

Consultation

PLN PAI/PAA and discounting transition

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LSEG

LCH

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PLN benchmark transition – PAI/PAA and discounting switch

Background and market context

LCH Ltd (**LCH**) and its SwapClear service have consistently supported users as part of industry-wide efforts to transition from *IBOR rates to alternative risk-free rates (**RFRs**) across multiple currencies. In some cases, it has included an LCH transition to the relevant RFR for the purpose of (i) determining the daily net present value (**NPV**) of SwapClear Contracts¹ (i.e. for discounting purposes), (ii) determining the price alignment interest (**PAI**) and price alignment amount (**PAA**) payable in relation to SwapClear Contracts, and (iii) legally and operationally migrating SwapClear Contracts linked to the outgoing *IBOR rate to RFR equivalent contracts via a conversion event.

In this context, on 10 December 2024 the National Working Group for benchmark reform in Poland (**NWG**) selected POLSTR as the alternative RFR in the PLN swap markets, with the intention to transition away from WIBOR². In addition, GPW Benchmark S.A. (**GPW**), which is the benchmark administrator of WIBOR, announced on 18 May 2026 that (i) the WIBOR rate for the tenors of 1-month (1M), 3-months (3M) and 6-months (6M) will cease to be published as from 1 January 2037, and (ii) the WIBOR rate shall not be used in new financial products and agreements after 31 December 2026³. Subsequently, ISDA confirmed that GPW's announcement constitutes an index cessation event under the 2021 ISDA interest rate derivatives definitions⁴ and Bloomberg Index Services Limited (**BISL**) has published the fixed spread adjustments that are relevant to the POLSTR-based fallback arrangements⁵, which will be applicable starting from 1 January 2037 following WIBOR cessation.

Against this background, in addition to currently working towards launching PLN POLSTR OIS clearing eligibility as part of the upcoming SwapClear product releases in 2026⁶, LCH is consulting with its users with regards to the transition to POLSTR with respect to the PAI/PAA and discounting regime (points i and ii in the first paragraph above) applicable to PLN-denominated SwapClear Contracts. For the avoidance of doubt, the scope of this consultation is related to the PLN PAI/PAA and discounting transition only and does not include the conversion of SwapClear Contracts that reference PLN-WIBOR-WIBO or PLN-WIBOR to POLSTR equivalents in conjunction with, and before, WIBOR cessation. LCH will engage separately with its users on this latter point in due course.

The content of this consultation and any PLN PAI/PAA and discounting transition proposals outlined therein remain subject to ongoing risk governance and legal and regulatory review.

PAI/PAA and discounting switches

General considerations

When LCH changes its PAI/PAA rate and/or its discounting curve for a given currency, this may change both the immediate and the forward-looking economics of SwapClear Contracts in that currency.

We can make three general observations about such changes:

- **In cases where only the discount curve is changed**, the immediate change in trade or portfolio level NPV is offset exactly by the corresponding changes to future (expected) cashflows, including PAI/PAA. As such, LCH would be incorrect to apply any compensating cashflows. Instead, LCH allows the induced cashflows to be exchanged. Please see the appendix for a worked example of this and other scenarios outlined below.

¹ "SwapClear Contract" includes an "FCM SwapClear Contract" for the purposes of this document. SwapClear Contract and FCM SwapClear Contract have the meanings assigned to them in the General Regulations or FCM Regulations (as applicable), which are available at <https://www.lch.com/resources/rulebooks/lch-limited>.

² https://www.knf.gov.pl/en?articleId=91715&p_id=19; and https://www.knf.gov.pl/en?articleId=92467&p_id=19.

³ https://gpwbenchmark.pl/news_read?cmn_id=2834&title=The+cessation+of+WIBID+and+WIBOR+Reference+Rates.

⁴ https://www.isda.org/a/DakiE/WIBOR_cessation-guidance-060226.pdf.

