



LME Position Reporting Guide

Version 1.2

Please respond to:

Market Surveillance

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1 Change History

Version	Change Date	Summary of Change	Author
1.0	16.08.2017	Initial Draft	Market Surveillance
1.1	29.09.2017	Updated following Member Consultation	Market Surveillance

1.1 Associated Documents

Ref	Title	Author	Document
D-01	RTS21: Rules for the calculation of net position held by a person in a commodity derivative	European Commission	Link
D-02	Commission Implementing Regulation re format of weekly and daily reports	European Commission	Link
D-03	Position Reports Interface Specification	LME	Link
D-04	UDG Interface Specification	LME	Link
D-05	ITS4 Positions Schema	LME	Link
D-06	FCA Q&As MiFID II Commodity Derivatives	FCA	Link

2 Introduction

2.1 Purpose of this Document

The revision of the Markets in Financial Instruments Directive (known as MiFID II) imposes a number of key changes aimed at reducing systemic risk, combating disorderly trading and reducing speculative activity in commodity derivatives markets through the imposition of new position limits and management powers by trading venues. MiFID II Article 58 states that members and participants of trading venues must report to the trading venue on a daily basis a complete breakdown of their positions in exchange traded commodity derivatives as well as those of their clients, and the clients of those clients. The trading venue must then aggregate and provide those reports to the national competent authority (in the case of the UK, it will be the Financial Conduct Authority (FCA)) daily on a T+1 basis.

Daily position reports will also be used to satisfy the MiFID II requirement for the LME to collate and submit a weekly Commitment of Traders Report (COTR) to the FCA. Data contained in daily position reports will also be used by the LME to collate and publish a weekly COTR to the market place, which will include all metals

The LME has completed its review of the MiFID II texts in relation to Position Reporting and is publishing this document to provide guidance for Members and clients on the submission of daily position reports. This document should be read in conjunction with the documents listed in section 1.1.

2.2 Background

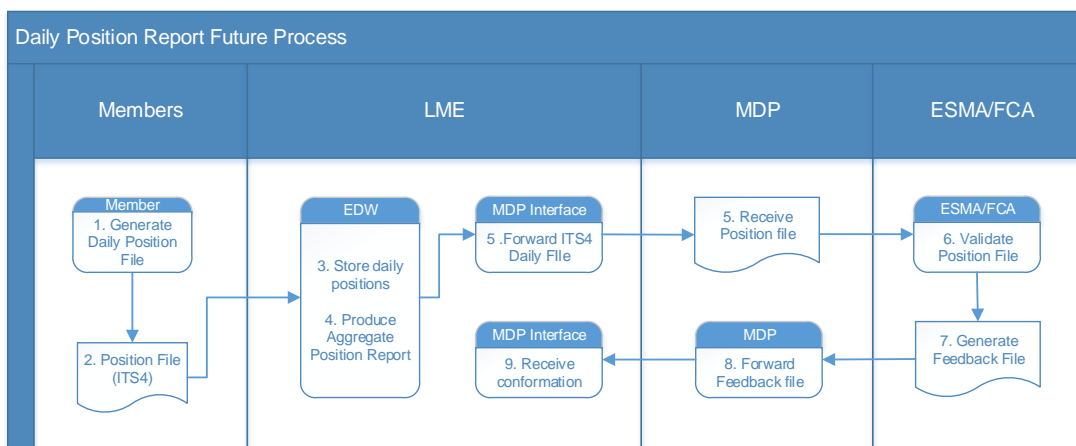
The national competent authority of each Member State (usually the FCA, but see below) will impose limits on the size of the net position which a legal entity or person can hold in commodity derivatives traded on an EU trading venue and economically equivalent OTC contracts. The FCA will be responsible for the aggregation of economically equivalent (EE) OTC and ETD contracts and the calculation of firms' overall position against the limits. For the purpose of position limits regime "position" means the "net accumulation of buy and sell transactions in a particular commodity derivative at a specific point in time that has yet to be closed out, expired, or exercised, as appropriate to the instrument concerned". The limits are assessed based on the "net position" of a person (which is the aggregate of that person's positions held in a particular commodity derivative traded on a trading venue) in commodity derivatives considered the same commodity derivative to that commodity derivative, and in economically equivalent OTC contracts.

