USD LIBOR Contract Conversion

Consultation

April 2022

LCH The Markets' Partner

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Executive Summary

In a series of co-ordinated statements made in March 2021 by the UK Financial Conduct Authority (FCA), by ICE Benchmark Administration (IBA) and by ISDA, the discontinuation of the 5 remaining representative USD LIBOR settings (ON, 1M, 3M, 6M & 12M) has been confirmed following their final publication on 30th June 2023.

In response to the impact of these statements in relation to non-USD LIBORs, and to their discontinuation at the end of 2021, and also following extensive consultation with SwapClear members & clients[1], LCH Limited ("LCH") converted its outstanding stock of SwapClear contracts linked to such benchmarks into their RFR equivalents in a series of events conducted in Q4 2021.

LCH made several arguments for this approach which we summarise here, with which SwapClear members and clients agreed. LCH integrated the fallback provisions associated with the ISDA IBOR Fallbacks Supplement into the SwapClear trade population when the Supplement became effective on 25th January 2021[2], ensuring a well-defined outcome for all cleared LIBOR contracts absent any further action. However, we argued that to allow the fallback to become operational would not be the best outcome for cleared swaps due to the specific risk management responsibilities that rest with CCPs, including default management. For these reasons, LCH designed and built a conversion process for its non-USD LIBOR contracts, and this was executed successfully ahead of non-USD LIBOR cessation events.

Noting the success of these conversion events for non-USD LIBOR cleared swaps, and after further careful consideration, our firm view remains that SwapClear users would be best served by an equivalent approach for their SwapClear contracts linked to USD LIBOR. We are therefore launching this consultation and seek feedback on the following proposal:

i. USD LIBOR contracts outstanding at (or shortly before) 30th Jun 2023 will be converted to market-standard SOFR contracts;

ii. in respect of periods of the original contract which would otherwise be reliant on a non-respresentative setting, the USD LIBOR floating rate will be replaced by compounded SOFR, to which the IBOR Fallbacks Spread Adjustment as published by Bloomberg[3] will be added;

iii. in respect of periods of the original contract which would be reliant on a representative setting, LCH will preserve the cashflow associated with that setting; and

iv. LCH will cash compensate for any valuation difference between the original LIBOR trade (Input Contract) and the corresponding SOFR trade (Output Contract(s)).

Further specification of the proposals is detailed below, including the proposed date of conversion, the cash compensation methodology and the approach to preserving cashflows based on representative LIBOR settings. USD LIBOR contracts would not be eligible for clearing beyond the conversion date.

LCH's solution must be applied consistently across the whole service. Although the aim of our conversion process is to provide a robust and transparent backstop for any remaining USD LIBOR trades, we fully expect that many of our users will want to organize replacement or amended contracts to their own specification, which we encourage. Approved Compression Service Providers ("ACSPs") are actively scheduling events to facilitate an efficient transfer of positions across the market to assist this process.

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

Please note that, if agreed, the plans in this document will be reflected in the rulebook of LCH Limited. These will be subject to legal and regulatory review or approval and may be subject to further change.

[1] *Summary of LCH's Consultation on its Solution for Outstanding Cleared LIBOR® Contracts | LCH Group*; *Supplementary Statement on LCH's Solution for Outstanding Cleared LIBOR® Contracts | LCH Group*

[2] *Update on LCH Limited's Position on LIBOR cessation and Forward Rate Agreements | LCH Group*

[3] *IBOR-Fallbacks-LIBOR-Cessation_Announcement_20210305.pdf (bbhub.io)*

1. Background

In a series of co-ordinated statements made in March 2021 by the UK Financial Conduct Authority (FCA)[4], by ICE Benchmark Administration[5] and by ISDA[6], the discontinuation of the 5 remaining representative USD LIBOR settings (ON, 1M, 3M, 6M & 12M) has been confirmed following their final publication on 30th June 2023.

