

# LME & LME Clear Townhall

Thursday, 05 October 2017



SETTING THE GLOBAL STANDARD



# Agenda

1. MiFID II change programme update
2. High level recap by venue
3. Questions

# Programme update

*Andrew Dodsworth, Head of LME Market Operations*

# Current status

## High level summary

Subject	Current status	Next step
Member Test A – LMEselect	Early MiFID release in MTA	MTA upgrade release date to be communicated
Member Test A – LMEsmart	Non-MiFID release in MTA	LMEsmart's MiFID II release is scheduled for deployment to Member Test A on <b>16 October</b>
Member Test A – LMEmercury	Early MiFID release in MTA	MTA Upgrade release date to be communicated
Member Test B – LMEwire	EMIR 2.0 changes are not available for testing	LMEwire MTB testing from <b>9 October</b>
LME rulebook consultation	Consultation completed	Publish decision notice
LME policy consultation	Consultation completed	Publish decision notice
LME Clear rulebook consultation	Consultation completed	Publish decision notice
Member testing options expiry	First of two scheduled tests successfully completed	Second test schedule for <b>1 November</b>
<i>FAQs</i>	<i>Present on <a href="http://lme.com">lme.com</a></i>	<i>Constantly updated</i>
<i>Member support and guidance</i>	<i><a href="mailto:mifid@lme.com">mifid@lme.com</a>, <a href="mailto:mifidtest@lme.com">mifidtest@lme.com</a> Townhall, individual meetings/calls with Members, Data Vendors and ISVs</i>	<i>Member visits and calls</i>

# Inter-office venue

## New requirement

### Event history

1. At the Townhall in July we advised that there was an outstanding issue with regard to pre-trade transparency for the inter-office venue
2. We can confirm that this venue **will** be subject to both pre-trade transparency and order record-keeping obligations
3. There is no impact to Members or ISVs as a result of this; the LME will undertake all the necessary work which will require the publication of each half trade submitted to LMEsmart
4. Previously advised that current regime of deferred publication of LIS inter-office option transactions would be persisted, subject to regulatory approval, and application to FCA has been submitted
5. Consequence of publishing inter-office half-trades is that pre-trade transparency waiver is now required for the LIS inter-office option transactions
6. The LME waiver application was submitted for review to the FCA

### Pre-trade transparency

- Half trades to be published on LME market data service in place of orders
- Half trades will be published on LMEselectMD upon receipt from Members
- Option half trades above LIS will be withheld from publication
- To assist Members with their transaction reporting obligations, the LME will provide Members with a daily file of all their options trades which have been subjected to the waiver

### Order record keeping

All half trades received will be stored by LME as orders for RTS 24 order record keeping (ORK) purposes

# Pre-trade transparency

## LME venues

Today LME pre-trade transparency market data is published via LMEselectMD. Our service will be enhanced in the following ways and continue to publish via LMEselectMD:

	Today	Changes for MiFID II
<b>LMEselect</b>	Published immediately	<ul style="list-style-type: none"><li>• Published immediately</li><li>• Include number of orders at price</li></ul>
<b>Ring</b>	Published immediately	<ul style="list-style-type: none"><li>• Publish immediately</li><li>• Include order volume</li></ul>
<b>Inter-office*</b>	None	<ul style="list-style-type: none"><li>• Immediately publish half trades prior to matching*</li><li>• Waive publication of options above LIS*</li></ul>

# Post trade transparency

## LME venues

Post trade transparency obligations change to accommodate client trade publications where they are not linked/related to a market trade and, to accommodate a revised publication schedule for options traded in size:

	Today	Changes for MiFID II
<b>LMEselect</b>	Published immediately	<ul style="list-style-type: none"> <li>• Publish immediately on LMEselectMD</li> <li>• Publish MiFID II compliant post trade transparency in 10 minute batch files in XML format</li> </ul>
<b>Ring</b>	Published immediately	<ul style="list-style-type: none"> <li>• Publish immediately on LMEselectMD</li> <li>• Publish MiFID II compliant post trade transparency in 10 minute batch files in XML format</li> </ul>
<b>Inter-office</b>	<ul style="list-style-type: none"> <li>• Options traded in size – deferred for 48 hours</li> <li>• All other instruments – published immediately</li> </ul>	<p>Market trades published and client trades not linked to a market trade:</p> <ul style="list-style-type: none"> <li>• Options LIS deferred to 6pm T+1</li> <li>• All other instruments – publish immediately on LMEselectMD</li> <li>• Publish MiFID II compliant post trade transparency in 10 minute batch files in XML format (deferred publications on T+1 post 6pm file)</li> </ul>

