



Questions & Answers

Q1. Where can I get more information on the transition?

A. Transition Plan document can be found [here](#)

Q2. Who can I contact if I have further questions?

A. Email ICE Futures Europe on rates@ice.com or email ICE Clear Europe on ICEClearEurope-ETDClearing@TheIce.com.

Q3. If I have pre-trade risk limits in, Short Sterling Futures, Short Sterling Options or Euroswiss Futures will I also need to set up a pre-trade risk limits for the Risk-Free Rate Futures and Options equivalents?

A. ICE encourages participants that hold open positions in Short Sterling Futures, Short Sterling Options or Euroswiss Futures to check that they have the appropriate pre-trade risk limits in the equivalent RFR Futures or Options. In the event that a participant does not have appropriate pre-trade risk limits set, ICE suggests that you contact your risk manager and ICE User Administration representative to update prior to the LIBOR Transition Date. If the pre-trade risk limits are still not updated prior to the LIBOR Transition Date, ICE will set the pre-trade risk limits to take the higher of the notional equivalent of either the LIBOR or RFR pre-trade risk limit. The following table outlines three examples for Short Sterling Futures which will transition into Three Month SONIA Index Futures:

Example	Sterling Pre-Trade Limits	SONIA Equivalent Pre-Trade Limits	SONIA Pre-Trade Limits	Pre-Trade Limit Applied - SONIA
1	10000	5000	4000	5000
2	10000	5000	0	5000
3	6000	3000	4000	4000

In example 1, the Sterling notional equivalent pre-trade risk limit (10,000 lots/2=5,000 lots) is applied as the SONIA pre-trade risk limit, as it is the higher of the two limits. In example 2 the account had no SONIA pre-trade risk limits but had a Sterling pre-trade risk limit of 10,000 lots which on a notional equivalent

basis is 5,000 SONIA lots; consequently, a 5,000-lot pre-trade risk limit in SONIA is applied. In example 3 the SONIA pre trade risk limit was higher than the Sterling notional equivalent pre-trade risk limit and the SONIA pre-trade risk limit remains unchanged.

Q4. Will ICE deliver a custom GCM file for the purpose of transitioning?

A. ICE cannot create a custom solution for each member. A solution utilising data provided by the GCM files ensures that neither ICEU or Clearing Members/Vendors would need to build, or build to, a bespoke transition solution; the current solution can be accommodated by existing processes under existing operational timings. Members are reminded that GCM submissions should support the reporting of omnibus client account positions along with their related 'child' sub-account positions, meaning that the transition can be performed down to the 'child' sub-account level.

Q5. If a customer has an even number of lots will their position be cleanly transitioned on a 2:1 basis?

A. Although likely, it is not possible to guarantee that an even position will be exactly 2:1 transitioned due to the requirement to balance all long and short positions. ICEU will use GCM file submissions to calculate the positions to transition.

e.g. Customer with even number of lots, not fully transitioned.

Total market OI 100 lots

MARKET LONG				
	Pre-transition LIBOR lots	Transitioning LIBOR lots	'Trimmed' Lots	Post-transition SONIA Lots
Customer 1	15	14	1	7
Customer 2	20	20		10
Customer 3	13	12	1	6
Customer 4	52	52		26
Total Market OI	100	98	2	49

MARKET SHORT				
	Pre-transition lots	Transitioning LIBOR lots	'Balanced' Lots	Post transition SONIA Lots
Customer A	100	98	2	49
Total Market OI	100	98	2	49

The customer with a short position of 100 lots might expect to receive a position of 50 lots post-transition. However, in this example, it was not possible to transition the full position due to long customer positions in the market and they will actually receive a position of 49 lots of SONIA futures.

Q6. If a Clearing Member reports positions via GCM at a 'group omnibus' level but records them internally at an underlying account level, what will be the outcome?

