

Part 24 LIBOR Transition Rules**Rule 2401 Introduction**

These LIBOR Transition Rules deal with certain matters occurring at and around the LIBOR Transition Time. These LIBOR Transition Rules form part of the Rules and are to be interpreted together with the Rules. All terms used but not defined in these LIBOR Transition Rules have the meaning given to them elsewhere in the Rules. In the event of any conflict between the remainder of the Rules and these LIBOR Transition Rules in relation to any matter to which these LIBOR Transition Rules relate, these LIBOR Transition Rules shall prevail.

Rule 2402 Additional Definitions

- (a) The term "**LIBOR Settlement Time**" means the settlement time nominated by the Clearing House and communicated to Clearing Members by Circular pursuant to Rule 2403.
- (b) The term "**LIBOR Transition Futures Settlement Price**" means the settlement price in respect of a Set of Three Month Sterling LIBOR Contracts or Three Month EuroSwiss Contracts (as applicable) for close of business on the Market on the day of the LIBOR Settlement Time, as determined by the Clearing House in accordance with Rule 2404(b)(i) in relation to Three Month Sterling LIBOR Contracts and in accordance with Rule 2404(b)(ii) in relation to Three Month EuroSwiss Contracts.
- (c) The term "**LIBOR Transition Options Settlement Price**" means the settlement price in respect of a Set of Options on Three Month Sterling LIBOR Contracts for close of business on the Market on the day of the LIBOR Settlement Time, as determined by the Clearing House in accordance with Rule 2404(b)(iii).
- (d) The term "**LIBOR Transition Settlement Prices**" means the LIBOR Transition Futures Settlement Prices and the LIBOR Transition Options Settlement Prices.
- (e) The term "**LIBOR Transition Rules**" means this Part 24 of the Rules.
- (f) The term "**LIBOR Transition Time**" means the transition time nominated by the Clearing House and communicated to Clearing Members by Circular pursuant to Rule 2403.
- (g) The term "**SARON Contracts**" means the Contracts of any Future Set with contract symbol SA3, as which the Transitioning Three Month EuroSwiss Contracts are to be amended and restated at the LIBOR Transition Time pursuant to these LIBOR Transition Rules.
- (h) The term "**SONIA Contracts**" means the Contracts of any Future Set with contract symbol SO3, as which the Transitioning Three Month Sterling LIBOR Contracts are to be amended and restated at the LIBOR Transition Time pursuant to these LIBOR Transition Rules.
- (i) The term "**Sterling LIBOR Transition**" means the transition of Transitioning Three Month Sterling LIBOR Contracts or Options thereon to SONIA Contracts or Options thereon pursuant to Rules 2405 and 2407.
- (j) The term "**Three Month EuroSwiss Contracts**" means the Contracts of any Future Set with contract symbol S.

(k) The term "**Three Month Sterling LIBOR**" means Three Month Sterling ICE LIBOR, as published by ICE Benchmark Administration Limited.

(l) The term "**Three Month Sterling LIBOR Contracts**" means the Contracts of any Future Set with contract symbol L.

(m) The term "**Three Month Sterling LIBOR Spread**" means 0.1193% per annum, being the fixed spread adjustment value in respect of Three Month Sterling LIBOR published by Bloomberg Index Services Limited on 5 March 2021.

(n) The term "**Three Month Swiss Franc LIBOR**" means Three Month Swiss Franc ICE LIBOR, as published by ICE Benchmark Administration Limited.

(o) The term "**Three Month Swiss Franc LIBOR Spread**" means 0.0031% per annum, being the fixed spread adjustment value in respect of Three Month Swiss Franc LIBOR published by Bloomberg Index Services Limited on 5 March 2021.

(p) The term "**Transitioning Three Month EuroSwiss Contracts**" means the Three Month EuroSwiss Contracts which expire after the LIBOR Settlement Time, which are to be amended and restated at the LIBOR Transition Time as SARON Contracts pursuant to these LIBOR Transition Rules.

(q) The term "**Transitioning Three Month Sterling LIBOR Contracts**" means the Three Month Sterling LIBOR Contracts which expire after the LIBOR Settlement Time, which (subject to Rule 2405(a)) are to be amended and restated at the LIBOR Transition Time as SONIA Contracts pursuant to these LIBOR Transition Rules.

Rule 2403 *LIBOR Settlement Time and LIBOR Transition Time*

(a) The LIBOR Settlement Time and LIBOR Transition Time will be communicated to Clearing Members by Circular. The Clearing House shall be entitled by giving notice by Circular to delay the LIBOR Settlement Time or LIBOR Transition Time (or to unwind the LIBOR Transition with the effect that neither the LIBOR Settlement Time nor LIBOR Transition Time shall be deemed ever to have occurred), either generally or in respect of certain Contracts, at any time prior to the regular Margin call on the Business Day following the scheduled LIBOR Transition Time. Any such delays will be communicated to Clearing Members by Circular.