# Instrument reference data

## Communicating ISINs

### Overview

- An ISIN will be assigned to individual instruments by prompt date and option strike price puts and calls
- All instruments will be reported to the FCA daily, FCA will report instruments to ESMA

### Accessibility

- LME will create a Tradeable Instruments File (TIF) twice daily:
  - 00:40 – contains all instruments tradeable that day
  - 19:00 – contains the same data as the morning file, any new instruments created intra-day for new option strikes and delta option values where the new option has been created, traded and delta values calculated by LME Clear
- The TIF will be accessible via:
  - LMEselectMD
  - LME's SFTP service

### Next steps

- LME to communicate the SFTP on-boarding process (Member Test and Production)



# DEA

## Direct electronic access

### Obligations

- Member assessment and review of the suitability of clients using the Member's DEA service
- Members must ensure:
  - Clients using the service cannot exceed any pre-set trading and credit thresholds
  - Clients' use of the Member DEA service is properly monitored
  - Appropriate risk controls to prevent trading creating risks to the firm or creating a disorderly market
- The LME rulebook:
  - Allows for Members to offer DEA access
  - Requires Members to notify LME of DEA Clients using the service

# Algorithmic testing

## New LME service

### Overview

- LME will introduce a new algorithm testing service in production, segregated and using separate security keys
- Two LME instruments will be introduced for algos to test:
  - Lead test contract named “XB”
  - Gold test contract named “XU”
- Firms to self-certify successful testing of new and significant changes to existing algorithms prior to introducing algorithms to LMEselect production trading environment
- Testing of algorithms is required from the introduction of LMEselect 9.2 on 13 November 2017

### Member reporting

- LME has already received a summary of the algorithms in operation
- Members are asked to continually update the LME with changes to those algorithms
- Members to inform LME of the introduction of new algorithms prior to use in production

### Next steps

- Members to complete LME algorithm form for each algorithm in operation

# Order record keeping

## By LME venue

### LMeselect

- All orders are stored in accordance with the regulation
- LMeselect 9.2 will deliver changes to identify and store relevant personnel, algorithms and LEIs as an 8 byte integer short code. Specifically, a short code can be used for:
  - LEIs (Client or AGGR/PNAL)
  - Algorithm IDs
  - Investment decision maker
  - Execution decision maker

### Ring

- LME already uses video and audio surveillance to monitor all Ring activity
- Ring Dealing Members supported LME proposals to enhance Ring surveillance activities for MiFID II

### Inter-office/phone

- All half trades will be treated as orders for order record keeping purposes

# Position limits & reporting

## FIA ITS 4 schema reporting

### Position limits

- ESMA has temporarily delegated the setting of LME position limits to the FCA
- FCA intends to publish position limits in October

### ETD reporting to LME

- Members must report their positions and those of clients and clients of clients
- LME has adopted the ITS 4 schema agreed by the FIA Position Reporting Working Group
- Member ITS 4 reports to be delivered to the LME Universal Data Gateway by 13:00 on T+1 (14:00 CET)
- Members DPRS reporting to run in parallel with ITS 4 reports
- The LME is able to accept ITS 4 reports directly from Clients
  - Members remain wholly responsible for the reporting by Clients
  - Members to remove Client reporting from their own ITS 4 report
- The LME is able to accommodate outsourced position reporting vendors
  - Members remain wholly responsible for the reporting
  - Contact LME Market Surveillance for on-boarding instructions
- **Commence sending position reports from 4 December 2017**

### FCA interaction

- LME will create ITS 4 reports for the FCA using the FCA ITS 4 schema
- The FCA will contact position holders directly with queries

# Commitments of Traders Report

Creation from Member ITS 4 submissions

## MiFID II COT Report

- FIA ITS 4 schema includes new data tags required to enable venues to identify client category
- LME will create the new ITS 4 required COT report using the ITS 4 position reports received from firms
- LME will transmit the new weekly MiFID II compliant COT Report to ESMA, as directed by FCA
- LME will publish the new COT report on [lme.com](http://lme.com) once ITS 4 submissions are received from all firms
- **Publish COTR using ITS 4 data received from 2 January 2018**

