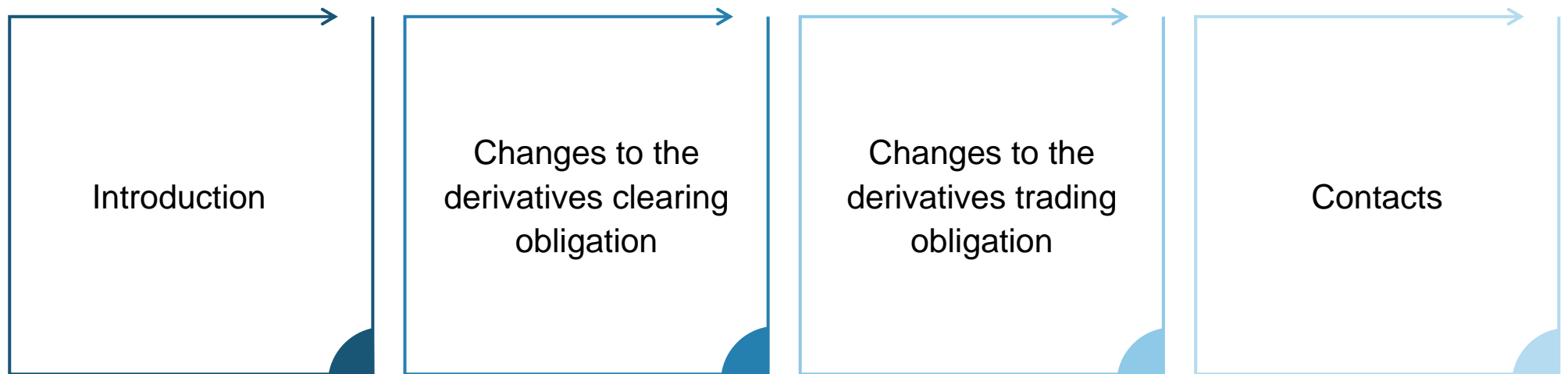


**C L I F F O R D**  
**C H A N C E**

**LIBOR TRANSITION – CHANGES TO THE UK AND EU OTC  
DERIVATIVES CLEARING AND TRADING OBLIGATIONS**

DECEMBER 2021

# CONTENTS



# INTRODUCTION

- The UK and the EU are making different changes to the scope of their respective OTC derivatives clearing and trading obligations to reflect the planned transition from LIBOR to risk-free rates.
- While many LIBOR settings will cease to be published after 31 December 2021, some GBP, JPY and USD LIBOR settings will continue to be published for a period (in the case of the GBP and JPY settings using a changed ‘synthetic’ methodology).
- The Bank of England and the FCA have adopted instruments amending the UK technical standards setting the scope of the UK clearing and trading obligations to reflect the impact of LIBOR transition with effect from dates in October and December 2021 and January 2022.
- Under the UK Benchmarks Regulation, supervised entities will be subject to a prohibition on ‘new use’ (and ‘legacy use’ in cleared derivatives) of GBP and JPY LIBOR and a restriction on ‘new use’ of USD LIBOR from 1 January 2022.
- The UK is likely to make future changes to remove derivatives referencing USD LIBOR from the scope of its clearing and trading obligations as usage and publication of USD LIBOR is wound down.
- ESMA has adopted its final report with its proposals to amend the EU technical standards setting the scope of the EU clearing and trading obligations to reflect the impact of LIBOR transition, but these changes are not yet in effect. The European Commission has not yet adopted (or proposed to amend) ESMA's proposals.
  - Any amendment to the EU technical standards is subject to there being no objection by the European Parliament or the Council of the EU.\*
- The UK and the EU may add additional classes of derivatives referencing risk-free rates to their clearing and trading obligations as liquidity increases in those classes of derivatives.
- The following pages summarise and compare the changes so far made in the UK and proposed to be made in the EU.
- For more information on LIBOR transition, see the FCA’s announcements of [March](#), [September](#) and [November](#) 2021 and our IBOR transition and risk-free rates [topic guide](#) on our [Financial Markets Toolkit](#).

\* ESMA has stated that, from 3 January 2022, it expects competent authorities not to prioritise their supervisory actions in relation to the EU clearing obligation for derivative classes referencing EONIA, GBP LIBOR, JPY LIBOR or USD LIBOR and in relation to the EU trading obligation for derivative classes referencing GBP LIBOR or USD LIBOR. ESMA also recommends voluntary clearing, ahead of the clearing obligation start date, of derivatives in the classes being added to the EU clearing obligation. ESMA [statement](#) 16 December 2021.