(b) Sets of Futures Contracts referencing Three Month Sterling LIBOR or Three Month Swiss Franc LIBOR expiring prior to the LIBOR Settlement Time are neither Transitioning Three Month Sterling LIBOR Contracts nor Transitioning Three Month EuroSwiss Contracts. Such Contracts with such expiry date shall expire and settle in the ordinary way prior to the LIBOR Settlement Time, without amendment or being affected by these LIBOR Transition Rules.

(c) Sets of Options Contracts referencing Three Month Sterling LIBOR Contracts expiring prior to the LIBOR Settlement Time shall expire and be exercised or abandoned and settle in the ordinary way, without amendment or being affected by these LIBOR Transition Rules. However, where such Options Contracts are exercised prior to the LIBOR Settlement Time into Three Month Sterling LIBOR Contracts that do not expire prior to the LIBOR Settlement Time, Rule 2405 shall apply to such Three Month Sterling LIBOR Contracts.

(d) Nothing in this Part 24 shall prevent or restrict ICE Futures Europe or the Clearing House from clarifying or providing guidance on the application of this Part 24 or any related Circular.

Rule 2404 *LIBOR Transition Settlement Prices*

(a) Following the LIBOR Settlement Time, the LIBOR Transition Settlement Prices will be used as the Exchange Delivery Settlement Prices for calculating Variation Margin for the purposes of the regular end of day Margin call in respect of any Set of Three Month Sterling LIBOR Contracts, Three Month EuroSwiss Contracts or Options on the Three Month Sterling LIBOR Contracts. No other Exchange Delivery Settlement Price shall be used under Parts 3, 5 or 7 of the Rules or the Finance Procedures in respect of such Contracts after the Market has closed on the day of the LIBOR Settlement Time or thereafter, provided that the Clearing House's rights to correct or amend an Exchange Delivery Settlement Price under Part 7 of the Rules in respect of Futures, or Part 8 of the Rules in respect of Options, are reserved.

(b) The LIBOR Transition Settlement Prices will be published by the Clearing House and applied after the LIBOR Settlement Time as follows:

- (i) for each Set of Three Month Sterling LIBOR Contracts, the LIBOR Transition Futures Settlement Price shall be the daily settlement price of the corresponding Set of SONIA Contracts at the LIBOR Settlement Time minus the Three Month Sterling LIBOR Spread;
- (ii) for each Set of Three Month EuroSwiss Contracts, the LIBOR Transition Futures Settlement Price shall be equal to the daily settlement price of the corresponding Set of SARON Contracts at the LIBOR Settlement Time minus the Three Month Swiss Franc LIBOR Spread; and
- (iii) for each Option on the Three Month Sterling LIBOR Contracts of a particular Set, the LIBOR Transition Options Settlement Price shall be equal to the daily settlement price of the Option on the SONIA Contract for the same delivery month and with the flex Strike Price, where the flex Strike Price is equal to the Strike Price for the relevant Option on the Three Month Sterling LIBOR Contract plus the Three Month Sterling LIBOR Spread.

(c) In relation to Options on the Three Month Sterling LIBOR Contracts for which the corresponding Option on the SONIA Contracts has a different expiry date, the Clearing House hereby directs that a one-off irreversible payment will take place under Rule 109(k), paid to the Clearing Member by the Clearing House or by the Clearing Member to the Clearing House, which shall be equal in respect of all Option Contracts of the same Set, to address the change in expiry date. The amount of such payment will be calculated as at the LIBOR Settlement Time by the Clearing House and will be reflected in a regular Margin call following the LIBOR Transition Time, unless otherwise directed by the Clearing House. For the avoidance of doubt, the one-off irreversible payment under this paragraph shall not be made in respect of any other step or consequence of this Rule 2404. The Clearing House notes in this regard that the methodology for calculating the LIBOR Transition Settlement Prices (including the Three Month Sterling LIBOR Spread and Three Month Swiss Franc LIBOR Spread) and the use of such prices as the Exchange Delivery Settlement Price are matters of which the market as a whole has had sufficient notice.

Rule 2405 *Amendment and Restatement of Transitioning Three Month Sterling LIBOR Contracts*

(a) Prior to the LIBOR Transition Time, the Clearing House shall identify the extent to which each Open Contract Position in each Account of each Clearing Member in respect of any Set of Transitioning Three Month Sterling LIBOR Contracts shall be subject to the Sterling LIBOR Transition, as follows:

(i) where any such Open Contract Position in an Account is of an odd number of lots, such Open Contract Position shall be rounded down to the nearest even number of lots for purposes of the Sterling LIBOR Transition; and the odd lot so removed by rounding shall be excluded from the Sterling LIBOR Transition and instead be cash settled, in accordance with Rule 2405(b)(iv); and

(ii) after the rounding process under Rule 2405(a)(i), in order to balance the number of buy and sell positions in any Set of Transitioning Three Month Sterling LIBOR Contracts, the Clearing House may further reduce any Open Contract Position (or part thereof) in respect of any Account of any Clearing Member, by applying the same process as is applicable to the *pro rata* allocation of positions for Option exercises pursuant to the Clearing Procedures; and any Open Contract Position identified by the Clearing House as required to form part of such reduction shall further be excluded from the Sterling LIBOR Transition and instead be cash settled, in accordance with Rule 2405(b)(iv).