⁵ https://assets.bbhub.io/professional/sites/27/IBOR-Fallbacks-PLN-WIBOR_Cessation_Technical-Note_260603.pdf.

⁶ The current target go-live date for POLSTR OIS clearing is 17 August 2026. This initiative remains however subject to ongoing risk governance, legal and regulatory review.

- **In cases where only the PAI/PAA rate is changed**, there is no change to trade or portfolio level NPV, but future (expected) price alignment interest/amounts are changed and there is no corresponding offset. As a result, cash compensation is justified.
- **In cases where both PAI/PAA rate and discount curve are changed**, the former tends to justify compensation. We can conceptualise this process as involving two steps and can model it as a discount curve change (for which compensation is not justified) followed by a PAI/PAA rate change (for which it is).

It follows that in the context of PAI/PAA and discounting transitions, the driver of any cash compensation mechanism is the change in future (expected) PAI/PAA amounts, under a constant discounting assumption. To quantify such compensation amounts, LCH needs to be able to forecast the forward spreads between old and new PAI/PAA rates over the clearing lifespan, and to combine these spread projections with the corresponding PAI/PAA sensitivities.

Considerations stemming from past transitions

Prior PAI/PAA and discounting transitions conducted by LCH SwapClear presented some common elements. However, individual differences have dictated whether a compensated or a non-compensated approach was implemented. The table below summarises the contributory elements.

Elements that historically supported the application of cash compensation	Elements that historically supported a non-compensated approach
PAI/PAA rate cessation occurred, with a known and material fixed spread between the outgoing PAI/PAA rate and the recommended RFR.	PAI/PAA rate cessation did not occur, or it did and either a low/zero fixed spread or an ill-defined relationship between the outgoing PAI/PAA rate and the recommended RFR applied.
PAI/PAA sensitivities and portfolio NPVs were material (e.g. longer tenors, bigger books).	PAI/PAA sensitivities and portfolio NPVs were more limited (e.g. shorter tenors, smaller books).
Well-established market prices were available to accurately quantify the valuation effects.	Reliable market prices for instruments (e.g. swaps) linked to the outgoing PAI/PAA rate were not available.
“Unified regime change” applied, whereby both PAI/PAA rate and discounting curve were changing, and there was both a common start-point and a common end-point (e.g. in the case of the DKK PAI/PAA and discounting transition performed in 2025 ⁷). Please see the appendix for further details about the applicable scenario.	(i) “Single regime” change applied, where there was a change only in the PAI/PAA rate or in the discounting regime, or (ii) “double regime change” applied but the start-point to end-point relationship for PAI/PAA differed from that applicable to the discounting curve (e.g. in the case of the ZAR PAI/PAA and discounting transition performed in 2026 ⁸). Please see the appendix for further details about applicable scenarios.
Costs and complexities associated with designing, co-ordinating and delivering compensation were justified by materiality.	Costs and complexities associated with designing, co-ordinating and delivering compensation were not justified by materiality.
The market in question was large and globally diversified.	Smaller derivatives market.

In addition to the above elements, it is worth noting that:

- Where a fixed adjustment spread existed between the outgoing *IBOR rate and RFR, the calculation methodology was either recommended by the relevant RFR working group (e.g. EUR RFR working group in the transition from EONIA to ESTR⁹) or was derived by the application of the ISDA/BISL fallback methodology and crystallised as a result of an index cessation announcement.
- Adjustment spreads directly calculated by the relevant central bank or by an appointed benchmark administrator have greatest chance of wide adoption.

⁷ <https://www.lseg.com/en/post-trade/clearing/membership/lt-d-membership/lt-d-member-updates/dkk-pai-ppa-and-discounting-switch>.

⁸ <https://www.lseg.com/en/post-trade/clearing/membership/lt-d-membership/lt-d-member-updates/zar-pai-paa-and-discounting-transition>.

⁹ <https://www.ecb.europa.eu/press/pr/date/2019/html/ecb.pr190531~a3788de8f8.en.html>.