## Existing lme.com COT Reports

- Members must continue submitting DPRS data to LME in parallel to ITS 4 reporting
- The existing COT reports will continue to be published in full and weekly in parallel with the MiFID II obligation
- Post a successful implementation of ITS 4 reporting, LME will consider retiring DPRS in 2018

# PII files

## Personally identifiable information

### Overview

- LME allows for orders and trades to be submitted to LMEselect and LMEsmart using anonymised short codes in place of personally identifiable information (PII)
- Members are required to upload PII files to LME's Universal Data Gateway (UDG) when new short codes are used or where underlying data associated with an already used short code changes (i.e. new passport number)
- Where no changes are needed to the PII data the LME holds for Members, blank files do not need to be sent to LME
- The UDG is an SFTP service requiring user credentials to upload files
- The username and password for PII files will be different to the ITS 4 position report upload access to the same service

### LME usage

- LME will store the PII data securely and only allow electronic lookup access to that data where:
  - LME are required to produce transaction reports on behalf of the Member
  - ESMA or the FCA has requested order record keeping extracts

# Transaction reporting

## LME approach

### Non-regulated firms

- LME will transaction report to the FCA only for non-MiFID Members
- Transactions will be reported directly to the FCA on T+1
- LME will derive transaction reports from LMEselect and LMEsmart submissions

### LME interpretations

- See [lme.com](http://lme.com) for the LME Guide to Transaction Reporting
- Some transaction reporting FAQs are included in the appendix to this presentation

# SFTP gateways

## Inbound and outbound

### Overview

The LME will operate two separate SFTP services, one for the publication of data, the other for the receipt of data from Members and Clearing Members

### Outbound from LME

- To access the data published on the LME SFTP public service, firms will need to on-board to the service. On-boarding instructions can be obtained from [mifid@lme.com](mailto:mifid@lme.com)
- The following will be made available on public SFTP service
  - Tradeable Instruments File (TIF) – a file produced twice daily

### Inbound to LME

- This is the LME Universal Data Gateway (UDG)
- Individual access will be granted to firms seeking to upload each file type:
  - ITS 4 position reports
  - PII files
- Members will need to formally on-board to the UDG service
- On-boarding instructions will be published shortly for Member Test and Production services



# 10 minute matching

## Summary

### Impact

- Affects Ring and Inter-office (telephone) trading
- Half trades to be entered into LMEsmart and matched within 10 minutes of:
  - Execution in Ring
  - Agreement to trade in the Inter-office market

### Availability

- New 10 minute matching report will be available at the end of October
- Report will be distributed to Members using the existing matching report channels

### Enforcement

- As previously communicated, the LME will **not** operate a summary sanctions regime

# LMEsmart

## Change summary for 27 November 2017 release

### Earlier opening

- Currently opens at 07:40
- LMEsmart will open at 01:00 from 27 November 2017

### Price codes

- New price codes MC and M3

### Gross OSA

- Alongside House (H), Net OSA (C) and ISA (S) account types, a new Gross OSA (G) account type will be introduced

### Risk reducing exemption flag

- This information is no longer required and the data submission option will be removed

### Give-ups

- Give-up clearer trades are not considered to be transaction reportable

# Indirect clearing

## Final RTS published

### Introduction

- ESMA has finalised the RTS on Indirect Clearing and no further changes are required to the LMEC designed solution
- LMEC already has in production a net OSA (NOSA) account which can be used for indirect clearing (same account structure as existing direct client net OSA)
- LMEmercury R5 on 27 November delivers a new gross OSA (GOSA) account, available for indirect and direct clearing
- LMEC will open accounts for indirect clearing as requested by the Clearing Member

### Design of GOSA

- New account type “G” available in LMEselect 9.2, LMEsmart 2.1 and LMEmercury R5 – all from 27 November 2017
- All trades booked to new GOSA account will be in an “unallocated” state
- New allocation process for GOSA trades with the option of either SFTP file drop or file upload in LMEmercury
- All positions left unallocated overnight will be margined gross

### Testing

- Clearing Members seeking to test the new GOSA and allocation functionality should contact LMEC Operations for test account opening.

