

Appendix 5

POLICY ON COMMITMENTS OF TRADERS REPORT

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

Introduction

1. From December 2017 onwards, the London Metal Exchange (the “LME”) will publish a Commitment of Trader Report (“COTR”) in accordance with MiFID II. This policy addresses the obligations imposed on trading venues as set out in MiFID II Article 58.
2. This will replace the previous COTR produced from daily open position information submitted via LMEdprs. However, it should be noted that Members will continue to be required to submit position reports via LMEdprs for the purposes of the application of the Lending Rules. The new COTR will consist of a report for each metal, produced from Member daily position reports that will be submitted via the “Universal Data Gateway” (UDG), and will be published on a weekly basis. Such COTR shall also be submitted to the competent authority and the European Securities and Markets Authority.
3. Whilst the LME will require Members to report positions held for Clients, the LME will facilitate the direct reporting of positions to it by Clients, subject to the appropriate procedures. Where a Member has a Client who wishes to report directly, the Member should contact the LME at market.surveillance@lme.com to put in place the appropriate arrangements.

Defined Terms

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

Report Composition

5. The data summarised within the COTR will be produced from the daily position data submitted by Members in the extended ITS 4 format via the UDG. The ITS 4 schema can be accessed via the following link:



<https://www.lme.com/-/media/Files/Regulation/Mifid-ii/ITS4-Positions-Schema.xsd>

6. A separate COTR will be produced for each metal.
7. The open positions in the COTR are the futures positions on LME traded contracts and delta equivalent traded option positions, but do not include warrants or Traded Average Price Option figures. For the avoidance of doubt, Members will be required to calculate the delta equivalent for all option positions that they hold.
8. The COTR will show the positions for each of the pre-defined Member and Client classifications (as described further below). The positions are aggregated for all Members and Clients within a given classification.
9. Positions within each pre-defined classification will be displayed according to whether they are risk reducing or not.

Description of Report Headings

10. Each report will be set out as follows and will provide the following information for each classification:
 - a) NUMBER OF POSITIONS (L): the aggregate quantity of long positions per classification held on Friday at the end of the trading day. Option contracts to be included on a delta equivalent basis.
 - b) NUMBER OF POSITIONS (S): the aggregate quantity of short positions per classification held on Friday at the end of the trading day. Option contracts to be included on a delta equivalent basis.
 - c) NOTATION OF POSITION QUANTITY: the units used to report the number of positions.
 - d) CHANGES SINCE THE PREVIOUS REPORT (L): increase or decrease in the long position for each classification with respect to the previous Friday.
 - e) CHANGES SINCE THE PREVIOUS REPORT (S): increase or decrease in the short position for each classification with respect to the previous Friday.



- f) % OF TOTAL OPEN INTEREST (L): % of total open interest represented by the long positions.
- g) % OF TOTAL OPEN INTEREST (S): % of total open interest represented by the short positions.
- h) NUMBER OF PERSONS HOLDING A POSITION IN EACH CATEGORY (L AND S COMBINED): total number of Members and Clients holding a position in each classification.

Classification of Members and their Clients

- 11. Members should exercise judgement as to which classification their predominant business function should be categorised in, as well as that of their Clients. Members are encouraged to discuss categorisation with their Clients if necessary.
- 12. The LME will review the classifications submitted by Members and reserves the right to re-classify an entity's business where it deems necessary to do so.
- 13. Members are advised that the COTR will be materially affected by the classification of certain large market users, whose activities arguably fall into multiple categories. Additionally, the practice by Members of entering into OTC contracts with their Clients, combined with the netting of Member business placed on-exchange, will inevitably result in the published COTR data reflecting only a subset of the total activity conducted within the LME ecosystem. It should be noted that Members are only required to report positions held in Exchange Traded Derivatives (ETD).

Classification Procedure

- 14. As part of the account opening process, Members will disclose the classification of that account to the LME. This information must be supplied to the LME prior to the reporting of any position on the account, and be sent by email to: market.surveillance@lme.com.
- 15. The LME reserves the right to re-classify an entity's business where it deems necessary to do so.

Classification Definitions



16. Classification of clients for the purposes of the COTR follows the client classifications defined within MiFID II. Classifications for use in the COTR are as follows:

- a) **Investment firms or credit institutions;**
- b) **Investment funds**, either an undertaking for collective investments in transferable securities (UCITS) as defined in Directive 2009/65/EC, or an alternative investment fund manager as defined in Directive 2011/61/EC;
- c) **Other financial institutions**, including insurance undertakings and reinsurance undertakings as defined in Directive 2009/138/EC, and institutions for occupational retirement provision as defined in Directive 2003/41/EC;
- d) **Commercial undertakings;** and
- e) **In the case of emission allowances and derivatives thereof, operators with compliance obligations under Directive 2003/87/EC.**
(Not applicable for the LME.)

Reportable Positions

17. Members are required to report all positions in line with the “LME Position Reporting Guide”.

Timing Deadlines

17. Members will be required to submit data in the extended ITS 4 format by 1pm (London time) on a T+1 basis. The current deadline of 8.30am (London time) for the submission of reports via LMEdprs will be unchanged.

No Liability

18. The LME shall have no liability to any person for any error, inaccuracy or omission contained with the COTR, or any failure to make the COTR available on the website or any other means, or for any other reason in relation to the COTR.

Additional Information



19. COTR Contract Key:

AA Aluminium Alloy

AG Silver

AH Aluminium

AU Gold

CA Copper

CO Cobalt

FM Steel

MO Molybdenum

NA NASAAC

NI Nickel

OA LMEswap Aluminium

OC LMEswap Copper

OL LMEswap Aluminium Alloy

OM LMEswap NASAAC

ON LMEswap Nickel

OP LMEswap Lead

OZ LMEswap Zinc

PB Lead

SN Tin

ZS Zinc