- Where the PAI/PAA rate linked to the outgoing *IBOR and incoming RFR had a zero-spread relationship, cash compensation was not applied (e.g. in the case of the ILS PAI/PAA and discounting transition performed in 2024¹⁰).

PLN PAI/PAA and discounting transition – “POLSTR transition”

Prevailing PLN PAI/PAA and discounting regime

At present, for the purpose of determining the daily net present value of all PLN-denominated SwapClear Contracts (i.e. for discounting purposes), LCH uses the market prices for interest rate swaps linked to WIBOR in the construction of its zero-coupon curves (among other things). At the same time, for the purpose of determining the PAI and PAA payable in relation to such PLN-denominated SwapClear Contracts, LCH uses the daily fixing of the POLONIA rate¹¹.

Since POLSTR has been selected as the alternative RFR in the PLN swap markets, LCH believes it is necessary to change both its PAI/PAA rate and its discount curve in due course. Specifically:

- i. **The PAI/PAA rate should change from POLONIA to POLSTR; and**
- ii. **The discount curve should change from being constructed using WIBOR (IRS) to POLSTR (OIS).**

This switch represents a “double-regime change”, since the curve used for discounting is based on a benchmark that differs from the index whose spot rate is used for PAI/PAA purposes (see the appendix for further details). In this context, **we could conceptualise the PLN PAI/PAA and discounting transition as a theoretical two-step process**, where we first switch discounting from WIBOR to a POLONIA-based regime. This would unify the PLN PAI/PAA and discounting regimes (step 1 below). We could then move to a common POLSTR-based regime for both PLN PAI/PAA and discounting (step 2 below).

PLN	PAI/PAA rate	Discounting regime
Current regime	POLONIA	WIBOR

Step 1	PAI/PAA rate	Discounting regime	Cash compensation justified?
POLONIA transition	POLONIA	POLONIA	No

Step 2	PAI/PAA rate	Discounting regime	Cash compensation justified?
POLSTR transition	POLSTR	POLSTR	Yes

In line with the considerations articulated in previous sections, the change in PAI/PAA rate from POLONIA to POLSTR in step 2 would justify the application of a cash-compensation mechanism. In order to implement this, LCH would need to be able to forecast the POLONIA/POLSTR forward spreads, and to combine these spread projections with the corresponding PAI/PAA sensitivities. However, as articulated in the next section, LCH is not able to reliably determine projected POLONIA rates.

POLSTR transition – current limitations

In theory, **POLONIA forward projections** would be derived from POLONIA swap rates. However, we understand that the POLONIA OIS market is highly illiquid and is not actively traded, and nor does LCH clear POLONIA swaps. As a result, LCH does not have and cannot source the necessary swap market data to determine a representative and reliable POLONIA forward curve, which means in turn that we cannot forecast the POLONIA/POLSTR forward spreads.

¹⁰ <https://www.lseg.com/en/post-trade/clearing/membership/ltd-membership/ltd-member-updates/ils-pai-paa-and-discounting-switch>.

¹¹ <https://nbp.pl/en/statistic-and-financial-reporting/reference-rate-polonia/>.

In addition, LCH is currently not aware of any plans to either discontinue POLONIA as a benchmark or to change POLONIA's methodology in order to derive the index as a function of POLSTR in the future (i.e. $POLONIA = POLSTR + \text{a fixed spread}$). As a result, we do not expect the crystallisation of a **fixed and independent POLONIA/POLSTR spread**, which could be leveraged to forecast the forward spreads between old and new PAI/PAA rates¹².

It should also be noted that the **ISDA/BISL spread** between WIBOR and POLSTR, crystallised as a result of the WIBOR cessation announcement, has no bearing on the POLONIA/POLSTR spread, and hence it is not relevant in this context.