The limits apply to all positions held both by a person and on its behalf at an aggregate group level. Where the same commodity derivative is traded in significant volumes on trading venues in more than one jurisdiction, a single position limit may be set by the competent authority of the jurisdiction where the largest volume of trading takes place.

Position limits will be set and monitored by the FCA for each derivatives contract. The FCA therefore requires the submission of daily position reports by Members and clients to trading venues. As stated above, this is encapsulated in the text of MiFID II Article 58 which states that members and participants of trading venues must provide position reports to the trading venue on a daily basis.

Position reports must be submitted in the FIA amended ITS 4 format. Members may outsource the collation and submission of position reports to third parties, for onward submission to the LME, or put in place arrangements with its Clients for direct reporting to the LME, but the Member will remain fully responsible for discharging its obligations and ensuring that its service provider/Client submits position reports to the LME in accordance with ITS 4. The daily submission of position files in the ITS 4 format to the Universal Data Gateway.

The end to end process of position file submission is illustrated in the following table.



1. The members generate daily ETD position files;
2. The files are transformed into ITS4 format or extended ITS 4 format (to include all necessary fields such as category of client);
3. The file is sent to the LME via UDG by 1pm (London time) and stored in EDW;
4. Individual positions files are aggregated into the format defined by the FCA for MDP;
5. MDP (LME) interface forwards the aggregated daily file to the MDP (FCA);
6. ESMA/FCA validate the file;
7. Feedback File (Accepted/not Accepted/Errors) generated;
8. Feedback File received by MDP at FCA;
9. Feedback File retrieved by MDP interface at LME. Corrective action/Alerts may be required if the file returned contains errors and new file may be required.

For the avoidance of doubt, the position limit regime implemented under MiFID II does not replace the position management arrangements that the LME has in place, principally the Lending Rules, but also its own position limits for certain contracts (e.g. LMEprecious).

3 Calculation of positions

Futures and options are considered by ESMA to be fungible in terms of their economic effect at expiry. During the life of an option contract, the probability it will expire in-the-money is reflected in its delta value, with an option that is more likely to be in-the-money having a higher delta value. Option positions should therefore be converted into positions in their respective future contracts positions on the basis of the current delta to arrive at a delta equivalent futures position. Long delta equivalent positions on calls and short delta equivalent positions on puts should be added to long positions on futures. Short delta equivalent positions on calls and long delta equivalent positions on puts should be added to short positions on futures.

To report positions in options, the delta value used should be the value published by the trading venue or the CCP, or in the absence of a published delta value, position holders may use their own calculation. Position holders should be able to demonstrate, on demand, to the National Competent Authority responsible for the application of the position limit (as above, this is usually the FCA) that their calculations correctly reflect the value of the option. The open interest of futures should be used for both futures and options on the same underlying.

It should be noted that the submission of position reports for nil positions are only required when the position moves from an actual position to nil. Nil to nil position reports are not required.

Information regarding the mechanism for Members obtaining LME delta values will be made available shortly.

3.1 Risk Reducing Positions

Under MiFID II there is an obligation for reporting entities to categorise positions as risk reducing or not. Risk reducing positions are defined as "Positions objectively measurable as reducing risks directly related to the commercial activity". The standard developed for the purpose of MiFID II states that a derivative contract is objectively measurable as reducing risks directly relating to the commercial activity when, by itself or in combination with other derivative contracts it meets one of the following criteria:

- 3.1.1 it reduces the risks arising from the potential change in the value of assets, services, inputs, products, commodities or liabilities that the non-financial entity or its group owns, produces, manufactures, processes, provides, purchases, merchandises, leases, sells, or incurs or reasonably anticipates owning, producing, manufacturing, processing, providing, purchasing, merchandising, leasing, selling or incurring in the normal course of its business; or
- 3.1.2 it qualifies as a hedging contract pursuant to International Financial Reporting Standards (IFRS) adopted in accordance with Article 3 of Regulation (EC) No 1606/2002 of the European Parliament and Council.

