

Member circular

19 December 2018

Dear Customer,

Brexit Update: LCH to continue to offer clearing services to all members after 29 March 2019

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. The UK Government and the European Council have approved the Withdrawal Agreement, which incorporates an implementation period until December 2020; however, the timetable and process for ratification on both sides remains uncertain so we need to be prepared for all possible scenarios, including a no deal scenario.

We wrote to you on 5 July 2018 outlining the actions that have been taken by LCH Group ("LCH") to seek to ensure that LCH Ltd and LCH S.A. can continue to provide services to customers after the UK exits from the EU. Since then, we have continued our close dialogue with our UK, EU and other regulators and central banks around the world, as well as many other stakeholders, with a view to obtaining a solution which ensures that continuity of service can be maintained for all our customers and ensuring financial stability beyond 29 March 2019.

Today, the European Commission formally adopted its implementing decision which, in a no deal scenario, will grant temporary equivalence to the UK and allows ESMA to provide third country recognition for UK CCPs immediately after the UK's withdrawal on 29 March 2019. We welcome the decision from the European Commission.

Accordingly, LCH Ltd intends to continue to offer all clearing services for all products and services to all members and clients after 29 March 2019 and has decided not to serve the three month notice of retirement to EU domiciled members under Regulation 5(i) of the Rulebook.

LCH Ltd has prepared an application under EMIR Article 25 and is engaging with ESMA on preparatory work to achieve third country recognition. The Bank of England has already accepted a formal application from LCH S.A. for recognition as a non-UK CCP in the UK which is condition for entry into the UK's temporary recognition regime.

LCH reserves its right to take any action it considers appropriate at any time should there be a material change in circumstances or should it become apparent to LCH that it may not be granted recognition on or before the time the UK leaves the EU. 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