

Member circular

5 April 2019

Dear Customer,

Brexit Update: LCH Limited Article 25 Recognition by ESMA under an Article 50 extension

We are writing to update you on LCH Group's approach to the United Kingdom's ("UK") withdrawal from the European Union ("EU").

As a systemically important institution, our main priorities are ensuring the orderly functioning of markets, continuity of service to our customers and supporting financial stability, regardless of the outcome of the negotiations related to the UK leaving the EU.

We wrote to you on 18 February 2019 to confirm that ESMA had announced the recognition of LCH Limited as a third country CCP under Article 25 of EMIR for 12 months. This followed the announcement in December 2018 by the European Commission that it had formally adopted its implementing decision granting temporary equivalence to UK CCPs in a no deal scenario arising on 29 March 2019. At the time of announcement, both of these decisions were conditional upon (i) no-deal and (ii) no extension of the Article 50 deadline.

On 20 March 2019 the UK Government formally requested an extension to Article 50(2) of the Treaty on European Union, which on the 22 March 2019 the EU agreed to with certain conditions. The European Commission announced on 4 April 2019 that the temporary equivalence for UK CCPs will apply at any point from which the UK becomes a third country under a no deal scenario until 30 March 2020, whether the exit date is 12 April 2019 or a later date. In addition, on 5 April 2019, ESMA announced a new temporary recognition for LCH Limited that will apply under the same circumstances.

Accordingly, we are pleased to confirm that there is no change in the fact that LCH Limited can continue to offer all clearing services for all products and services to all members and clients in the event of a no-deal scenario.

We will continue to engage with the relevant regulatory authorities in respect of the long-term recognition of LCH Limited under the revised supervisory framework for EU and third country CCPs ("EMIR 2.2"). It remains LCH's objective to ensure a smooth transition for our customers whatever the outcome of the negotiations around the UK's withdrawal from the EU.

LCH reserves its right to take any action it considers appropriate at any time should there be a material change in circumstances. Members should continue to make their own assessment of the risks, take such advice as they consider necessary, and continue with their own Brexit preparations.

We thank you for your continued support and look forward to continuing to partner with you in 2019 and beyond. Please do not hesitate to contact us directly if you would like to discuss further.

Yours faithfully



Daniel Maguire
CEO, LCH Group



Martin Pluves
CEO, LCH Limited