The marking or determination of a position as risk reducing is not within the remit of the LME, this is a matter for the Members and their Clients. The LME will populate its reports with the classification provided by the Member.

4 Client Classification

Members will have to indicate the category they believe they are in and those of their Clients. Classification for the purposes of daily position reporting follows the client classifications defined within MiFID II.

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. Classifications to be used 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.**

5 Submission of files via the Universal Data Gateway

Members must submit position reports in the extended ITS4 format via the Universal Data Gateway (UDG). The ITS4 Positions Schema can be found by accessing the following link:

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

Information regarding the ITS4 file format and report fields can also be found in the Commodity Position Reports Interface Specification which can be found by accessing the following link:

<https://www.lme.com/About/Regulation/MiFID-II/Member-ISV-testing#tabIndex=2>

Members should note that the LME has mandated all FIA optional record detail fields.

5.1 SFTP Protocol

File transfers to and from the UDG will be delivered over the Internet and will use Secure File Transfer Protocol (SFTP). The SFTP protocol will perform validation of the user and facilitate the ability for the user to validate the SFTP server interface thereby facilitating mutual (2-way) validation of client and server.

SFTP uses FTP encapsulated within an SSH session, the SSH session has a public private key to allow connecting Members to validate the server they are initiating the connectivity with. This can be completed by storing the public key of the SFTP server within the SFTP client's configuration to validate upon connection initiation with the server.

Once the Member has verified the server certificate presented, providing assurance that they have connected to the authorised server, the SFTP server will request the username associated with the submitting Member followed by the user authentication certificate, which is unique to every account created within UDG.

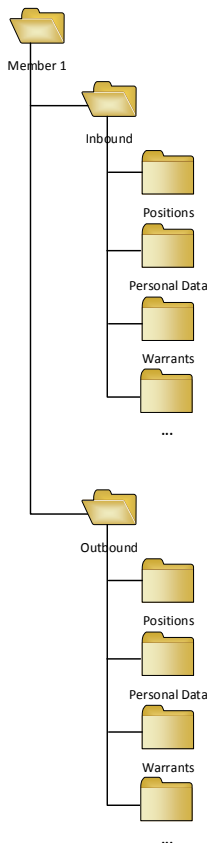
Once the Member has been authenticated, the user account login will be automatically taken to the root of their directory structure to upload/download files. Files should be placed on the UDG in the appropriate sub-folder of the submitting Member inbound directory according to the data type.

Each submitting Member will only be able to view its own folders for the data types that they have been permissioned to submit.

All submissions must conform to the specified file naming conventions as the UDG uses filename pattern matching to validate incoming filenames. Filenames that do not match the expected patterns will be rejected and appropriate XML submission response file will be returned.

5.2 UDG Folder Structure

Within the UDG there will be a folder structure for each submitting Member or client for the submission and receipt of files and messages. Each submitting Member or client will have a MiFID II top-level directory with sub folders of 'Inbound' and 'Outbound'.



5.2.1 Inbound

Files sent by Members to the UDG will be placed in a sub folder of the 'Inbound' folder named according to the type of the file being sent. Files received from the Members in the inbound folders will be deleted by UDG after they have been successfully received by the LME. Members will not have permissions to delete these files.

5.2.2 Outbound

Submission response reports to Members from the UDG will be made available in a named sub-folder underneath the 'Outbound' folder. It is the responsibility of Members to delete their files from the outbound folder as soon as they have been successfully processed. The UDG will automatically delete files from the outbound folder after 5 working days. Files ready for collection are made

available in the appropriate sub-folder of the submitting Member’s outbound directory according to the file type. The files should be retrieved using the SFTP protocol.