A. This could result in a different outcome than expected by the Clearing Member.

e.g. Clearing Member submits GCM for Customer 'A' for 50 lots, but they hold the position as 25 lots for Customer 'A1' and 25 lots for Customer 'A2'

GCM Submission				
	Pre-transition LIBOR lots	Transitioning LIBOR lots	'Trimmed' Lots	Post-transition SONIA Lots*
Customer A	50	50	0	25
Total	50	50	0	25

Clearing Member Internal Systems				
	Pre-transition LIBOR lots	Transitioning LIBOR lots	'Trimmed' Lots	Post transition SONIA Lots*
Customer A1	25	24	1	12
Customer A2	25	24	1	12
Total	50	48	2	24

*subject to balancing across the market

In the above example the Clearing Member's book and records might suggest that they receive 24 lots and a cash settlement on 2 lots, but as the calculation is based on their GCM submission they will actually receive 25 lots and no cash settlement

To avoid the above scenario Clearing Members may:

- Report the positions via GCM submission at the sub-account level rather than the group omnibus level. The positions are held in net margined accounts therefore there will be no impact on margins; or
- Clearing Members may discuss with clients a post-transition allocation preference, e.g. in the above example 13 lots to customer A1 and 12 to customer A2.

Q7. What happens if a Clearing Member's GCM submission breaks vs ICEU due to under or over-reporting?

A. ICEU recommends that Clearing Members pay close attention to their GCM submissions relating to transitioning positions leading up to and on Friday 17 December. ICEU publishes a number of reports after each GCM submission which highlight any such breaks. Clearing Members Operations departments should be aware of these reports

Under-Reported Positions - ICEU will treat the under-reported volume/position as a separate customer

e.g. Position at ICEU 100 lots, GCM submission 90 lots (under report 10 lots). ICEU treat 'balancing account' position as a separate customer.

GCM Under-Reported				
	GCM Submission	Actual Position at ICEU	ICEU Transitioning LIBOR Lots	Post-transition SONIA Lots
Customer A	50		50	25
Customer B	40		40	20
Customer 'Balancing Account'			10	5
Total	90	100	100	50

Over-Reported Positions - ICEU will 'trim' down each client position on a pro rata basis

e.g. Position at ICEU 100 lots, GCM Submission 110 (over report 10 lots). ICEU will reduce reported GCM positions on a pro rata basis to equal 100 lots.

GCM Over-Reported				
	GCM Submission	Actual Position at ICEU	ICEU Transitioning LIBOR Lots (Pro Rata)	Post-transition SONIA Lots
Customer A	50		46	23
Customer B	40		36	18
Customer C	20		18	9
Total	110	100	100	50

Q8. In the ICE LIBOR Transition Fallback document, it states that trades will be converted – operationally is this essentially an amendment to the current booking – or a termination and rebook?

A. Following EOD processes on Friday 17 December 2021, all open positions in Short Sterling and Euroswiss will be closed out, and new corresponding positions will be opened in the respective SONIA and SARON contracts. Customers will not see an offsetting position in Short Sterling or Euroswiss Futures.

Q9. What is the mechanism by which the amendment / term and rebook messages are sent out for participants to consume?

A. Clearing Members will not see any offsetting and onsetting trades in FEC or any FIXML messages. Monday nights standard MTTTPR report will show the trades with a trade type of 'migration' and the 'trader' field will be populated with the Trading Member Mnemonic Monday's EOD MPMO (match-off)

report will show zero long/ zero short positions for LIBOR contracts, and the amalgamated position (transition + standard activity) for SONIA and SARON contracts. Therefore, Clearing Members will not see an 'odd lot cash adjustment' on any reports. Please see Q12 for more details on odd lot adjustments.

Q10. Will ICE have a Transition 'dress rehearsal' ahead of the go-live?

- A.
- ICEU began publishing on Monday 04 October 2021, via MFT, daily Clearing Member Transition Projection Data Files relating to Three Month Sterling (Short Sterling) positions. These daily files project the outcome of the transition for each Clearing Member had it been executed on that day, based on live positions held at EOD on that date. [ICEU Circular C21/118](#) provides further information. The report published on 18th December will be the 'actual' transition file, not a 'projection'
 - The file names are as follows, and can be found in the clearing/positions folder within MFT:
 - MPAAMP - Migration Aggregated Adjusted Projection
 - MPDAMP - Migration Detailed Adjusted Projection
 - ICEU has published a Transition Projection Data File Specification and a production-like example which can be found on ICE Service Community, here - [LIBOR Report Specification](#).