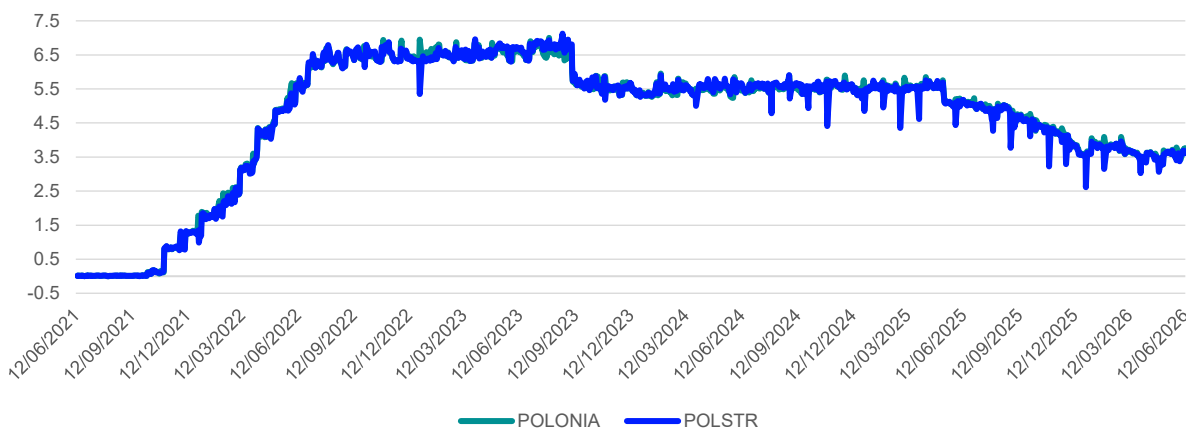
Nonetheless, in the absence of projected POLONIA rates, we can look to other previously-used techniques, such as averages of **historical spot spreads**, as a viable alternative. This has been used successfully by the industry in the ISDA/BISL historical median methodology. Although they are not the same as forward spread relationships, historical spot spreads have been used as a practical, discoverable proxy.

On this basis, we now look at the historical differences between POLONIA and POLSTR spot rates over the past five years.

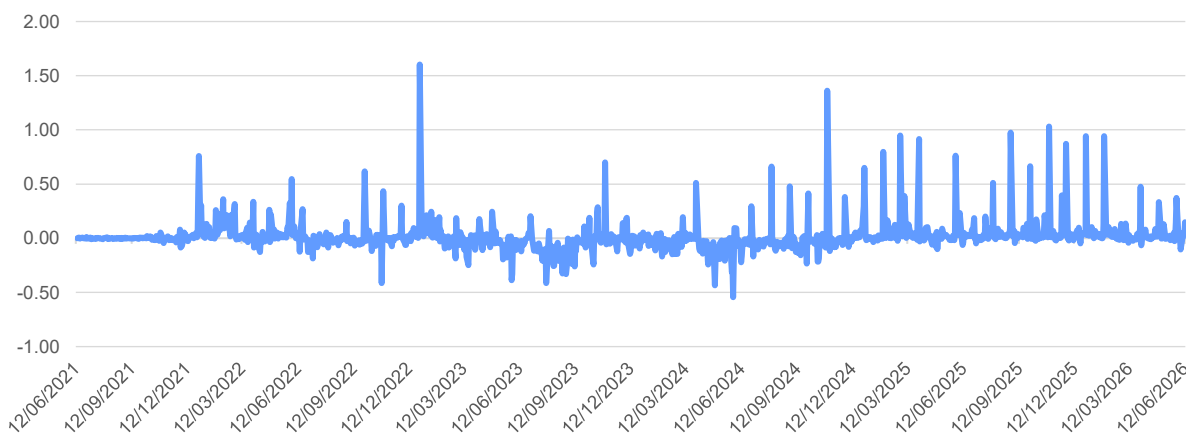
POLONIA/POLSTR historical median spread

As shown in the chart below, when looking at the median difference between the POLONIA and POLSTR spot rates for the period 14 June 2021 to 12 June 2026, we can observe that the evolution of the two spot rates in the period in question is very close, and the **ultimate median spread value is ~0.1 basis points**.