5.3 UDG Submission and File Validation

Each submission file received from Members in the inbound folders will have a two-step validation process:

- 1) File naming convention
- 2) XML Schema content

If a submission fails filename validation, it will be rejected at this point and an XML submission response file will be generated in the corresponding sub-folder of the Member’s outbound folder. If the submission successfully passes the first validation it will be then subject to the corresponding XML schema content validation. This should assure that the file is in the correct format, all mandatory elements present and of correct type. Similarly if the submission fails the XML Schema content validation, it will be rejected at this point and an XML submission response file will be generated in the corresponding sub-folder of the Member’s outbound folder. In both cases Members will have to correct their submissions and resend them back to UDG. For partially accepted content records, only the rejected records will have to be resubmitted (see section on Error Handling later in this document).

5.4 UDG Submission and Response Messages

The following tables provide information relating to the messages sent by the LME in response to the submission of Member position reports. Having submitted a file via UDG, Members will need to poll the corresponding outbound folder for the response message.

Further information regarding file submission and response messages, file content and validation rules can be found in the UDG Interface Specification document which can be found at:

<https://www.lme.com/-/media/Files/Regulation/Mifid-ii/UDG-Interface-Specification.pdf>

5.4.1 Member submitting to UDG

Members will upload XML files into the ‘Inbound’ folder of the UDG, in the following format.

Component	Definition	Value
<MemberMnemonic>	3-character identifier of the member submitting the file to the LME.	XXX e.g. ABC
<FileType>	A 6-character attribute identifying the type of information contained within the file. For position reports this will be POSSUB.	POSSUB – For Position Reports PIISUB – For Personal Data mappings
<SeqNo>	A 6-digit sequence number, left padded with zeroes to uniquely identify the submission to the submitter. The sequence numbers are unique to each <file	sequence number per <filetype> eg: Incorrect use of sequence number:

Component	Definition	Value
	<p>type></p> <p>The first submission shall be 000001 and incremented for subsequent submissions.</p> <p>(From 999999 this will roll over to 000001) The sequence restarts each year</p>	<p>XXX_FDBPOS_000001_2017 XXX_FDBPPII_000002_2017 XXX_FDBPOS_000003_2017 – would reject</p> <p>Correct use of sequence number: YYY_FDBPOS_000001_2017 YYY_FDBPPII_000001_2017 YYY_FDBPOS_000002_2017</p>
<PreviousSeqNo>	The 6-digit sequence number of the previous submission. This is used to ensure strict submission sequence processing. Note: when a submission fails and has been resubmitted with an incremented sequence number, the previous sequence number remain unchanged (last successfully processed sequence number).	nnnnnn
<Year>	The last two digits of the year when the file was generated. For example for a file created during 2018, the year will be 18	nn

5.4.2 UDG Submitting to Member

5.4.2.1 File Naming Convention

The filename of the submission response XML files will comply with the following naming convention:
<MemberMnemonic>_<FileType>_<SeqNo>-<Year>.xml

Component	Definition	Value
<FileType>	A 6-character attribute identifying the type of information contained within the file. For position reports this will be FDBPOS.	FDBPOS – For Position Reports FDBPPII – for Personal Data mappings
<SeqNo>	A 6-digit sequence number to uniquely identify the response file.	nnnnnn e.g. 000042
<Year>	The last two digits of the year when the file was generated. For example for a file created during 2018, the year will be 18.	nn

5.4.2.2 Successful Submission

The table below describes the XML submission response file generated in UDG and placed in the corresponding 'Outbound' folders:

Component	Definition	Value
RptSts	Status of the file validated as partial validation	Always 'ACPT'
OrgnlRcrdID	LEI	LEI
Sts	Status of individual record	Always 'ACPT'

The UDG system will generate an XML submission response file for each submission received.