The ISDA IBOR Fallbacks Supplement

On 23rd October 2020 ISDA launched[7] the IBOR Fallbacks Supplement and IBOR Fallbacks Protocol, which amended ISDA's standard definitions for interest rate derivatives to incorporate robust fallbacks for derivatives linked to certain IBORs, and the changes came into effect on 25th January 2021. The SwapClear rulebook incorporates these ISDA definitions[8]. The triggers and calculation methodology used in the IBOR Fallbacks Supplement have been integrated into the SwapClear trade population since this date.

Adopting these fallback provisions was a significant step forward and provided for much improved legal certainty. However, they do not complete our readiness for transition. Regulators, including the Federal Reserve, have repeatedly stated that market participants should take a pro-active approach to transitioning their LIBOR contracts[9].

Cleared swaps are a distinct class of derivatives contract with their own specific risk management considerations. In the case of a member default, LCH has the responsibility of closing out the defaulted portfolio (via a process of hedging, portfolio transfers and auctions) and, therefore, can only maintain cleared contracts where there is sufficient liquidity to ensure confidence in this process. In keeping with this role, LCH has powerful tools to effect service-wide changes which are not available in a bilateral setting, including provision of cash compensation. Taking this into account, LCH completed a conversion process for cleared non-USD LIBOR contracts in December 2021 which achieved active transition to RFR-based contracts[10]. This sets an important precedent.

2. Promoting trading liquidity and market function beyond cessation

ISDA's *User's Guide to RFR and IBOR Fallbacks*[11] makes clear that the IBOR Fallbacks will not result in an RFR-referencing trade with the same characteristics as a standard OIS transaction. On cessation of the relevant IBOR, the provisions in the IBOR Fallbacks Supplement and the associated BISL IBOR Fallback Rate Adjustments Rulebook[12] (hereafter collectively referred to as the "IBOR Fallbacks") economically transform each *USD LIBOR* leg into a *"backward-shifted compounded SOFR plus non-compounded spread"* leg ("Fallback-style SOFR"). The contractual payment dates of the original LIBOR trade are retained, but the observation periods for the SOFR settings are shifted to enable this. The backward-shift is generally two business days but increases in certain situations to ensure that the fallback rate is always known at least two business days prior to the relevant payment date. These effects cause the SOFR fixings and SOFR-based payments associated with LIBOR trades that fall back to differ from those of market-standard RFR trades. This would result in a significantly less efficient USD swap market, and a division between legacy trades and new trades. LCH wishes to avoid this scenario and is therefore proposing to convert USD LIBOR SwapClear contracts into SOFR contracts as set out more fully below. This approach mirrors the one taken in the successful conversion of LCH-cleared non-USD LIBOR SwapClear contracts.

4 *FCA announcement on future cessation and loss of representativeness of the LIBOR benchmarks*

5 *ICE-Benchmark-Administration-Publishes-Feedback-Statement-for-the-Consultation-on-Its-Intention-to-Cease-the-Publication-of-LIBOR-Set-Z2E0P.pdf (q4cdn.com)*

6 *ISDA-Guidance-on-FCA-announcement_LIBOR-Future-Cessation-and-Non-Representativeness (isda.org)*

7 *ISDA Launches IBOR Fallbacks Supplement and Protocol – International Swaps and Derivatives Association*

8 *Update on LCH Limited's Position on LIBOR cessation and Forward Rate Agreements | LCH Group*

9 *The Fed - SR 21-17 / CA 21-15: Interagency Statement on Managing the LIBOR Transition (federalreserve.gov)*

10 *Supplementary Statement on LCH's Solution for Outstanding Cleared LIBOR® Contracts | LCH Group*

11 *ISDA User Guide to IBOR Fallbacks and RFRs*

12 *BISL IBOR Fallback Rate Adjustments Rulebook*

For the most part, these differences can be accurately calculated and are small. This is relevant for LCH's proposed approach. However, they can in some cases be material, and result in a full coupon period backward shift for FRAs (where the payment date is at the start of the coupon period). For this reason, LCH recently withdrew eligibility for USD LIBOR-based FRAs which would rely on a non-representative fixing for their fulfilment. We do not therefore need to solve for FRAs in our approach. Turning back to non-FRAs, the differences between the fallback outcomes and the conventions typically applicable to the floating leg of a market-traded SOFR OIS transaction are summarised in the table below, together with the attributes of Market-Standard SOFR OIS that LCH proposes to produce as Output Contracts under a conversion process:

Trade attribute, FLT leg	**Typical USD LIBOR IRS, subject to ISDA fallbacks (Input Contract)**	**SOFR OIS, generic market trading**	**Market-Standard SOFR OIS (Output Contract) following LCH conversion**	**Rationale for Output Contract attribute**
Floating Rate Option (FRO)	USD-LIBOR	USD-SOFR-OIS Compound	USD-SOFR-OIS Compound	Cessation of USD-LIBOR
Floating Rate Spread	None vs LIBOR, but implicit to SOFR via fallbacks	None	Applicable ISDA / BISL Spread Adjustment (see table below)	Ongoing cashflow & NPV alignment vs Input Contract
Interest Period Frequency	1M, 3M, 6M, 12M	Annual	Inherited from the Input Contract	Respects Input Contract frequency
Payment Frequency	Aligned with Interest Period Frequency*	Annual	Inherited from the Input Contract	Respects Input Contract frequency
Payment lag	Zero	2 USNY business days	2 USNY business days	Preserves Input Contract accrual period
Offset Lag[13]	2 (creates effective 2D backward shift vs LIBOR Interest Period)	n/a (zero)	n/a (zero)	Respects Input Contract Interest Periods
Effective Date	Deal specific	Deal specific	Inherited from the Input Contract	Respects Input Contract terms
Termination Date	Deal specific	Deal specific	Inherited from the Input Contract	Respects Input Contract terms

*Contracts with regular periodic compounding will have a Payment Frequency that differs from the Interest Period Frequency. We propose to handle this scenario as set out more fully below.

Regarding Spreads, the applicable values were crystallised on 5th March 2021, as announced by Bloomberg as their calculation agent[14]. The values relevant to this consultation are as follows:

[13] Offset Lag is a term in the IBOR Fallback Rate Adjustments Rulebook. It defines a complicating but necessary offset between each accrual period in the original LIBOR contract and the corresponding observation period for SOFR compounding towards each Adjusted Reference Rate / Fallback Rate when operating under fallbacks. A non-zero Offset Lag creates SOFR trades which would not be fungible with contracts that are traded with SOFR as their original FRO.
[14] *IBOR-Fallbacks-LIBOR-Cessation_Announcement_20210305.pdf (bbhub.io)*

Currency	Tenor (Interest Period Frequency)	Spread Adjustment (%)
USD	1 Month	0.11448
USD	3 Months	0.26161
USD	6 Months	0.42826
USD	12 Months	0.71513

Coupled with other constraints on USD LIBOR swaps trading beyond 30th June 2023, these characteristics of Fallback-style SOFR would create significant risk management challenges for LCH, were a substantial cleared LIBOR trade population to remain beyond 30th June 2023, as follows:

i. it is likely that liquidity in the 'fallen back' USD LIBOR contracts would be insufficient to retain confidence in default management arrangements;

ii. market participants have shown little appetite to trade Fallback-style SOFR as a primary FRO, since this would fragment liquidity, with likely increases in transaction costs and initial margin requirements;

iii. Fallback-style SOFR swaps would not be compressible with either new or existing market-standard SOFR swaps, and would need to be managed and run-down as a separate liquidity pool; and

iv. market participants and infrastructure providers would likely need to make throw-away investments into their systems in order to capture this new type of RFR trade for the period until they have been successfully eliminated.

Based on these arguments, and in line with our conclusions for non-USD LIBOR cessations, LCH proposes to run the conversion processes set out here. This has the following benefits:

i. confidence in default management arrangements would be retained;

ii. consistency with the approach taken to transition away from non-USD LIBORs, and leveraging of industry investments and functionality; and

iii. preservation of the largest possible integrated liquidity pool for USD swaps, and the associated efficiencies.