POLONIA vs POLSTR spot rates



POLONIA/POLSTR spread (bps)



¹² LCH faced similar limitations in relation to the ZAR PAI/PAA transition from SAFEX to ZARONIA. In that context, LCH implemented a non-compensated switch. Please see Appendix for further details, as well as LCH circular number 4366 available at <https://www.lseg.com/en/post-trade/clearing/membership/ltd-membership/ltd-member-updates/zar-pai-paa-and-discounting-transition>

The historical spread value observed is essentially zero and, with this in mind, we now explore potential solutions for switching SwapClear's PAI/PAA rate from POLONIA to POLSTR by addressing the following questions (i) what would be the scale and materiality of this change, and (ii) would it be operationally and/or commercially efficient to design and deliver a compensation process as part of a transition event?

POLSTR transition – potential solution

With regards to the scale and materiality of the POLSTR transition, based on internal calculations related to the current PLN swap portfolios cleared at LCH and associated PAI/PAA sensitivity¹³, the extremely small historical spread value between POLONIA and POLSTR would translate into a non-material impact for our users. This would in turn translate into “de minimis” cash compensation amounts that would be applicable in the context of a PLN PAI/PAA switch event.

At the same time, PAI/PAA and discounting switches involve material operational complexity and risk, and resources, for both LCH and its users to build, co-ordinate and deliver a cash compensation mechanism. In relation to the PLN PAI/PAA rate change, this effort seems disproportionate to the compensation amounts involved.

As a result, LCH recommends adopting a solution whereby cash compensating amounts would be zero, as a function of the application of a POLONIA/POLSTR spread value equal to 0 (zero).

This solution has the benefit of being operationally simple and hence allows for an earlier delivery, which would promote the earlier development of POLSTR swaps liquidity. We also note that the “no new WIBOR” prohibition will apply beyond the end of 2026, and that a late 2026 delivery is the only choice that would allow the PLN PAI/PAA and discounting transition to precede such prohibition.

POLSTR transition – timeline

In past RFR transitions, CCPs' PAI/PAA and discounting switches acted as catalysts for RFR adoption by market participants. With this in mind, and in light of the proposed approach which in practice does not entail cash compensation, LCH proposes to perform the PLN PAI/PAA and discounting transition on Saturday 12 December 2026¹⁴.

We believe that switching on this date, in conjunction with the intended launch of POLSTR clearing in August, will support the development of liquidity in the POLSTR swap markets in the coming months, and will facilitate the transition to a POLSTR-based market framework, before the restrictions on the use of WIBOR rates take effect on 1 January 2027.

We finally note that in case consensus around the proposed (non-compensated) approach does not emerge from feedback from our users, LCH will need to reassess the key elements of the PLN PAI/PAA and discounting transition, including its delivery date, which will need to be moved to 2027 (with precise date to be re-determined in due course).

Request for feedback

The proposals put forward in this consultation aim to provide a transparent, practical and standardised outcome for PLN-denominated SwapClear Contracts. As with previous PAI/PAA and discounting switches, LCH would not apply any charges associated with the PLN PAI/PAA and discounting transition to POLSTR.

We strongly encourage SwapClear users to respond to this consultation and to express their opinion in order that LCH has the widest set of feedback on which to determine how to proceed.

To participate in this consultation, please reply to PLNtransition@lseg.com and we will send you a link to complete the on-line survey by 31 July 2026. Individual responses received by this date will be kept CONFIDENTIAL and will be considered by LCH in determining which approach should be adopted. Any responses received after this date may not be considered.

Implementation of any proposal is subject to ongoing legal review, regulatory approval and risk governance and may be subject to further change.

Consultation questions

1. In the absence of projected POLONIA rates, do you agree that the use of the historical POLONIA/POLSTR spot fixing spread is the most appropriate alternative? If not, please explain.