5.4.2.3 Partially Successful Submission

The table below describes the XML submission response file generated in UDG and placed in the corresponding 'Outbound' folders:

Component	Definition	Value
RptSts	Status of the file validated as partial validation	Always 'PART'
OrgnlRcrdID	LEI	LEIABCDEFGHIJKLMNO12
Sts	Status of individual record	'ACPT' or 'RJCT'
VldtnRuleID	Error code	Positions: PRS-{NNN} Personal Data: PII-{NNN}
VldtnRuleDesc	Error code	Invalid Trading Venue code

The UDG system will generate an XML submission response file for each submission received. Where errors are detected at record level the submission response will contain error references (PRS-NNN / PII-NNN) in the XML submission response file.

Note:

1. PII submissions will not be partially accepted.
2. only the rejected Position records will have to be resubmitted via UDG after corrections made by the Member.

5.4.2.4 Unsuccessful Submissions

The table below describes the XML submission response file generated in UDG and placed in the corresponding 'Outbound' folders:

Component	Definition	Value
RptSts	Status of the file validated	Always 'RJCT'
VldtnRuleID	Error code	Filename & Schema : F-{NNN}
VldtnRuleDesc	Error text	The name of the XML file is not consistent with the naming convention

The UDG system will generate an XML submission response file for each submission received. Where errors are detected the whole submission will be rejected with the indicated error reference (F-NNN) in the XML submission response file.

6 Reporting Timeline

Daily position reporting files must be submitted via the UDG no later than 1pm (UK time) and must reflect positions as at the close of business on the previous trading day. Members are able to submit files from 00:00 to 23:59 hours.

The FCA will accept position reports from trading venues from close of trading (day "T") up to T+1 21:00 Coordinated Universal Time (UTC) (22:00 Central European Time (CET)). The FCA will only use the latest, valid reports received up until this time to calculate persons' positions. Reference data relating to day T is needed to validate position reports and this is only made available by ESMA at 08:00 CET day T+1. Therefore any position reports for day T received before the reference data is available will be 'held'. This means that the report will not be fully validated until reference data for day T is available.

7 Error Handling

7.1 Error identified by submitting entity

Where the submitting entity identifies an error in a report which has been submitted and accepted or is experiencing difficulty in the submission of a report, the submitting entity must **immediately** contact LME Market Surveillance:

Telephone: +44 (0)20 7113 8203

Email: market.surveillance@lme.com

Where required, Members must submit the amended record in a file via the UDG with the Report Status of AMND (Amend).

7.2 Error identified by LME file validation

As stated in section 5, Members must poll the corresponding outbound folder for a response message from the LME. Where the Member receives a RJCT (Rejected) or PART (Partial Acceptance) message, they must investigate the reason for the rejection or partial acceptance and ensure that corrected position data is submitted to the LME via the UDG no later than 1pm (UK time) on T+1.

In the case of an amendment, Members must submit the amended record in a file via the UDG with the Report Status of AMND (Amend).

In the case of a cancellation, Members must submit the record to be cancelled in a file via the UDG with the Report Status of CANC (Cancel).

7.3 Error identified by FCA file validation

The FCA system (MDP) will run data validation on all received position report files. The system will process the submitted files continuously and perform automated data validation to ensure compliance with the rules in place. The system may reject a submitted file or an individual record in a valid file, depending on the type of error. If at least one error for a specific record has been identified, the system will generate a feedback message for that record detailing all error codes and error messages that have been detected. The LME will provide the submitting entity with the relevant error codes and error messages. The Member must investigate the reason for the error and submit corrected position data to the LME via the UDG as soon as practicable.

In the case of an amendment, Members must submit the amended record in a file via the UDG with the Report Status of AMND (Amend).

In the case of a cancellation, Members must submit the record to be cancelled in a file via the UDG with the Report Status of CANC (Cancel).