# LMEmercury R5

## Notable changes for Clearing Members

### Options position keeping

- Options and TAPOs on OSAs/NOSAs will be held aggregate from the introduction of R5 on 27 November 2017
- Closeout functionality introduced as part of R4 will need to be used to closeout any same Client positions
- Options and TAPOs traded before 27 November 2017 will remain net
- Options expiry video demo available on [lme.com](http://lme.com) demonstrates aggregated positions

# Market consultations

## LME and LME Clear

### LME Rulebook

- The LME rulebook consultation closed at the beginning of September
- Responses have been considered and rules are being finalised, a decision notice will be published shortly
- MiFID II changes will become effective from 3 January 2018

### LME Clear Rulebook

- The LME Clear rulebook consultation closed yesterday (4 October 2017)
- LME Clear are reviewing responses, a decision notice will be published before the end of October
- The rulebook will become effective from the implementation of LMEmercury on 27 November 2017

### LME policy consultation

- The operational policy consultation closed 29 September 2017
- Responses are currently being considered, a decision notice will be published within after the LME Rulebook decision notice is published
- The decision notice will specify the dates the individual policies become effective

### LME market making consultation

- New consultation on market making scheduled to commence by mid-October

# Member testing

## Configuration and information

### Member Test A

- MT-A is already being used for MiFID II functional testing by 85% of Members. The components in MT-A are:
  - LMEselect 9.2 MiFID II functional release
  - LMEsmart pre-MiFID II release (current production version)
  - LMEmercury R5 MiFID II release
  - LMEwire EMIR 2.0 release will shortly be installed for testing

### Member Test B

- MT-B is being configured for LMEwire EMIR 2.0 testing (production go live for end of October) with components:
  - LMEselect 9.1 release (current production version)
  - LMEsmart non-MiFID II release (current production version)
  - LMEmercury R4 release (current production version)
  - LMEwire EMIR 2.0 release will shortly be installed for testing

### Additional information

- [lme.com](http://lme.com) references
  - Member Testing section: <https://www.lme.com/en-GB/About/Regulation/MiFID-II/Member-isv-testing#tabIndex=0>
  - MiFID II section of lme.com has had 4000 hits in the past 2 months
  - FAQs: <https://www.lme.com/en-GB/About/Regulation/MiFID-II/Member-isv-testing#tabIndex=4>
  - Additional LMEsmart FIX examples: <https://www.lme.com/en-GB/About/Regulation/MiFID-II/Member-isv-testing#tabIndex=2>
- Over 500 questions already answered from Members, ISVs, Data Vendors and Member Clients
- Member testing queries not answered by FAQs should be sent to [mifidtest@lme.com](mailto:mifidtest@lme.com)

# Member testing

## Test and production go-live dates

### Points to note

- Options expiry test: 01-Nov
- Weekly down time will be scheduled for patches (Thursday am)
- Participants are required to inform LME of their IP ranges for SFTP access/whitelisting
- LME will provide new SFTP service logins on request
- SFTP connectivity details can be found on LME Connectivity Guide on [lme.com](http://lme.com)

### By application

Application	Start	End	Live
LMEmercury R5	25 Sep	17 Nov	27 Nov
LMEwire	9 Oct	27 Oct	30 Oct
LMEselect 9.2	25 Sep	3 Nov	13 Nov
LMEsmart 2.1	16 Oct	17 Nov	27 Nov
UDG	27 Oct	30 Nov	4 Dec
TIF (ISIN)	09 Oct	04 Nov	20 Nov

### By timeline

w/c→	25 Sep	02 Oct	09 Oct	16 Oct	23 Oct	30 Oct	06 Nov	13 Nov	20 Nov	27 Nov	04 Dec
LMEmercury R5	R5									Go-live	
LMEwire										Go-live	
LMEselect 9.2		9.2						Go-live			
LMEsmart 2.1				2.1						Go-live	
UDG (Personal Data, Position Reports)											Go-live
TIF File (ISINs)									Go-live		
Options expiry tests		4 Oct				1 Nov					

