Appendix 4

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POLICY ON UNEXECUTED ORDER TO TRANSACTION RATIO (UOTR)

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[This is the LME's current Proposal – it may be subject to change following the feedback from consultation.]

Introduction

1. This document sets out how the London Metal Exchange (the "LME") shall comply with the MiFID II obligation relating to the calculation of the unexecuted order to transaction ratio ("UOTR"). This policy addresses the obligation imposed upon trading venues as set out in MiFID II Regulatory Technical Standard (RTS) 9 and Article 48(6) of MiFID II.

2. The LME shall calculate the UOTR with regard to orders submitted to LME Select by each Member and for every financial instrument, as set out below. Where the UOTR has been breached by a Member, then the LME will follow the steps detailed below.

Defined Terms

3. Capitalised terms not otherwise defined herein shall have the meaning ascribed to them in the Rules and Regulations of the LME (the "LME Rulebook").

4. The following definitions shall apply:

    a) '**Order**' means all input messages, including messages on submission, modification and cancellation relating to an order, but excluding cancellation messages sent subsequent to:

    (i) uncrossing in an auction;

    (ii) a loss of venue connectivity; and

    (iii) the use of a kill functionality.

    b) '**Transaction**' means a totally or partially executed Order.

c) '**Volume**' means the quantity of instruments traded, expressed in size as the number of Lots.

Policy

5. The LME shall calculate the UOTR in each of the following two ways:

   a) **The "Number" Calculation**: (total number of Orders/ number of Transactions) -1; and

   b) **The "Volume" Calculation**: (total Volume of Orders/ total Volume of Transactions) -1

6. Appendix A to this Notice provides detail on the counting methodology used in the calculations in 5(a) and 5(b).

7. For each of the two calculations stated in section 5, the LME shall monitor the total number and Volume of Orders submitted and transacted on LME Select, and the ratios of both calculations. The initial thresholds, per financial instrument (e.g. copper future) will be published on www.lme.com in due course.

8. For a Member to be in breach of this policy during a trading session, which shall be a trading day, the ratio will have to be exceeded on either or both calculation, on a specific financial instrument.

9. By way of example, consider the following two scenarios. For the purposes of these scenarios, the designated ratios are:

   - For the Number calculation stated in 5(a):
     o A ratio of 500:1

   - For the Volume calculation stated in 5(b):
     o A ratio of 1500:1

   <u>Example 1</u>

   - For financial instrument 'Primary Aluminium Future' a Member has submitted the following actions on the Number calculation:
     o A ratio of 300:1

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- For financial instrument 'Primary Aluminium Future' a Member has submitted the following actions on the Volume calculation:
  - A ratio of 1000:1

- In this example no breach would have occurred as both the Number and Volume calculations are within the designated thresholds.

Example 2

- For financial instrument 'Zinc Future' a Member has submitted the following actions on the Number calculation:
  - A ratio of 700:1

- For financial instrument 'Zinc Future' a Member has submitted the following actions on the Volume calculation:
  - A ratio of 1200:1

- In this example a breach would have occurred. Whilst the Volume calculation is within the designated threshold, the Number calculation has been breached. This is due to the ratio on the Number calculation exceeding the designated threshold.

Enforcement

10. In the event that a Member has breached either or both of the Number and Volume thresholds, then it will be referred to the LME's Market Surveillance Department for further investigation. The Member will be asked to explain the circumstances which led to the breach; the extent to which the Member's own monitoring identified the breach; and what steps the Member proposes to take to prevent recurrence. Members may be asked to provide such other information which Market Surveillance, at their absolute discretion considers relevant to the investigation.

11. Subject to the information provided by the Member, Market Surveillance may determine that enforcement action should be taken. In the event that enforcement action is taken, this will be in accordance with the relevant sections of the LME Rulebook.

12. The LME reserves the right to restrict or suspend access to LME Select if the LME determines, in its absolute discretion that message usage generated from any Member becomes capable of impairing the orderly conduct of trading on LME Select.

13. It is the responsibility of each Member who offers LME Select order routing facilities to Clients to monitor and control their Clients' activity and also to ensure that its Clients are aware of this policy.

14. This policy will be periodically reviewed and the LME, at its sole discretion, may choose to amend values if it deems it to be in the best interests of the market.

Appendix A - Counting Methodology

Order Event	Count
Enter	1
Modify	2 (deemed cancel and new)
Cancel*	1
Inactivate	1
Activate	1
Reject	2 (deemed new and cancel)

* Exclusions stated in section 4(a).