Any SwapClear participants for whom the attributes of LCH's proposed Market-Standard SOFR OIS are not suitable or not preferred should strongly consider amending their LIBOR contracts well ahead of LCH's conversion date(s). Note that LCH will not need to convert USD LIBOR contracts which rely exclusively on representative USD LIBOR settings prior to its cessation date, and therefore proposes to allow these to run to maturity. Note also that we propose to respect all attributes of non-LIBOR legs on the Input Contract (as described below) and leave them unchanged.

3. Features of LCH's USD LIBOR Contract Conversion Process

3.1 Representative LIBOR preservation

A central piece of feedback received when consulting over arrangements for converting non-USD LIBOR contracts to their RFR equivalents was the need to preserve the payments associated with representative LIBORs. This was necessary to ensure continuity in market pricing (cleared vs bilateral) ahead of conversion.

When converting USD LIBOR trades that rely on a combination of representative and non-representative USD LIBOR settings into SOFR equivalents, the central challenge is the mid-trade change in benchmark. The original trade clearly has USD LIBOR on the floating leg for its whole life. The idealised amended contract however has USD LIBOR as its benchmark while LIBOR is representative and has SOFR as its benchmark once LIBOR is not representative. In other words, this idealized single floating leg is linked to two benchmarks. Such trades are ineligible at CCPs (as they are not traded), and they are incompatible with other industry systems for trade capture and risk management. LCH therefore used Overlay Bookings in its non-USD LIBOR conversion processes to adhere to the "one leg, one benchmark" rule. We propose to do the same for USD LIBOR conversion.

These Overlay Bookings bookings run only until the end of final period of the Input Contract for which a representative LIBOR is applicable, typically less than 3 months beyond cessation, and LCH provides the information necessary to link them to the Market-Standard SOFR OIS running for the full length of the Input Contract. They re-instate the returns associated with representative LIBORs and offset the duplicative SOFR returns in the Market-Standard SOFR OIS.

LCH proposes that these Overlay Bookings are booked into Member accounts as direct USD LIBOR / SOFR basis bookings for their short lifespan, where product eligibility allows. LCH proposes that these Overlay Bookings are booked into Client accounts as pairs of outright USD LIBOR and outright SOFR bookings.

The use of Overlay Bookings is a purely operational matter, and their legal status for non-USD LIBOR conversions was addressed in LCH's Rulebook. We propose to do the same for USD LIBOR conversion.

3.2 Cash Compensation

Trade-level cash compensation amounts will be calculated as the change in present value between the pre-conversion LIBOR trade ("Input Contract") and its Market-Standard SOFR OIS replacement ("Output Contract"), which in this context includes the present value of any overlay bookings. For these purposes, the present value of the Input Contract is calculated under fallbacks i.e. as if Fallback-style SOFR was payable in all periods for which a non-representative LIBOR would otherwise apply. Cash compensation therefore accounts for differences such as the elimination of the Offset Lag and the introduction of the payment lag. We propose to settle the cash compensation at account level, as in the non-USD conversion processes.

3.3 Legal, operational and reporting considerations

From a legal perspective, and as done in the non-USD LIBOR conversion processes in response to consultation feedback, LCH propose to characterise the conversion as a legal amendment to the existing USD LIBOR contract notwithstanding its operational treatment as a closing out of the exiting contract and the registration of a new contract. We seek confirmation to pursue this approach again for USD LIBOR conversion.

Operationally, and distinct from the legal characterisation, LCH proposes to terminate the USD LIBOR contract, and to create a new SOFR contract with a new LCH ID (different to the original LIBOR trade). This new ID is required in order to conform with the existing established data model in LCH (and middleware provider) systems for workflows such as compression events, portfolio transfers and economic amendments. This is the approach used for our non-USD LIBOR conversion processes, and LCH's view is that this is the most reliable operational workflow. Established LCH messaging workflows and tools (e.g. Clearlink, ATSS synchronization) will be available to enable members and clients to reconcile their books and records with LCH following the conversion.