# Member testing timeline

## Scheduled system availability

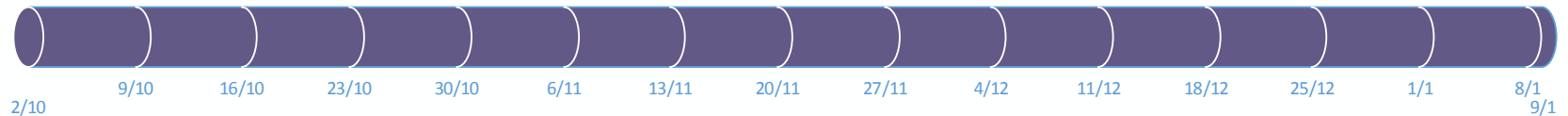
All MT-A unless stated

27/10/2017 – 30/11/2017  
UDG testing (ITS 4 & PII)

25/09/2017 – 17/11/2017  
LMEmercury R5

25/09/2017 – 03/11/2017  
LMEselect 9.2

09/10/2017 – 27/10/2017  
LMEwire  
(MT-B only)



16/10/2017 – 17/11/2017  
LMEsmart 2.1

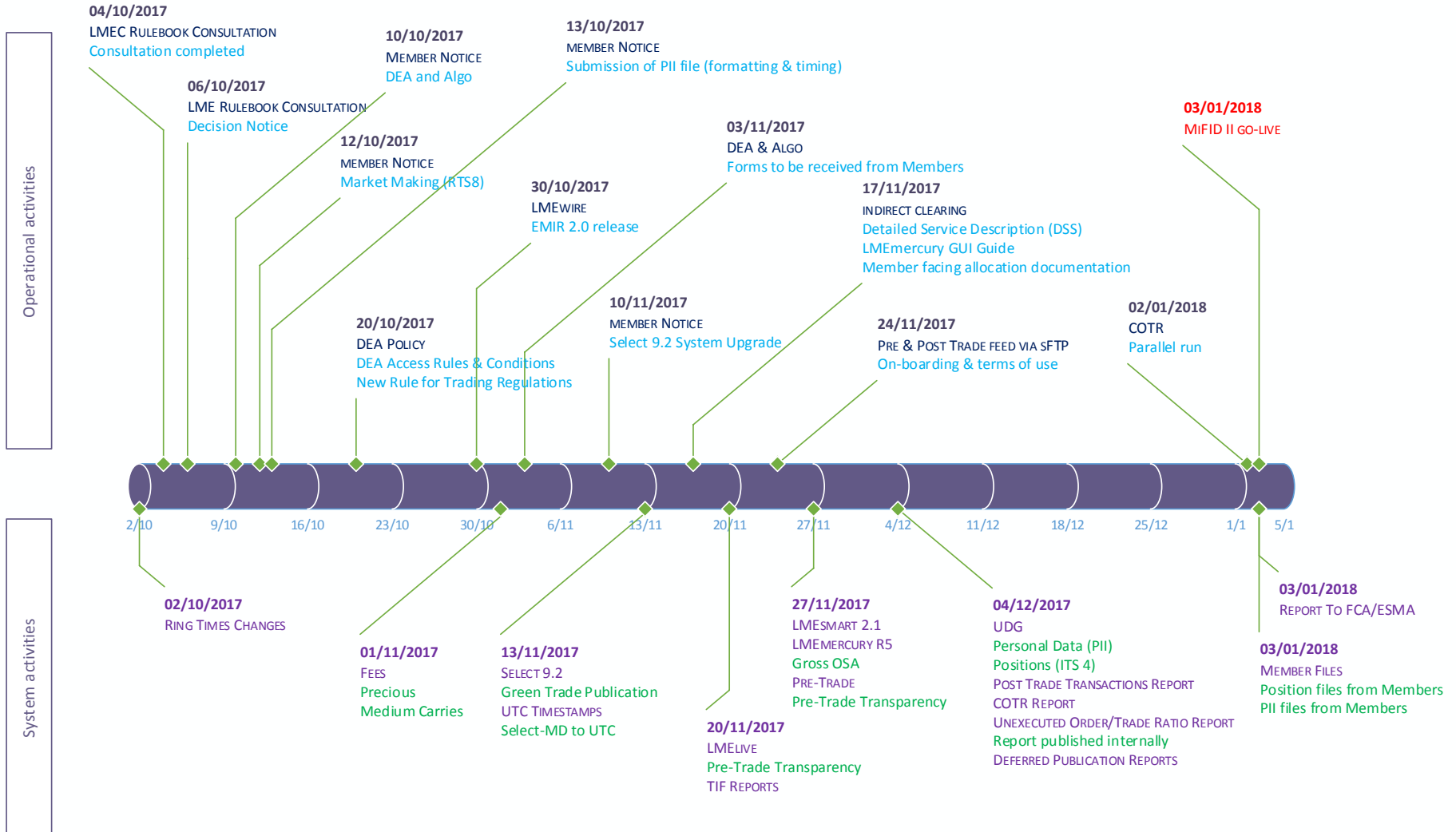
13/11/2017 – 11/12/2017  
Algo conformance testing