# CHANGES TO THE CLEARING OBLIGATION

Currency	Index	Maturity	UK changes	EU proposed changes
<b>(1) Basis swaps and (2) Fixed-float swaps</b>				
EUR	Euribor	28 days – 50 years	No change	No change
GBP	LIBOR	28 days – 50 years	Removed <sup>3</sup>	Removed
JPY	LIBOR	28 days – 30 years	Removed <sup>2</sup>	Removed
USD	LIBOR	28 days – 50 years	No change	Removed
<b>(3) Forward rate agreements</b>				
EUR	Euribor	3 days – 3 years	No change	No change
GBP	LIBOR	3 days – 3 years	Removed <sup>3</sup>	Removed
USD	LIBOR	3 days – 3 years	No change	Removed
<b>(4) Overnight Index Swaps</b>				
EUR	EONIA	7 days – 3 years	Reference index replaced by €STER <sup>1</sup>	Reference index replaced by €STER
USD	FedFunds	7 days – 3 years	No change	No change
GBP	SONIA	7 days – 3 years	Maturity changed to 7 days – 50 years <sup>3</sup>	Maturity changed to 7 days – 50 years
JPY	TONA	7 days – 30 years	Added (see columns to left) <sup>4</sup>	N/A
USD	SOFR	7 days – 3 years	N/A	Added (see columns to left)

# CHANGES TO THE CLEARING OBLIGATION

## (CONTINUED)

### Notes

- The classes of derivatives listed above are only subject to the clearing obligation if they are single currency, with no optionality and have a constant or variable notional. Newly added classes are in *italics*.
- UK changes: <sup>1</sup> with effect from 18 October 2021; <sup>2</sup> with effect from 6 December 2021; <sup>3</sup> with effect from 20 December 2021; and <sup>4</sup> with effect from 31 January 2022.
- EU proposed changes: with effect from the later of 3 January 2022 or 20 days after publication of the amending technical standards in the Official Journal, except that the addition of SOFR overnight index swaps would only take effect three months after entry into force of the amending technical standards.
- Neither the UK nor the EU have proposed changes to the scope of the clearing obligation in relation to non-G4 currency interest rate derivatives (NOK, PLN and SEK swaps referencing NIBOR, WIBOR and STIBOR, respectively) or credit default swaps. The table does not set out the classes of those derivatives subject to the clearing obligation.

### Sources

- EU Commission Delegated Regulation (EU) 2015/2205 of 6 August 2015 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on the clearing obligation ([here](#))
- Bank of England Policy Statement, Derivatives clearing obligation – modifications to reflect interest rate benchmark reform: Amendments to BTS 2015/2205 (29 September 2021, [here](#)).
- Bank of England Policy Statement, Derivatives clearing obligation – introduction of contracts referencing TONA: Amendment to BTS 2015/2205 (3 December 2021, [here](#)).
- ESMA, Final Report on draft RTS on the clearing and derivative trading obligations in view of the benchmark transition to risk free rates (18 November 2021, [here](#)).

# CHANGES TO THE TRADING OBLIGATION

## FIXED-FLOAT SINGLE CURRENCY INTEREST RATE SWAPS

Currency	Trade start	Tenor	Fixed leg payments	Floating leg index	Floating leg reset	UK changes	EU proposed changes
EUR	Spot (T+2)	2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 15, 20, 30Y	Annual or semi-annual	Euribor 6M	Quarterly or semi-annual	No change	No change
EUR	Spot (T+2)	2, 3, 4, 5, 6, 7, 10, 15, 20, 30Y	Annual or semi-annual	Euribor 3M	Quarterly	No change	No change
USD	Spot (T+2)	2, 3, 4, 5, 6, 7, 10, 12, 15, 20, 30Y	Annual or semi-annual	USD LIBOR 3M	Quarterly	No change	Removed
USD	IMM (next 2 dates)	2, 3, 4, 5, 6, 7, 10, 12, 15, 20, 30Y	Annual or semi-annual	USD LIBOR 3M	Quarterly	No change	Removed
USD	Spot (T+2)	2, 3, 4, 5, 6, 7, 10, 12, 15, 20, 30Y	Annual or semi-annual	USD LIBOR 6M	Quarterly or semi-annual	No change	Removed
USD	IMM (next 2 dates)	2, 3, 4, 5, 6, 7, 10, 12, 15, 20, 30Y	Quarterly or semi-annual	USD LIBOR 6M	Quarterly or semi-annual	No change	Removed
GBP	Spot (T+0)	2, 3, 4, 5, 6, 7, 10, 15, 20, 30Y	Quarterly or semi-annual	GBP LIBOR 6M	Quarterly or semi-annual	Removed	Removed
GBP	Spot (T+0)	2, 3, 4, 5, 6, 7, 10, 15, 20, 30Y	Quarterly or semi-annual	GBP LIBOR 3M	Quarterly	Removed	Removed
GBP	Spot (T+0)	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 15, 20, 25, 30Y	Annual or semi-annual	SONIA	Annual, semi-annual or quarterly	Added (see columns to left)	N/A
GBP	IMM (next 2 dates)	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 15, 20, 25, 30Y	Annual or semi-annual	SONIA	Annual, semi-annual or quarterly	Added (see columns to left)	N/A