3.4 USD LIBOR Swap Product Eligibility beyond conversion

Contracts in the relevant LIBOR will not be eligible for clearing beyond the conversion date[15].

3.5 Input Contracts involving USD LIBOR legs with Regular Compounding

Among SwapClear's outstanding USD LIBOR contract population are a number of trades for which the USD LIBOR leg involves compounding. Such legs involve an Interest Period Frequency higher than their Payment Frequency. The most common combinations are: (i) a 1M Interest Period Frequency with 3M Payment Frequency; and (ii) a 3M Interest Period Frequency with 6M Payment Frequency. Other combinations are

[15] *As part of our management of the cessation of non-USD LIBORs, LCH has provided a Legacy LIBOR clearing capability under certain narrow conditions. LCH will continue to seek market feedback outside the context of this consultation regarding an equivalent in USD.*

also present. When converting these contracts, LCH proposes to produce an Output Contract in which the SOFR leg adopts the Spread Adjustment corresponding to the Interest Period Frequency of the Input Contract and has a Payment Frequency equal to the Payment Frequncy of the Input Contract. For example, for an Input Contract with a LIBOR leg with a 1M Interest Period Frequency and with 3M Payment Frequency, the SOFR leg of the Output Contract would involve SOFR (flat) compounded daily with 3M Payment Frequency, to which a Spread Adjustment of 0.11448% would be added (non-compounded, 3M Payment Frequency). A subset of these trades involves a coupon period which would otherwise rely on combining representative and non-representative LIBOR settings towards a single payment. In these cases, LCH proposes to preserve – via overlay bookings – a truncated LIBOR-based payment running to the end of the compounding period that relies on the last representative LIBOR period. The approach described here to Input Contracts involving LIBOR legs with Regular Compounding was used in LCH's non-USD conversion processes.

3.6 USD LIBOR / USD LIBOR & USD LIBOR / SOFR Basis Swaps

These product types share a common complication. Both USD LIBOR / USD LIBOR Basis swaps and USD LIBOR / SOFR Basis swaps would give rise to SOFR / SOFR Basis swaps when applying LCH's proposed conversion processes to their USD LIBOR legs. Noting the earlier definition of the SOFR leg of Market-Standard SOFR OIS, the Interest Period Frequency on each converted USD LIBOR leg would be inherited from the Input Contract. The Floating Rate Spread would also be based on the Tenor (Interest Period Frequency) of the Input Contract, along with any original deal-specific spread. LCH proposes to handle legs involving compounding in an identical fashion to its handling of such legs in outright Input Contracts.

In preparation for the non-USD LIBOR conversion events conducted in December 2021, LCH performed a mandatory basis swap splitting event at the start of October 2021. Many of the advantages and disadvantages of this non-USD basis splitting process are shared with those for an equivalent in USD. The key advantages of mandatory splitting include that: (1) it is comprehensive; (2) it avoids the creation of RFR/RFR contracts, which are not currently traded and are not expected to be actively traded; and (3) it creates (pairs of) outright IRS to which a standard Input Contract / Output Contract relationship is well understood. The key disadvantages of mandatory splitting include that: (1) the presence of an additional event; (2) the creation of potential notional attributable to the paired split bookings, both of which have the maturity of the original basis swap; and (3) the creation of additional line items to capture, process, report and manage.

We should highlight two additional factors relevant to these products. In order to facilitate more efficient portfolio management in a wider context, LCH plans to introduce unilateral basis swap splitting functionality in late 2022. There would be no charges associated with use of this functionality ahead of USD LIBOR cessation. This will allow SwapClear participants to decide individually (and voluntarily) to split any basis swap in their portfolio at their convenience. This might be done to open up solo compression opportunities at LCH with native USD LIBOR IRS and SOFR OIS. This will be aligned with enhancements to LCH's blended rate compression capability, specifically targeting the contracts that arise from basis swap splitting.

With this in mind, LCH does not propose to impose a service-wide mandatory basis swap splitting event on SwapClear participants ahead of the conversion process.

