

RISK NOTICE TO SWAPCLEAR CLEARING CLIENTS AND FCM CLIENTS RELATING TO LCH'S TRANSITION FROM EONIA TO ESTR.

IMPORTANT: This document summarizes certain matters relating to LCH's transition from SwapClear Contracts and SwapClear FCM Contracts that reference the Euro Overnight Index Average (EONIA) to SwapClear Contracts and SwapClear FCM Contracts that reference the Euro Short-term Rate (ESTR). 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

As previously communicated¹, on October 16, 2021, LCH shall convert all outstanding SwapClear Contracts and SwapClear FCM Contracts that (i) use EONIA² as the floating rate and (ii) are registered with LCH at the end of business in New York on October 15, 2021 (each, an **EONIA Contract**).

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. 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/rules-and-regulations>

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 (for example available here: [Benchmark Reform | LCH Group](#)) and discuss the conversion with your clearing member and your professional advisors.

2. THE CONVERSION

With effect from, and including, October 16, 2021, each EONIA Contract will be amended so that each reference to EONIA shall instead be a reference to €STR (without, for the avoidance of doubt, adding any spread) and each reference to EUR-EONIA-OIS-COMPOUND (as defined in the ISDA 2000 Definitions or ISDA 2006 Definitions) and EUR-EONIA-OIS Compound (as defined in the ISDA 2021 Definitions) shall instead be a reference to EUR-EuroSTR-COMPOUND or EUR-EuroSTR-OIS Compound (as applicable), depending on the ISDA Definitions incorporated into the relevant EONIA Contract.

3. THE COMPENSATION MECHANISM

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 their EONIA Contracts as a result of the conversion described above.

¹ [Summary of LCH's Consultation on its Solution for Outstanding Cleared EONIA Contracts | LCH Group](#)

² For purposes of the conversion, the following floating rate options are in-scope: EUR-EONIA-OIS-COMPOUND (as defined in the ISDA 2000 Definitions or ISDA 2006 Definitions), and EUR-EONIA-OIS Compound (as defined in the ISDA 2021 Definitions).

LCH shall determine a single Cash Compensation Amount separately in respect of all of the EONIA Contracts in each Proprietary Account, each Individual Segregated Account, each “position account” within each Omnibus Segregated Account and each FCM Client-Sub Account. LCH shall determine the change in the net present value of each EONIA Contract as a result of the conversion by reference to LCH’s zero coupon yield curves at the time specified in the Rulebook on October 16, 2021.

It is anticipated that LCH will calculate the change in net present value of the EONIA Contracts as a result of the conversion described above as of the end of the day in New York on October 15, 2021. From this point in time clearing members and clients will be bound to make (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 October 19, 2021. 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 (EUR1), 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.

4. FUTURE ELIGIBILITY

From and including October 16, 2021, LCH shall not accept for clearing or registration any transaction that specifies EONIA-OIS-COMPOUND (as defined in the ISDA 2000 Definitions or ISDA 2006 Definitions) or EUR-EONIA-OIS Compound (as defined in the ISDA 2021 Definitions).