# CHANGES TO THE TRADING OBLIGATION

## (CONTINUED)

### Notes

- The classes of derivatives listed above are only subject to the trading obligation if they are single currency, with no optionality and have a constant notional. Newly added classes are in *italics*.
- Day count conventions: EUR and USD fixed legs – 30/360 or Actual/360; EUR and USD floating legs – Actual/360; GBP fixed and floating legs – Actual/365F.
- UK changes: with effect from 20 December 2021.
- EU proposed changes: with effect from the later of 3 January 2022 or 20 days after publication of the amending technical standards in the Official Journal.
- Neither the UK nor the EU have proposed changes to the scope of the trading obligation in relation to credit default swaps. The table does not set out the classes of those derivatives subject to the trading obligation.
- The FCA's [transitional direction](#) under its Temporary Transitional Power will continue to allow UK counterparties to trade with EU clients on EU venues in the classes of derivatives covered by the UK trading obligation (where the conditions in that direction are met) until end-2022 even though some of those classes of derivatives will not be covered by the EU trading obligation.

### Sources

- EU Commission Delegated Regulation (EU) 2017/2417 of 17 November 2017 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on the trading obligation for certain derivatives ([here](#)).
- FCA PS21/13: LIBOR transition and the derivatives trading obligation (15 October 2021, [here](#)).
- ESMA, Final Report on draft RTS on the clearing and derivative trading obligations in view of the benchmark transition to risk free rates (18 November 2021, [here](#)).

# CONTACTS

## UK



**CAROLINE DAWSON**  
PARTNER

**T** +44 20 7006 4355  
**M** +44 7949 443527  
**E** caroline.dawson@cliffordchance.com



**ANNE DRAKEFORD**  
PARTNER

**T** +44 20 7006 8568  
**M** +44 7949 055459  
**E** anne.drakeford@cliffordchance.com



**PAGET DARE-BRYAN**  
PARTNER

**T** +44 20 7006 2461  
**M** +44 7890 558971  
**E** paget.darebryan@cliffordchance.com



**JEREMY WALTER**  
PARTNER

**T** +44 207006 8892  
**M** +44 7717693702  
**E** jeremy.walter@cliffordchance.com



**WILLIAM WINTERTON**  
PARTNER

**T** +44 20 7006 4386  
**M** +44 7508 050194  
**E** will.winterton@cliffordchance.com



**CHRIS BATES**  
SPECIAL COUNSEL,  
CONSULTANT

**T** +44 20 7006 1041  
**M** +44 7785 700236  
**E** chris.bates@cliffordchance.com



**MICHAEL BROWN**  
SENIOR ASSOCIATE

**T** +44 20 7006 8359  
**M** +44 7930 104503  
**E** michael.brown@cliffordchance.com



**LAURA DOUGLAS**  
SENIOR ASSOCIATE

**T** +44 20 7006 1113  
**M** +44 7583 035088  
**E** laura.douglas@CliffordChance.com

## EU

### BELGIUM



**LOUNIA CZUPPER**  
PARTNER

**T** +32 2 533 5987  
**M** +32 496239987  
**E** lounia.czupper@cliffordchance.com

### FRANCE



**FREDERICK LACROIX**  
PARTNER

**T** +33 1 4405 5241  
**M** +33 688144673  
**E** frederick.lacroix@cliffordchance.com

### GERMANY



**MARC BENZLER**  
PARTNER

**T** +49 69 7199 3304  
**M** +49 1709222892  
**E** marc.benzler@cliffordchance.com

### ITALY



**LUCIO BONAVITACOLA**  
PARTNER

**T** +39 02 8063 4238  
**M** +39 3479571560  
**E** lucio.bonavitacola@cliffordchance.com

### LUXEMBOURG



**STEVE JACOBY**  
MANAGING PARTNER

**T** +352 48 50 50 219  
**M** +352 621303470  
**E** steve.jacoby@cliffordchance.com

### THE NETHERLANDS



**JURGEN VAN DER MEER**  
PARTNER

**T** +31 20 711 9340  
**M** +31 621517107  
**E** jurgen.vandermeer@cliffordchance.com

### POLAND



**ANNA BIAŁA**  
COUNSEL

**T** +48 22429 9692  
**E** anna.biala@cliffordchance.com

### SPAIN



**JOSÉ MANUEL CUENCA**  
PARTNER

**T** +34 91 590 7535  
**M** +34 659779911  
**E** osemanuel.Cuenca@cliffordchance.com

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