Any Open Contract Position in a Set of Transitioning Three Month Sterling LIBOR Contracts in any Account of any Clearing Member to the extent that it is not so excluded under Rule 2405(a)(i) or (ii) shall be subject to the Sterling LIBOR Transition.

(b) At the LIBOR Transition Time:

(i) in respect of each Account of each Clearing Member, every two lots of a Set of Transitioning Three Month Sterling LIBOR Contracts (which are not excluded from the Sterling LIBOR Transition pursuant to Rule 2405(a)(i) or (ii)) shall be amended and restated as a single lot of a SONIA Contract with identical delivery month;

(ii) SONIA Contracts arising under Rule 2405(b)(i) shall be treated as being of the same Set as any other SONIA Contracts of the same delivery month held by the Clearing Member at the Transition Time, and if they are in the same Account may be subject to netting pursuant to Rule 406;

(iii) SONIA Contracts arising under Rule 2405(b)(i) shall remain ICE Futures Europe Contracts; and

(iv) any Open Contract Position in respect of any Set of Transitioning Three Month Sterling LIBOR Contracts that is excluded from the Sterling LIBOR Transition pursuant to Rule 2405(a)(i) or (ii) shall be cash settled at the relevant LIBOR Transition Futures Settlement Price previously published by the Clearing House pursuant to Rule 2404(b)(i).

(c) The Clearing House will not make any direction under Rule 109(k) for a one-off irreversible payment in respect of the amendment and restatement of Transitioning Three

Month Sterling LIBOR Contracts which are subject to Sterling LIBOR Transition contemplated by these LIBOR Transition Rules. The Clearing House notes in this regard that the proposed transition of LIBOR Contracts into SONIA Contracts and its timing and scope, the terms of SONIA Contracts, the conversion ratio and the cash settlement of Open Contract Positions excluded from the Sterling LIBOR Transition under Rule 2405(b)(iv) are matters of which the market as a whole has had sufficient notice.

- (d) Following the LIBOR Transition Time:
- (i) the Clearing House may apply contractual netting of offsetting SONIA Contracts of the same Set that are recorded in the same Account, in accordance with Rule 406(a);
 - (ii) there may be additional *ad hoc* or regular Margin payments or calls, including related to the amendment and restatement of the Transitioning Three Month Sterling LIBOR Contracts subject to Sterling LIBOR Transition as SONIA Contracts or any consequent netting and increase or decrease in Open Contract Positions or changes in valuations; and
 - (iii) the Clearing House's rights to correct or amend an Exchange Delivery Settlement Price under Part 7 of the Rules are reserved.

Rule 2406 *Amendment and Restatement of Transitioning Three Month EuroSwiss Contracts*

- (a) At the LIBOR Transition Time:
- (i) in respect of each Account of each Clearing Member, every single lot of a Transitioning Three Month EuroSwiss Contract shall be amended and restated as a single lot of a SARON Contract with identical delivery month;
 - (ii) SARON Contracts arising under Rule 2406(a)(i) shall be treated as being of the same Set as any other SARON Contracts of the same delivery month held by the Clearing Member at the Transition Time, and if they are in the same Account may be subject to netting pursuant to Rule 406; and
 - (iii) SARON Contracts arising under Rule 2406(a)(i) shall remain ICE Futures Europe Contracts.
- (b) The Clearing House will not make any direction under Rule 109(k) for a one-off irreversible payment in respect of the amendment and restatement of Transitioning Three Month EuroSwiss Contracts contemplated by these LIBOR Transition Rules. The Clearing House notes in this regard that the proposed transition of Three Month EuroSwiss Contracts into SARON Contracts and its timing and scope, the terms of SARON Contracts and the conversion ratio are matters of which the market as a whole has had sufficient notice.
- (c) Following the LIBOR Transition Time:
- (i) the Clearing House may apply contractual netting of offsetting SARON Contracts of the same Set that are recorded in the same Account, in accordance with Rule 406(a);

(ii) there may be additional *ad hoc* or regular Margin payments or calls, including related to the amendment and restatement of the Transitioning Three Month EuroSwiss Contracts as SARON Contracts or any consequent netting and increase or decrease in Open Contract Positions or changes in valuations; and

(iii) the Clearing House's rights to correct or amend an Exchange Delivery Settlement Price under Part 7 of the Rules are reserved.