Q11. How will ICE open interest be reported for Sterling Futures and Options for Friday, 17 December 2021?

A. The final Open Interest for Sterling Futures and Options from the Friday's trading would be computed as normal and would be reported on the Monday 20 December 2021 for trading day of Friday, 17 December 2021.

Q12. What mechanism will ICE use where it is necessary to pro-rata client transitioned positions?

A. For both Sterling Futures and Options the lot size conversion mechanics will be the same. Since two lots of Sterling Futures and Options shall become one lot of SONIA, a two-step process will be used:

1. Positions that are uneven will have 1 lot cash settled
2. Remaining even lots are balanced to match longs and shorts. Remainders from this process are also cash settled through the standard pro-rata assignment process used in early option exercise for American-style interest rate options

ICE will use the standard pro-rata assignment process used in the early exercise for American style interest rate options. This can be found in the ICE Clear Europe Rulebook Section I Clearing Procedures on page 18 section 5.8.

There can be a scenario where the remaining even lots after step 1 are not equal and will need to be balanced to match longs and shorts. The transitioning aggregate open interest for a contract expiry would occur at the minimum of either the aggregate Long OI or aggregate Short OI. The remainders from this process are also cash settled through the standard pro-rata assignment process used in early option exercise for American-style interest rate options.

The following is an example of a futures contract and how allocations would occur:

Long					Short													Final
Account	"L" Long Position	Position Half Lot	Final Long Cash Settle	Convertible Position	Account	"L" Short Position	Position Half Lot	Step 1. Cash Settled L	Convertible Position	Calculated Allocation	Rounded allocation	Residual	Fraction Remaining	Residual Allocation	Converted OI	2. Cash Settled	2. Notional Equivalent	Final Short Cash Settlements
D	1027	513.5	1	513	K	108	54	0	54	53.8612	53	-	0.8612	1	54	0	0	0
C	459	229.5	1	229	L	900	450	0	450	448.8432	448	-	0.8432	1	449	1	2	2
O	449	224.5	1	224	J	203	101.5	1	101	100.7404	100	-	0.7404	1	101	0	0	1
N	277	138.5	1	138	I	555	277.5	1	277	276.2879	276	-	0.2879		276	1	2	3
G	250	125	0	125	M	1349	674.5	1	674	672.2674	672	-	0.2674		672	2	4	5
F	200	100	0	100														
A	103	51.5	1	51														
S	101	50.5	1	50														
R	87	43.5	1	43														
P	59	29.5	1	29														
B	57	28.5	1	28														
Q	23	11.5	1	11														
E	18	9	0	9														
H	5	2.5	1	2														
Total	3115	1557.50	11	1552		3115	1557.50	3	1556	1552	1549	3		3	1552	4		11
<p>The minimum of the long and short aggregate OI will be the final aggregate OI that is transitioned.</p>					<p>Pro-rata calculation is passed from maximum aggregate open interest of either the Long or Short position (i.e. SOCP(CM) = Individual Accounts position from Long or Short with Maximum Aggregate OI, SOCP(all) = Maximum Long or Short Aggregate OI, LOCP (all) = Minimum OI Long or Short Aggregate OI. "Residual Fractions" then be used to allocate the residuals. Formula can be found on page 18 of ICE Clear Europe Rule Book Section I Clearing Procedures.</p>													

Summary of the main points that a customer should look to understand from this example is:

- Client L has an even position (900 lots) but still gets a cash settlement.
- Client I has an odd lot position (555) lots but gets cash settled on three lots (not one lot).
- Client M has an odd lot position (1349 lots but gets cash settled on five lots (not one lot).

Please see Q25 for explanation of 'odd lot settlement

Q13. Will the Exchange provide derived settlement prices for Three Month Euroswiss Future on the transition date (17th Dec) EOD Exchange file?

A. ICE will publish one set of End of Day prices as normal.

Q14. Will the Exchange provide derived settlement prices for Sterling Futures and Options? Will ICE send the flex strikes for the new SONIA Options along with their settlement prices in the exchange file?

A. Yes, new flex strikes for SONIA options, along with their respective settlement prices for the new flex strikes will be in End of Day exchange files for 17th December 2021.

Q15. We are not expecting changes on SARON Future settlement prices on the transition date and will come as part of daily end of day settlement price file?