¹³ PAI/PAA sensitivity is not a metric on which LCH provides regular reporting. However, we performed targeted analyses for the purpose of facilitating this consultation.

¹⁴ The proposed contingency date for the PLN PAI/PAA and discounting transition event is 2 January 2027.

2. Do you agree with LCH applying a 0 (zero) POLONIA/POLSTR spread leading to cash compensation amounts equal to 0 (zero)? If not, please provide more information on your rationale.
3. Do you have any objections to the proposed date of Saturday 12 December 2026 for performing the PLN PAI/PAA and discounting transition? If yes, please provide more information.

Appendix

PAI/PAA and discounting switches – scenarios and simplified examples

Scenario 1 - Discounting transition with no PAI/PAA rate switch

When a change in discounting regime does not involve a change in PAI/PAA rate, the process does not need to be compensated. While the discounting change does drive a cleared cashflow, this cashflow (and any subsequent PAI/PAA associated with it) is precisely offset by the changes to other subsequent cashflows that are projected.

For example, suppose we impose a point-in-time discount rate increase on a customer whose cleared swap book is a net asset to it. This would induce an immediate payment (non-receipt). With an unchanged PAI/PAA rate, this reduces the projected PAI/PAA stream – a liability – while also increasing the expected future variation margin (VM) receipts (at the higher rate of accretion). The value of the immediate payment is precisely offset by the combined value of the reduced PAI/PAA payments and the increased receipt from faster NPV accretion. See example 1B in the table below.

Put another way, if we were to compensate for (i.e. neutralise) the immediate cashflow as per example 1A in the table below, the customer would experience the compensation as P/L: the accelerated future accretion would now be pure surplus.

Scenario 2 - Discounting transition coupled with a PAI/PAA rate switch under a “unified regime change” (e.g. DKK)

When the discounting regime change is coupled with a PAI/PAA rate change, we need to account for both start-points, both end-points and their relationship when assessing compensation.

For example, the DKK transition involved changing the PAI/PAA rate from Tom/Next (spot) to DESTRA (spot) and switching the discounting regime from the Tom/Next curve to the DESTRA curve. We can label this a “unified regime change”: it is unified in that both PAI/PAA rate and discounting curve are changing, and unified in that the rate/curve at both start-point and end-point reference are paired. Per scenario 1 above, the change to the discount curve does not in itself need to be compensated. However, the change in PAI/PAA rate does need to be compensated. This is because there is no offset to the change in expected PAI/PAA cashflow stream (all else equal).

When the factors that drive the PAI/PAA value change also drive NPV change from the discounting switch, the PAI/PAA compensation is coincidentally equal to the NPV change generated from the discounting switch. Taking again the DKK transition as an example, in both cases, this could be quantified with reference to the spread between the Tom/Next and DESTRA yield curves.

Other relevant elements also need to be taken into consideration from a practical perspective (i) what is the scale and materiality of the change, and (ii) is it operationally and commercially efficient to design and deliver a compensation process as part of the transition event. In prior transitions, the answer to the theoretical and practical questions have driven the decision of whether to apply cash compensation or not both in cleared and non-cleared markets.

Scenario 3 - Discounting transition coupled with a PAI/PAA rate switch under a “double regime change” (e.g. ZAR)

When the curve used for discounting is based on a benchmark that differs from the index whose spot rate is used for PAI/PAA purposes, this transition can be labelled as “double regime change”. For example, the ZAR transition involved changing the PAI/PAA rate from SAFEX ON (spot) to ZARONIA (spot) and switching the discounting regime from the JIBAR curve to the ZARONIA curve.

In this scenario, the change in NPV generated by the discounting switch (which in ZAR was based on the spread between JIBAR vs ZARONIA yield curves) was not equal to the valuation change generated by the PAI/PAA rate change (which was based on the spread between SAFEX ON vs ZARONIA yield curves). This meant that LCH could not base cash compensation on the NPV changes generated from the discounting switch. This also raised the new question of whether the necessary market data, specifically a yield curve for swaps linked to the PAI/PAA rate were available (if not, it can be challenging to accurately calculate a theoretical compensation value).

