floating rate under each SwapClear Contract or SwapClear FCM Contract which references CHF LIBOR, EUR LIBOR, GBP-LIBOR or JPY LIBOR will be calculated without any shift, adjustment or “observation shift” and all of the provisions relating thereto in the ISDA Definitions (including, for the avoidance of doubt, Supplement 70 to the ISDA 2006 Definitions and the equivalent provisions in the

⁴ Relevant Number of Business Days is (a) in relation to CHF-LIBOR-BBA or CHF-LIBOR, two London Banking Days (as defined in the ISDA Definitions); (b) in relation to EUR-LIBOR-BBA or EUR-LIBOR, two TARGET Settlement Days (as defined in the ISDA Definitions); and (c) in relation to JPY-LIBOR-BBA or JPY-LIBOR, two London Banking Days (as defined in the ISDA Definitions). For GBP-LIBOR-BBA or GBP-LIBOR, Relevant Number of Business Days is not relevant.

⁵ The spread published by Bloomberg Index Services Limited is added to this rate (see 2.1(b) below)

⁶ https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks-LIBOR-Cessation_Announcement_20210305.pdf

⁷ Delayed Payment is not applicable for GBP LIBOR. The number of days specified for such purposes shall be two (2) Zurich Business Days in relation to CHF LIBOR, two (2) Tokyo Business Days in relation to JPY LIBOR, and one (1) TARGET Settlement Day in relation to EUR LIBOR

ISDA 2021 Definitions or under the ISDA 2020 IBOR Fallbacks Protocol) and the IBOR Fallback Rate Adjustments Rule Book published by Bloomberg Index Services Limited shall not apply.

3. FORWARD RATE AGREEMENTS

- 3.1 With effect from, and including, December 4, 2021 or December 18, 2021 (as applicable), each SwapClear Contract and SwapClear FCM Contract that is an Affected Forward Rate Agreement will be amended so that the “Payment Date” is the “Termination Date” (each as defined in the ISDA Definitions) and “Discounting” (as defined in the ISDA Definitions) shall be “Not Applicable” and the “Discount Rate” (as defined in the ISDA Definitions) shall be deleted in its entirety. An Affected Forward Rate Agreement is a Forward Rate Agreement which has a “Reset Date” falling the Relevant Number of Business Days⁸ after December 31, 2021. The effect of the amendment described in this paragraph is to convert the Affected Forward Rate Agreement into a single period interest rate swap.
- 3.2 Once the amendments described in paragraph 3.1 have been made, the amendments described in paragraphs 2.1(a)-(c) above are also made to each such converted SwapClear Contract or SwapClear FCM Contract.
- 3.3 Under the Rulebook, LCH has the right to make any consequential amendments as it deems necessary in connection with, and to give effect to, the amendments described paragraphs 2 and 3 above.

4. THE COMPENSATION MECHANISM

- 4.1 LCH’s Rulebook sets out the method by which LCH will calculate the cash compensation (referred to as ‘Cash Compensation Amounts’) that may be owed to, or payable by, you or your clearing member in connection with the conversion described above. The Cash Compensation Amount is intended to compensate clearing members and clients for the change in the value of relevant SwapClear Contracts or SwapClear FCM Contracts as a result of the conversion described above. No compensation shall be owed to or by your clearing member in connection with the amendments to Affected Forward Rate Agreements described in paragraph 3.1 above.
- 4.2 LCH shall determine a single Cash Compensation Amount separately in respect of all of the SwapClear Contracts or SwapClear FCM Contracts (as applicable) that reference a certain LIBOR in each Proprietary Account, each Individual Segregated Account, each “position account” within each Omnibus Segregated Account and each FCM Client-Sub Account (as applicable). LCH shall determine the change in the net present value of each such SwapClear Contract or SwapClear FCM Contract as a result of the conversion. For purposes of Affected Forward Rate Agreements LCH shall not take into account the provisions of Supplement 70 to the ISDA 2006 Definitions (and the equivalent provisions under the ISDA 2021 Definitions) for such purpose.
- 4.3 For CHF LIBOR, EUR LIBOR and JPY LIBOR SwapClear Contracts and SwapClear FCM Contracts it is anticipated that LCH will calculate the change in net present value as a result of the conversion described above as of the end of the day in New York on December 4, 2021. For GBP LIBOR SwapClear Contracts

⁸ Relevant Number of Business Days is (a) in relation to CHF-LIBOR-BBA or CHF-LIBOR, two London Banking Days (as defined in the ISDA Definitions); (b) in relation to EUR-LIBOR-BBA or EUR-LIBOR, two TARGET Settlement Days (as defined in the ISDA Definitions); and (c) in relation to JPY-LIBOR-BBA or JPY-LIBOR, two London Banking Days (as defined in the ISDA Definitions). For GBP-LIBOR-BBA or GBP-LIBOR, Relevant Number of Business Days is not relevant.

and SwapClear FCM Contracts it is anticipated that LCH will calculate the change in net present value as a result of the conversion described above as of the end of the day in New York on December 18, 2021.