A. This is correct, there will be one settlement price in the End of Day settlement price file as normal.

Q16. In Euroswiss can positions be closed out and reopened/re-book in SARON positions with the respective settlement prices as received from the exchange?

A. Yes, in the case of Euroswiss Futures transition because this is a straight 1:1 transition it is possible for Clearing members to close out and rebook positions internally with the respective (spread adjusted) prices.

Q17. Is there a list that ICE has that tables the current product codes and what their new target product codes will be upon transition?

A. Please see the following table that outlines the target product codes:

Current Product Code	Sterling to SONIA Product Conversion Ratio 2:1	Target Product Code	Transition Product
L	Three Month Sterling Future	SO3	Three Month SONIA
L	Options - Three Month Sterling Future	SO3	Options - Three Month SONIA
M	Options - Three Month Sterling 1yr Mid-Curve	SY1	Options - Three Month SONIA 1yr Mid-Curve
M2	Options - Three Month Sterling 2yr Mid-Curve	SY2	Options - Three Month SONIA 2yr Mid-Curve
M3	Options - Three Month Sterling 3yr Mid-Curve	SY3	Options - Three Month SONIA 3yr Mid-Curve
M4	Options - Three Month Sterling 4yr Mid-Curve	SY4	Options - Three Month SONIA 4yr Mid-Curve
M5	Options - Three Month Sterling 5yr Mid-Curve	SY5	Options - Three Month SONIA 5yr Mid-Curve

Current Product Code	Euroswiss to SARON Product Conversion Ratio 1:1	Target Product Code	Transition Product
S	Three Month Euroswiss Future	SA3	Three Month SARON Index Future

Q18. What is the mechanism by which the amendment / term and rebook messages are sent out for participants to consume?

A. ICEU will

- close out positions (futures and options) in the Short Sterling contracts at 17th December settlement price (Three Month SONIA Index Future-ISDA fallback Spread (11.93bps))
- Create positions in the SONIA contracts using 17th December SONIA settlement price
- These 'trades' will be reported in the standard MPMO and MTPR reports available in MFT
- The 'trades' will not be visible in FEC and no FIXML messages will be sent
- Clearing Members will see a zero position in the source (LIBOR) contracts and a new position in the target contracts (or updated position if they already had a position going into the process).

This approach means that there is no need for any manual cash adjustment with regard to futures.

Q19. How will the Options cash adjustment mentioned in the [ICE LIBOR Transition Fallback plan](#) be processed?

A.

- IFEU will process a cash adjustment to compensate for the fact that quarterly Options on Three Month Sterling Futures expire on a different day to the equivalent Options on Three Month SONIA Index Futures. The expiry dates for Serial and Mid-curve Options on Three Month Sterling Futures are already aligned to their SONIA equivalents with the expiry date defined as the Friday before the third Wednesday of the expiry month
- The adjustment will apply to all quarterly Options on Three Month Sterling Futures that are outstanding after the close of trading on Friday 17 December 2021.
- The process is separate and is in addition to the possible cash settlement of positions relating to the 2:1 conversion process in Short Sterling Futures and Options (see question Q12).
- ICEU will publish a report showing the cash adjustment figure per lot for each contract with OI at the time of conversion. The report will be a generic ref data report published in MFT under pub/ref directory during the transition steps on Friday 17 December 2021
 - File specification can be found in on ICE Service Community, here - [LIBOR Report Specification](#) under 'Time value adjustment'.

- Clearing Members may choose to use this file to calculate any necessary cash adjustments. Additionally, ICEU will provide impacted Members with an excel spreadsheet on Monday 20 December 2021 with the adjustment and breakdown of the calculation at position and customer level.
- ICEU operations will contact affected Clearing Members in early/Mid November and will also provide sample excel spreadsheets.
- Please read page 8 of the [ICE LIBOR Transition Fallback plan](#) 'Options on Three Month Sterling Futures Time Value Adjustment' for full details

Q20. Will ICE use, for the purpose of the Theta calculations, standard minimum price increments that options trade in and settle in?

