

# LIBOR Transition

## Transition of EONIA-linked Cleared Derivatives

### Background

As part of industry-wide Benchmark Reform efforts, CCPs will work to transition EONIA and JPY/GBP/CHF/EUR LIBOR cleared trades before the end of 2021. While the LIBOR transition 'Go-Live events' will take place in December, EONIA transition will take place on the weekend of 15 & 16 October.

### Key CCP Transition 'Go-Live' Events – September-December 2021

Transition events	Central counterparty clearing houses			
	CME	LCH	Eurex	JSCC
EONIA Transition Go-Live	15 Oct	16 Oct	16 Oct	N/A
LIBOR Transition Go-Live (JPY)	03 Dec	04 Dec	03 Dec	04 Dec
LIBOR Transition Go-Live (EUR)	N/A	04 Dec	03 Dec	N/A
LIBOR Transition Go-Live (CHF)	03 Dec	04 Dec	03 Dec	N/A
LIBOR Transition Go-Live (GBP)	17 Dec	18 Dec	17 Dec	N/A

### What is EONIA to €STR Transition?

After the [European Money Markets Institute](#) ("EMMI"), the administrator of the Euro Overnight Index Average ("EONIA"), and its regulator determined that the panel based EONIA benchmark was not Benchmarks Regulation compliant, European Central Bank announced their intention to publish a new euro risk free overnight unsecured benchmark, called the Euro Short Term Rate ("€STR"). After conversion on 16 October, CCPs will no longer clear EONIA-referencing trades.

Publication of EONIA will be discontinued from 3 January 2022. Its replacement, the risk free rate €STR, commenced publication on 2 October 2019 and since this date, EONIA has been calculated daily as €STR plus a fixed spread of 8.5bps.

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### What are the differences in approach between Central Counterparty Clearing Houses (CCPs)?

CME, LCH and Eurex have published their methodologies for converting to €STR, over the weekend of 15/16 October (JSCC is not in scope for this exercise). These approaches are broadly similar, but differences are noted in the table below.

Please note, these changes are driven by the CCPs and not Barclays.

	CME (Chicago Mercantile Exchange)	LCH (London Clearing House)	Eurex
EONIA trade identification date	Friday 15 October (COB)	Friday 15 October (COB)	Friday 15 October (COB)
Rate to be used	ESRT flat (no added spread)	ESRT flat (no added spread)	ESRT flat (no added spread)
Conversion that applies	Each EONIA Index ref. swap (OIS)  €STR index ref. swap (OIS)	Each EONIA swap  €STR flat swap	Each OTC clear trade ref. EUR-EONIA-OIS-COMPOUND  trade ref. EURSTR-COMPOUND
Date compensation to be settled	Monday 18 October	Tuesday 19 October	Tuesday 19 October
Method of compensation	Upfront fees	Upfront fees	Upfront fees
Termination fee	None	£15 per EONIA trade converted. Will appear as "Clearing House Fee"	None

#### Source of above information: CME, LCH & Eurex websites

Note that Bilateral trades are unaffected by CCPs conversion activities and Barclays continues to actively work with clients to transition these. Barclays is already offering full liquidity (both voice and electronic) and trading capability on ESTR swaps.

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### LCH – EONIA transition approach

LCH will identify the EONIA trade population at close of business on 15 October. These trades will then be terminated and new trades will be booked on 16 October using €STR Flat positions (not including a fixed spread of 8.5bps).

The valuation difference between the EONIA and €STR Flat trades will be cash compensated as follows: a new 1 EUR notional trade carrying an “upfront fee” will be booked with the net compensation amount per clearing account. LCH will then provide reports to reconcile the old EONIA to new €STR Flat positions, as well as the trade level breakdowns of the net cash compensation amount.

This will be communicated to clients via their statements:

- Existing EONIA trades will appear on client statements as ‘TERMINATED’
- Replacement €STR flat trades will appear as ‘NEW’
- Compensation trades will appear as ‘NEW’

LCH will be charging £15 per EONIA trade converted, which Barclays will pass on in the same manner as existing “Clearing House Fees”.

### CME – EONIA transition approach

CME will employ a single-step mandatory conversion to convert EONIA Index referencing swaps (OIS) to €STR OIS, following close of business on 15 October, 2021.

CME will terminate each EONIA OIS and replace with a corresponding €STR OIS swap.

No spread nor fixed rate adjustment will be applied (€STR Flat). For each EONIA OIS swap, a termination message will be sent to clearing firms along with a clearing confirmed message for the resultant €STR OIS.

The resultant, cleared €STR OIS will have cash compensation applied via “upfront fees” equal and opposite to the net present value change resulting from the transition on each trade across all accounts.

**The impact of CME EONIA transition is limited to internal Barclays businesses.**

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### Eurex – EONIA transition approach

The relevant EONIA trade population will be identified at close of business on 15 October.

On 16 October, each OTCClear trade referencing EUR-EONIA-OIS-COMPOUND floating rate index will be converted to a trade referencing EUR-EuroSTR-COMPOUND floating rate index (with no added spread). The EONIA-referencing trade will be terminated and the replacing €STR trade will be booked.

To ensure that no value is transferred throughout the conversion, Eurex Clearing will book a mandatory cash compensation from those who benefit from the switch to those who lose out. Calculation of both the value transfer and the compensation fees will take place at COB on 15 October.

The resultant compensation fees will be booked as “upfront fees” attached to the replacing €STR trades and will be settled on 19 October 2021.

Eurex Clearing will not charge termination fees for the EONIA trades, nor booking fees for the €STR replacing trades.

**The impact of Eurex EONIA transition is limited to internal Barclays businesses.**

### Here to help

For further information on EONIA transition, please get in touch with your usual Barclays contact, or alternatively, contact [benchmarkreform@barclays.com](mailto:benchmarkreform@barclays.com)

### Useful links

<https://www.cmegroup.com/>

<https://www.lch.com/>

<https://www.eurex.com/ex-en/>

<https://www.jpx.co.jp/jsccl/en/>

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### Glossary

CCP	Central Counterparty Clearing Houses
CME	Chicago Mercantile Exchange
CHF	Swiss Francs
COB	Close of Business
EMMI	European Money Markets Institute
EONIA	Euro Overnight Index Average
EUR	Euro
€STR	Euro Short Term Rate
GBP	British Sterling
JPY	Japanese Yen
JSCC	Japan Securities Clearing Corporation
LCH	London Clearing House
LIBOR	London InterBank Offered Rate
OIS	Overnight Indexed Swap Rate
OTC	Over The Counter
RFR	Risk Free Rate



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