Rule 2407 *Amendment and Restatement of Options on Transitioning Three Month Sterling LIBOR Contracts*

(a) Prior to the LIBOR Transition Time, the Clearing House shall identify the extent to which each Open Contract Position in each Account of each Clearing Member in respect of any Set of Options on Transitioning Three Month Sterling LIBOR Contracts shall be subject to the Sterling LIBOR Transition, as follows:

(i) where any such Open Contract Position in an Account is of an odd number of lots, such Open Contract Position shall be rounded down to the nearest even number of lots for purposes of the Sterling LIBOR Transition; and the odd lot so removed by rounding shall be excluded from the Sterling LIBOR Transition and instead be cash settled, in accordance with Rule 2407(b)(v); and

(ii) after the rounding process under Rule 2407(a)(i), in order to balance the number of buy and sell positions in any Set of Options on Transitioning Three Month Sterling LIBOR Contracts, the Clearing House may further reduce any Open Contract Position (or part thereof) in respect of any Account of any Clearing Member, by applying the same process as is applicable to the *pro rata* allocation of positions for Option exercises pursuant to the Clearing Procedures; and any Open Contract Position identified by the Clearing House as required to form part of such reduction shall further be excluded from the Sterling LIBOR Transition and instead be cash settled, in accordance with Rule 2407(b)(v).

Any Open Contract Position in a Set of Options on Transitioning Three Month Sterling LIBOR Contracts in any Account of any Clearing Member to the extent that it is not so excluded under Rule 2407(a)(i) or (ii) shall be subject to the Sterling LIBOR Transition.

(b) At the LIBOR Transition Time:

(i) in respect of each Account of each Clearing Member, every two lots of Options on any Transitioning Three Month Sterling LIBOR Contract (which are not excluded from the Sterling LIBOR Transition pursuant to Rule 2407(a)(i) or (ii)) shall be amended and restated as a single lot of an Option on a SONIA Contract where the relevant Three Month Sterling LIBOR Contract and SONIA Contract have an identical delivery month;

(ii) the Clearing House gives notice that, among others, the expiry date of certain Options on Transitioning Three Month Sterling LIBOR Contracts will be adjusted as a result of the change in Rule 2407(b)(i), so as to expire on the Friday prior to the third Wednesday of the expiry month;

- (iii) the Strike Price of each Option on a SONIA Contract arising under Rule 2407(b)(i) shall be amended and restated as the Strike Price for the Option on the Transitioning Three Month Sterling LIBOR Contract plus the Three Month Sterling LIBOR Spread;
 - (iv) Options on SONIA Contracts arising under Rule 2407(b)(i) shall remain ICE Futures Europe Contracts; and
 - (v) any Open Contract Position in respect of any Set of Options on any Transitioning Three Month Sterling LIBOR Contracts that is excluded from the Sterling LIBOR Transition pursuant to Rule 2407(a)(i) or (ii) shall be cash settled at the relevant LIBOR Transition Options Settlement Price previously published by the Clearing House pursuant to Rule 2404(b)(iii).
- (c) Except as set forth in Rule 2404(c), the Clearing House will not make any direction under Rule 109(k) for a one-off irreversible payment in respect of the amendment and restatement of Options on any Transitioning Three Month Sterling LIBOR Contracts arising under this Rule 2407 which are subject to Sterling LIBOR Transition contemplated by these LIBOR Transition Rules. The Clearing House notes in this regard that the proposed transition of Options on LIBOR Contracts into Options on SONIA Contracts and its timing and scope, the terms of SONIA Contracts, the conversion ratio, the cash settlement of Open Contract Positions excluded from the Sterling LIBOR Transition under Rule 2407(b)(v) and the amendment and restatement of the Strike Price are matters of which the market as a whole has had sufficient notice.
- (d) Following the LIBOR Transition Time:
- (i) the Clearing House may apply contractual netting of offsetting Options on SONIA Contracts of the same Set that are recorded in the same Account, in accordance with Rule 406(a);
 - (ii) SONIA Contracts arising as a result of the exercise of any Options converted under Rule 2407(b)(i) shall be treated as being of the same Set as any other SONIA Contracts of the same delivery month held by the Clearing Member at the LIBOR Transition Time, and if they are in the same Account may be subject to netting pursuant to Rule 406;
 - (iii) there may be additional *ad hoc* or regular Margin payments or calls, including related to the amendment and restatement of the Options on Transitioning Three Month Sterling LIBOR Contracts as Options on SONIA Contracts or any consequent netting and increase or decrease in Open Contract Positions or changes in valuations; and
 - (iv) the Clearing House's rights to correct or amend an Exchange Delivery Settlement Price under Part 8 are reserved.