- A. No, ICEU will use the unrounded Sterling Options Settlement prices for the purpose of calculating the ad hoc cash adjustment to compensate for the change in Theta arising from the differing expiry dates in relation to transition of Options on Three Month Sterling Futures to Options on Three Month SONIA Index Futures. Please see the [ICE LIBOR Transition Fallback Plan](#) examples for more detail.

Q21. Will the LIBOR Transition of Futures and Options require trade reporting under MIFID RTS?

- A. The conversion is not a reportable event under the Delegated Regulation 2017/590 "RTS 22" which is the detailed Technical Standard on MiFIR transaction reporting and is clear that conversion actions are not reportable.

Q22. What will be reported under EMIR?

- A. For business day 20 December 2021, reportable on 21 December 2021, ICEU will report:

METR and MEPR

- Modified (Action type "M") (zero) positions for Euroswiss Futures, Short Sterling Futures and Short Sterling Options.
- Where a member account has an existing SARON/SONIA position the migrated Euroswiss/Short Sterling position will be added to the existing UTIs and reported as a modify (Action type "M").
- Where a member account has no existing SARON/SONIA positions then the migrated Euroswiss/Short Sterling position will be added to a new UTI and will be reported as a "N" (Action type "N") position.

METR

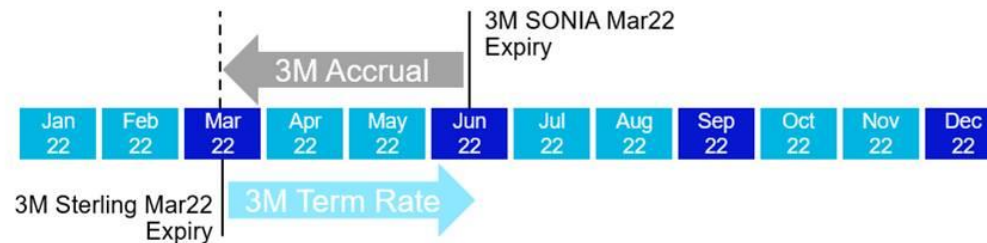
- Lifecycle events to offset to zero existing positions in Euroswiss Futures, Short Sterling Futures and Short Sterling Options. Will be reported as New Trades (Action Type "P" Level "T")
- Lifecycle events to add (onset) the migrated positions into modified or new SARON/SONIA positions. Will be reported as New Trades (Action Type "P" Level "T").

Q23. Will the contract months SONIA futures be the same contract month as my converting Short Sterling Position? Why are the Last Trade Dates different?

A. Yes, contract months in Short Sterling Futures and SONIA Futures align and represent the same period, therefore you will receive the same contract month in Three Month SONIA futures as you held in the Three-Month Short Sterling futures.

The Last Trade dates differ due to the different design of SONIA and SARON from traditional STIR futures. Short Sterling Futures reference the 3 Month GBP LIBOR rate, a forward rate set at the start of the 3-month period. In contrast, SONIA is an overnight rate quoted on a daily basis and accrued for the three-month period. The EDSP of the ICE Three Month SONIA futures is the daily compounded rate over the accrual period. The month code for SONIA corresponds with the start of the accrual period.

For example, a Mar 22 Short Sterling future has a LTD 16 March 2022 and Mar 22 SONIA future persists through its EDSP and has a LTD 14 June 2022.



In the example above, both of these futures would have a March month code

Q24. What reports will be produced during the LIBOR Transition-Transition stages and report publication timeline?

A. Timetable of events:

Friday Evening 17 December 2021

- New Flex Strikes created for LIBOR options
- EOD Price Files include the above new strikes
- EOD Settlement prices will be produced at the normal times.
- EOD Settlement prices will be calculated different on Friday 17 December 2021.
 - See [fallback plan](#) for further details:
 - Short Sterling Futures Final Settlement Price = Three-month SONIA Index Future - ISDA Fallback Spread (11.93bps)
 - Euroswiss Futures Final Settlement Price = Three-month SARON Index Future - ISDA Fallback Spread (0.0031bps)
- EOD run and reports produced as BAU (approx. 2-3.00am LLT)

Saturday 18 December 2021 early hours (London Local Time)

ICEU systems now show a business date of Monday 20 December 2021 (Standard behaviour- systems always open after Friday EOD showing the next business day)