3.7 USD LIBOR / FEDFUNDS Basis Swaps

The FEDFUNDS leg of basis swaps with one LIBOR leg and one FEDFUNDS leg involves an averaged but not compounded Fed Funds pay-off profile known by ISDA as USD-Federal Funds (ISDA 2021) and USD-Federal Funds-H.15 (ISDA 2006) and which we denote as FF(avg). LCH has considered a number of alternative approaches to the conversion of these contracts. In conclusion, we propose to convert the LIBOR leg to the SOFR leg of a Market-Standard SOFR OIS, and to leave the FF(avg) leg untouched. This approach has the benefit of respecting the original choice of the trading counterparties and brings these trades into scope for standard conversion techniques. It avoids having to solve non-core challenges in what is already a complex transition away from USD LIBOR, and it allows market participants to continue to use FF(avg) as a valid, clearable pay-off profile.

3.8 USD Zero Coupon Swaps (ZCS)

SwapClear clears USD LIBOR swaps in which the LIBOR leg involves compounding throughout its life towards a single terminal LIBOR-based payment ("ZCS"). A feature of these trades is that the final payment relies on the full history of USD LIBOR fixings throughout the life of the contract, and a number of these contracts have Effective Dates prior to April 2018. Since SOFR was first published only on 3rd April 2018, this means that LCH's use of the Input Contract's Effective Date is compromised. As a result, LCH cannot use the same approach to the conversion of USD ZCS as was used for non-USD ZCS. In its place, LCH proposes an alternative as follows. LCH will first determine the end date ("Representative LIBOR Accrual End Date") of the final floating rate period to which a representative LIBOR applies. LCH will then determine the total floating rate accrued to that date (the "LIBOR Accrued")[16]. LCH will then register Output Contracts which take the Representative LIBOR Accrual End Date as their forward Effective Date. The notional amount on the LIBOR leg of this instrument will be the sum of the original notional amount and the LIBOR Accrued. LCH will also add the LIBOR Accrued as a payment on the Termination Date. Finally, as with other outright USD IRS, LCH proposes to leave the fixed leg untouched save for this new Effective Date. There would be no need for Overlay Bookings in these arrangements.

3.9 Timing

LCH performed its non-USD LIBOR conversion processes less than one month ahead of the relevant cessation dates. There appears to be a market consensus that the equivalent processes in USD should not be left until the final month, so as to build in greater contingency for members and clients. A slightly longer window (between conversion and cessation) would also help to avoid the risk of reduced liquidity by that time, and to limit additional stresses associated with bilateral arrangements which could become concentrated immediately prior to cessation. Nonetheless, there are advantages to giving market participants as much time as possible to transition pro-actively on their own account and not convert too early. Balancing these arguments, we believe LCH's conversion programme should commence early in Q2 2023.

Notably, LCH converted all of the contracts in each of the relevant non-USD currencies (CHF, EUR, GBP & JPY) on the same weekend, although we used two separate weekends to complete this 4-currency programme. Given the size, complexity and global nature of USD LIBOR cessation across the industry, and not just for LCH-cleared swaps, we have examined tranching the conversion of our USD LIBOR contracts across two weekends. While executing the event in two tranches consumes an additional weekend, it has several advantages. It reduces the scale of a single event; it would allow for certain product types to be given greater attention; and it has greater in-built contingency. Careful analysis of our USD LIBOR contract population has allowed us to identify certain product types that could be converted in such discrete events. The occurence of national holidays in several jurisdictions in April and May 2023 introduces a further complication to manage.

With all of this in mind, LCH proposes to tranche the conversion of our USD LIBOR contracts into two pieces, a Tranche 1 Event and a Tranche 2 Event. The Tranche 1 Event would involve the conversion of USD LIBOR / FEDFUNDS Basis Swaps, USD VNS and USD ZCS ("Tranche 1 Event Products"). The Tranche 2 Event would involve all other products.