- 4.4 From the relevant point in time described in paragraph 4.3 above, clearing members and clients will be bound to pay (or entitled to receive) the relevant Cash Compensation Amounts. From an operational perspective, such amounts will be reflected in the relevant accounts at LCH by December 7, 2021 for CHF LIBOR, EUR LIBOR and JPY LIBOR and December 21, 2021 for GBP-LIBOR. For solely operational reasons, the obligation to pay, or right to receive, any Cash Compensation Amount in connection with the transition will be reflected as a fee on a notional SwapClear Contract or SwapClear FCM Contract (as applicable) which LCH will book in the relevant accounts. Due to the short dated nature of this transaction, its notional (1 unit of the relevant currency), and the application of rounding and netting by LCH, there will be no amounts payable under such SwapClear Contract or SwapClear FCM Contract, except for the one-way Cash Compensation Amount which shall be booked as an upfront fee.

5. LEGACY LIBOR TRANSACTIONS

- 5.1 As communicated previously⁹ any SwapClear Transaction or SwapClear FCM Transaction (including Forward Rate Agreements) that references CHF LIBOR, GBP LIBOR, or JPY LIBOR shall not be eligible for registration with LCH after December 4, 2021 (in the case of CHF LIBOR and JPY LIBOR) and December 18, 2021 (in the case of GBP-LIBOR) unless it qualifies as a Legacy LIBOR Transaction. EUR LIBOR SwapClear Transactions or SwapClear FCM Transactions shall not be eligible for registration with LCH after December 4, 2021. The approach to Legacy LIBOR Transactions has been discussed with the U.K. Financial Conduct Authority.
- 5.2 A Legacy LIBOR Transaction is a SwapClear Transaction or SwapClear FCM Transaction which (i) is eligible under the Product Specific Contract Terms and Eligibility Criteria Manual in effect from time to time; (ii) specifies CHF-LIBOR-BBA, GBP-LIBOR-BBA or JPY-LIBOR-BBA (as defined in the ISDA 2000 Definitions or ISDA 2006 Definitions), or CHF-LIBOR, GBP-LIBOR or JPY-LIBOR (as defined in the ISDA 2021 Definitions) regardless of whether any fallbacks are included in such floating rate options, (iii) is presented to LCH after December 4, 2021 (in the case of CHF LIBOR and JPY LIBOR) or December 18, 2021 (in the case of GBP LIBOR), and (iv) if it is presented to LCH after December 31, 2021 either (A) the SwapClear Transaction or SwapClear FCM Transaction was entered into prior to September 21, 2021, or (B) in the case of a SwapClear Transaction or SwapClear FCM Transaction resulting from the exercise of a physically settled swaption, that swaption was entered into prior to September 21, 2021.
- 5.3 It is a condition of registration of a Legacy LIBOR Transaction that each clearing member represents to LCH when it presents a Legacy LIBOR Transaction that:
- (i) either (a) the Legacy LIBOR Transaction was entered into prior to September 21, 2021, or (b) in the case of a Legacy LIBOR Transaction which results from the exercise of a physically settled swaption, that swaption was entered into prior to September 21, 2021; and
 - (ii) the SwapClear Transaction incorporates either the Fallbacks Supplement pursuant to the ISDA 2020 IBOR Fallbacks Protocol, Supplement 70 to the ISDA 2006 Definitions or the equivalent provisions under the ISDA 2021 Definitions, in each case prior to it being presented to LCH.

⁹ <https://www.lch.com/membership/ltd-membership/ltd-member-updates/statement-lchs-position-respect-libor-contracts>

- 5.4 LCH currently intends to stop accepting any Legacy LIBOR Transactions for registration after December 31, 2024.
- 5.5 The amendments described in paragraph 2 above shall be made to the Legacy LIBOR Transaction at the point of, and as part of, registration of the Legacy LIBOR Transaction at LCH, however you should be aware that these amendments will be made and be effective immediately upon registration (rather than on the next Reset Date) and therefore LCH will not preserve LIBOR fixings on a Legacy LIBOR Transaction pursuant to which it would otherwise be possible to observe and calculate a representative LIBOR.
- 5.6 At close of business in New York on the business day on which a Legacy LIBOR Transaction is registered at LCH, LCH will calculate compensation in relation to that Legacy LIBOR Transaction consistent with the mechanism described in paragraph 4 above. Cash compensation may be owed to, or payable by, you or your clearing member in relation to Legacy LIBOR Transactions.

6. SWAPTIONS

- 6.1 As described above Legacy LIBOR Transactions may be presented for clearing at LCH after December 31, 2021, including transactions that result from the exercise of a physically settled swaptions entered into prior to September 21, 2021.
- 6.2 You should be aware that the basis on which LCH will accept and register Legacy LIBOR Transactions may therefore have an impact on the settlement of certain bilateral swaption transactions pursuant to which the parties agreed to settle via “cleared physical settlement” of a LIBOR interest rate swap. LCH has no responsibility, duties or liability with respect to obligations and performance under such uncleared transactions and you should seek independent legal, financial or other advice, as you determine is appropriate.

7. OPERATIONAL BOOKINGS

In order to facilitate and/or reflect the legal amendments described above to each SwapClear Contract and SwapClear FCM Contract in the SwapClear service, LCH will record certain new operational bookings in its systems, as further described in the Rulebook. All of these bookings referred are solely to facilitate and/or reflect the legal amendments made to each SwapClear Contract and SwapClear FCM Contract described in this notice and they do not result in the registration of any new SwapClear Contracts or SwapClear FCM Contracts, shall have no legal effect and are for operational purposes only. In the circumstances described in the Rulebook, LCH may register new SwapClear Contracts or SwapClear FCM Contracts in order to reflect the Cash Compensation Amounts or to address certain actions clearing members may be entitled to take with respect to the operational bookings referred to in this paragraph.