In the ZAR market, LCH did not have projections of SAFEX (LCH does not clear SAFEX swaps, nor did a liquid SAFEX OIS market exist to reliably derive forward projections). In addition, there was no representative spread between SAFEX and ZARONIA that could be leveraged (i.e. there was no fixed and undisputable spread calculated independently resulting from a SAFEX cessation announcement). In the absence of these elements, a non-compensated transition was the most appropriate route in relation the ZAR PAI/PAA transition.

Change scenarios – Simplified numerical example

In the simplified scenarios presented in the table below, the sole cashflow on the sole SwapClear Contract is a receipt of PLN 1,000,000 after five periods.

In the original regime, the “Old Rate” is equal to 3.65% and it applies as the PAI/PAA rate and discount rate (noting “spot” vs “forward” relevance to each). In the three change scenarios presented, we switch from the “Old Rate” to “New Rate”, with the latter equal to 3.90%.

In scenario 1A and 1B, we present a discount rate change only with and without the application of cash compensation (respectively), showing how applying cash compensation for a discount rate change only (1A) would falsely create windfall gains to the user. Allowing the cashflow to occur (1B) – offering no compensation – in fact preserves the original economics.

Scenario 2 is where both the PAI/PAA rate and discount rate change (“Integrated Switch”), whereas scenario 3 is where there is a change in the PAI/PAA rate only. In both cases, a compensating cashflow neutralises the economic effects that are experienced by the user, hitting the target terminal balance.

0: ORIGINAL (Old Rate used as PAI Rate and Discount Rate)

Period	Old Rate	NPV, Disc Rate (old)	VM, Disc Rate (old)	PAI Amount (old)	Net cleared cashflow	External Member balance	External interest
1	3.65%	866,409	866,409		866,409	866,409	
2	3.65%	898,033	31,624	- 31,624	0	898,033	31,624
3	3.65%	930,811	32,778	- 32,778	-	930,811	32,778
4	3.65%	964,785	33,975	- 33,975	-	964,785	33,975
5	3.65%	1,000,000	35,215	- 35,215	0	1,000,000	35,215

1A: DISCOUNT RATE ONLY - COMPENSATION APPLIED, CLEARED CASHFLOW SUPPRESSED

Period	New Rate	Old Rate	Disc Rate USED	NPV, Disc Rate (new)	NPV, Disc Rate (old)	NPV USED	VM, Disc Rate (new)	VM, Disc Rate (old)	VM USED	PAI Rate USED	PAI Amount (new)	PAI Amount (old)	PAI Amount USED	Compensating cashflow	Net cleared cashflow	External Member balance	External interest
1	3.90%	3.65%	3.65%	858,100	866,409	866,409	858,100	866,409	866,409						866,409	866,409	
2	3.90%	3.65%	3.65%	891,566	898,033	898,033	33,466	31,624	31,624	3.65%	- 33,466	- 31,624	- 31,624		-	898,033	31,624
3	3.90%	3.65%	3.90%	926,337	930,811	926,337	34,771	32,778	28,304	3.65%	- 34,771	- 32,778	- 32,778	4,474	-	930,811	32,778
4	3.90%	3.65%	3.90%	962,464	964,785	962,464	36,127	33,975	36,127	3.65%	- 36,127	- 33,811	- 33,811		2,316	967,101	33,975
5	3.90%	3.65%	3.90%	1,000,000	1,000,000	1,000,000	37,536	35,215	37,536	3.65%	- 37,536	- 35,130	- 35,130		2,406	1,004,807	35,299