- ICEU runs Migration script
 - The 'projection' reports for Short Sterling /SONIA produced on 18 **December 2021** are now 'actual' reports and not 'projection'. There is no change to the format of the reports. (See question 10 for more details on the reports)
 - MPAAMP - Migration Aggregated Adjusted Projection
 - MPDAMP - Migration Detailed Adjusted Projection
 - For Euroswiss/SARON we will publish
 - MPMSP- Migration report Projected - position to be migrated
 - MPMP-Migrated Positions-positions migrated
 - ICEU has published a Transition Projection Data File Specifications and a production-like examples which can be found on ICE Service Community, here - [LIBOR Report Specification](#).
- One off Time value Option adjustment reference data file published in MFT in the pub/ref directory. File name 'Time Value Adjustment'. (See question 19 for further details).
- **ICEU will send out an email to Clearing Members once the transition reports have been published.**

Monday 20 December 2021

- ICEU operations email Clearing Members impacted by the quarterly Short Sterling Option time value adjustment and provide excel spreadsheets showing the adjustment and breakdown at position and customer level (ICEU will contact impacted members in mid-November with example files)
- EOD reports run as normal
 - Short Sterling and Euroswiss contracts will show the same EOD settlement price as used for the transition
 - Migration trades will be reflected in the MTTPR report with a Transaction type of 'Migration' and a trader type of 'XXX' where XXX= the Trading member mnemonic
 - EOD reports contain any cash adjustment for time value adjustment

Q25. How will odd lots be handled in the Transition? (Following examples assume that their positions convert in full and are not closed out during the balancing of the remaining Long and Short open interest)

A. Odd lot positions are processed the same as fully converted positions.

On Friday night Three Month Short Sterling Futures will have a "Final Settlement Price" equal to its respective Three-Month SONIA Index Future less the ISDA fallback spread (11.93bps).

All Three-Month Sterling Futures positions after the close of trading on Friday, 17 December 2021 will be closed out at the Final Settlement Price. Converted Three-Month SONIA Index Futures positions will be opened at the Three-Month SONIA Index Futures settlement prices.

The following examples **assume a full conversion with no close out resulting from the step of balancing of the Longs and Shorts:**

- **Client 1 - is Long 10 March 2022 Three Month Sterling Futures:**
 - Friday night EOD the 10 lot position will have a Sterling Futures Final Settlement Price (Three Month SONIA Index Futures Price less 11.93bps) creating potential VM for Thursday to Friday move
 - Three Month Sterling Futures 10 lot is closed out at (Three Month SONIA Index Futures Price less 11.93bps) resulting in a zero P&L move.
 - 5 lots of Three-Month SONIA Index Futures is opened and has an opening price booked at Friday's Daily Settlement Price for Three Month SONIA Index Futures.

- **Client 2 - is Long 11 March 2022 Three Month Sterling Futures.**
 - Friday night EOD the 11 lot position will have a Sterling Futures Final Settlement Price (Three Month SONIA Index Futures Price less 11.93bps) creating potential VM for Thursday to Friday move
 - Three Month Sterling Futures 11 lot is closed out at (Three Month SONIA Index Futures Price less 11.93bps) resulting in a zero P&L move.
 - 5 lots of Three-Month SONIA Index Futures is opened and has an opening price booked at Friday's Daily Settlement Price for Three Month SONIA Index Futures.
 - **There is no separate odd lot adjustment of any kind and there is no P&L**

- **Client 3- is long 1 March short sterling futures.**
 - Friday night EOD the 1 lot position will have a Sterling Futures Final Settlement Price (Three Month SONIA Index Futures Price less 11.93bps) creating potential VM for Thursday to Friday move
 - Three Month Sterling Future 1 lot is closed out at (Three Month SONIA Index Futures Price less 11.93bps) resulting in a zero P&L move
 - No Position is opened in Three Month SONIA Index Futures.
 - **There is no separate odd lot adjustment of any kind and there is no P&L**

Q26. Will there be Exchange and Clearing Fees charged for the conversion of Euroswiss Futures and Sterling Futures and Options to their respective RFR equivalent Futures and Options?

A. There will be no Exchange and Clearing Fee charged for this conversion of Sterling Futures and Options and Euroswiss Futures