In order to avoid a scenario in which only Tranche 1 Event Products were eligible for clearing while our generic products were not, LCH proposes to conduct the Tranche 1 Event over the weekend of 22nd / 23rd April 2023 and to conduct the Tranche 2 Event over the weekend of 20th / 21st May 2023. This would create room for a contigency date for the Tranche 1 Event of 6th / 7th May 2023 and for the Tranche 2 Event of 3rd / 4th June 2023.

[16] In cases where the final representative LIBOR setting occurs after the latest conversion date, LCH will use a projected final LIBOR to determine LIBOR Accrued.

4. Request for feedback

The proposed process outlined in this consultation aims to provide a robust, transparent and standardized back-stop outcome for LCH-cleared USD LIBOR contracts that remain outstanding at or shortly before 30th June 2023. It must be applied consistently to all relevant USD-LIBOR contracts and, therefore, cannot provide for any optionality at trade or account level. Customers needing or wanting a tailored approach, either at account level or for individual contracts, should make their own arrangements. LCH encourages pro-active transition of customers' LIBOR trade populations ahead of LCH's conversion process and believes that providing clarity and certainty over these back-stop outcomes will assist SwapClear participants with their prioritization and planning.

As with LCH's non-USD LIBOR conversion processes and due to the nature and scale of the LCH offering, there is likely to be a charge for any trades subject to it. These pricing structures will be part of a separate communication.

We strongly encourage SwapClear participants 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. LCH is supporting this consultation with a number of briefings and with additional materials. Please contact your LCH Sales & Relationship manager should you require further information about these.

To participate in this consultation, please reply to **USDConversion@lseg.com** and we will send you a link to complete the on-line survey by Friday 27th May 2022. 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.

1. Do you agree that LCH should follow the precedent in cleared swap markets linked to non-USD LIBORs and convert any USD LIBOR trades remaining at (or shortly before) 30th June 2023? (Yes/No) If No, please outline your preferred alternative, noting that LCH cannot allow USD LIBOR trades reliant on non-representative settings to remain outstanding after 30th June 2023.
2. Do you agree with LCH's proposed approach to converting the USD LIBOR legs of each remaining SwapClear Contract that would otherwise rely on at least one non-representative USD LIBOR setting into SOFR-dependent legs of Market-Standard SOFR OIS? (Yes/No) If No, please outline your preferred alternative.
3. Do you agree with LCH's proposed approach to preserving the payments associated with representative LIBORs using Overlay Bookings? (Yes/No) If No, please outline your preferred alternative.
4. Do you agree with LCH's proposed approach to register Overlay Bookings into Client accounts as pairs of outright USD LIBOR and outright SOFR bookings? (Yes/No) If No, please outline your preferred alternative.
5. Do you agree with LCH's proposed approach to cash compensation? (Yes/No) If No, please outline your preferred alternative.
6. Do you agree with LCH's proposed approach to characterise the process as an amendment from a legal perspective? (Yes/No) If No, please outline your preferred alternative.
7. Do you agree with LCH's proposal to retain Basis Swaps with at least one USD LIBOR leg as is and to support them as potential Input Contracts into the conversion process? (Yes/No) If No, please outline your preferred alternative.
8. Do you have any outstanding USD LIBOR / FEDFUNDS Basis Swaps cleared at SwapClear? If so, do you agree with LCH's conversion proposal outlined in this consultation? (Yes/No) If No, please outline your preferred alternative.
9. Do you have any outstanding USD LIBOR ZCS cleared at SwapClear? If so, do you agree with LCH's conversion proposal outlined in this consultation? (Yes/No) If No, please outline your preferred alternative.
10. Do you agree with LCH's proposal to tranche the conversion event and provide for contingency dates as outlined in this consultation? (Yes/No) If No, please outline your preferred alternative.
11. Are there any other factors not identified in this consultation that LCH should consider in association with the impact of USD LIBOR cessation on cleared swaps?

We are extremely grateful for your engagement with this consultation and we thank you in advance for your participation. Should you have any questions not addressed here, please do not hesitate to contact your regular LCH representative or email USDConversion@lseg.com.