1B: DISCOUNT RATE ONLY - NO COMPENSATION, CLEARED CASHFLOW

Period	New Rate	Old Rate	Disc Rate USED	NPV, Disc Rate (new)	NPV, Disc Rate (old)	NPV USED	VM, Disc Rate (new)	VM, Disc Rate (old)	VM USED	PAI Rate USED	PAI Amount (new)	PAI Amount (old)	PAI Amount USED	Compensating cashflow	Net cleared cashflow	External Member balance	External interest
1	3.90%	3.65%	3.65%	858,100	866,409	866,409	858,100	866,409	866,409						866,409	866,409	
2	3.90%	3.65%	3.65%	891,566	898,033	898,033	33,466	31,624	31,624	3.65%	- 33,466	- 31,624	- 31,624		-	898,033	31,624
3	3.90%	3.65%	3.90%	926,337	930,811	926,337	34,771	32,778	28,304	3.65%	- 34,771	- 32,778	- 32,778	-	- 4,474	926,337	32,778
4	3.90%	3.65%	3.90%	962,464	964,785	962,464	36,127	33,975	36,127	3.65%	- 36,127	- 33,811	- 33,811		2,316	962,464	33,811
5	3.90%	3.65%	3.90%	1,000,000	1,000,000	1,000,000	37,536	35,215	37,536	3.65%	- 37,536	- 35,130	- 35,130		2,406	1,000,000	35,130

2: INTEGRATED SWITCH, COMMON ORIGIN and COMMON END STATE

Period	New Rate	Old Rate	Disc Rate USED	NPV, Disc Rate (new)	NPV, Disc Rate (old)	NPV USED	VM, Disc Rate (new)	VM, Disc Rate (old)	VM USED	PAI Rate USED	PAI Amount (new)	PAI Amount (old)	PAI Amount USED	Compensating cashflow	Net cleared cashflow	External Member balance	External interest
1	3.90%	3.65%	3.65%	858,100	866,409	866,409	858,100	866,409	866,409						866,409	866,409	
2	3.90%	3.65%	3.65%	891,566	898,033	898,033	33,466	31,624	31,624	3.65%	- 33,466	- 31,624	- 31,624		-	898,033	31,624
3	3.90%	3.65%	3.90%	926,337	930,811	926,337	34,771	32,778	28,304	3.90%	- 34,771	- 32,778	- 32,778	4,474	-	930,811	32,778
4	3.90%	3.65%	3.90%	962,464	964,785	962,464	36,127	33,975	36,127	3.90%	- 36,127	- 33,811	- 36,127		-	964,785	33,975
5	3.90%	3.65%	3.90%	1,000,000	1,000,000	1,000,000	37,536	35,215	37,536	3.90%	- 37,536	- 35,130	- 37,536		-	1,000,000	35,215

3: PAI RATE CHANGE ONLY

Period	New Rate	Old Rate	Disc Rate USED	NPV, Disc Rate (new)	NPV, Disc Rate (old)	NPV USED	VM, Disc Rate (new)	VM, Disc Rate (old)	VM USED	PAI Rate USED	PAI Amount (new)	PAI Amount (old)	PAI Amount USED	Compensating cashflow	Net cleared cashflow	External Member balance	External interest
1	3.90%	3.65%	3.65%	858,100	866,409	866,409	858,100	866,409	866,409						866,409	866,409	
2	3.90%	3.65%	3.65%	891,566	898,033	898,033	33,466	31,624	31,624	3.65%	- 33,466	- 31,624	- 31,624		-	898,033	31,624
3	3.90%	3.65%	3.65%	926,337	930,811	930,811	34,771	32,778	32,778	3.90%	- 34,771	- 32,778	- 32,778	4,490	4,490	935,301	32,778
4	3.90%	3.65%	3.65%	962,464	964,785	964,785	36,127	33,975	33,975	3.90%	- 36,302	- 33,975	- 36,302		- 2,327	967,112	34,138
5	3.90%	3.65%	3.65%	1,000,000	1,000,000	1,000,000	37,536	35,215	35,215	3.90%	- 37,627	- 35,215	- 37,627		- 2,412	1,000,000	35,300

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