09/10/2017 – 20/11/2017  
TIF (instruments) testing



# Implementation timeline

## Indicative schedule of operational and technology activities



# Summary by venue

# Ring

## Venue summary

Obligation	Today	MiFID II
<b>Pre-trade transparency</b>	<ul style="list-style-type: none"> <li>Captured by Market Operations and published on LMEselectMD</li> </ul>	<ul style="list-style-type: none"> <li>Continues as today plus publication of volume quoted (default volume unless specified)</li> </ul>
<b>Post trade transparency</b>	<ul style="list-style-type: none"> <li>Captured by Market Operations and published on LMEselectMD</li> </ul>	<ul style="list-style-type: none"> <li>Continues as today, but existing feed not MiFID II compliant</li> <li>New post trade transparency file will be MiFID II compliant</li> </ul>
<b>Order record keeping</b>	<ul style="list-style-type: none"> <li>All orders captured using audio and video surveillance</li> </ul>	<ul style="list-style-type: none"> <li>Continues as today but new surveillance available to RDM compliance departments</li> </ul>
<b>Trade entry</b>	<ul style="list-style-type: none"> <li>LMEsmart, many MiFID II fields already exist</li> </ul>	<ul style="list-style-type: none"> <li>LMEsmart as today, but new fields added for ORK and transaction reporting including decision maker fields requiring personal data short codes</li> <li>All trade submissions to be in UTC</li> </ul>
<b>Clock synchronisation</b>	<ul style="list-style-type: none"> <li>Synchronised to local time across LME estate and accurate to nearest second</li> </ul>	<ul style="list-style-type: none"> <li>Synchronisation to UTC and accurate to nearest second</li> <li>Ring time presented in local time</li> </ul>
<b>Matching window</b>	<ul style="list-style-type: none"> <li>Trades to be matched within 30 minutes of execution.</li> <li>Metal trading order changed to allow more time for trade half submissions</li> </ul>	<ul style="list-style-type: none"> <li>Trades to be submitted within 10 minutes of execution</li> </ul>
<b>Transaction reporting execution time</b>	<ul style="list-style-type: none"> <li>LME reports for all Members, execution time is end of Ring session</li> </ul>	<ul style="list-style-type: none"> <li>Execution time is the last second of the Ring session</li> </ul>

# LMEselect

## Venue summary

Obligation	Today	MiFID II
<b>Pre-trade transparency</b>	<ul style="list-style-type: none"> <li>Published immediately upon reaching order book</li> </ul>	<ul style="list-style-type: none"> <li>Continues as today, plus publication of order depth at each price</li> </ul>
<b>Post trade transparency</b>	<ul style="list-style-type: none"> <li>Published immediately upon execution</li> </ul>	<ul style="list-style-type: none"> <li>Continues as today, however LMEselectMD publication is not MiFID II compliant (missing data)</li> <li>Also published with MiFID II compliant fields on new post trade transparency file (every 10 minutes in XML format)</li> </ul>
<b>Order record keeping</b>	<ul style="list-style-type: none"> <li>All orders are stored for data retention purposes</li> </ul>	<ul style="list-style-type: none"> <li>Orders submitted will comply with ORK obligations. LME will store the data in accordance with the regulation</li> </ul>
<b>Order entry</b>	<ul style="list-style-type: none"> <li>LMEselect already accommodates but does not validate many of the new MiFID II fields</li> </ul>	<ul style="list-style-type: none"> <li>LMEselect 9.2 order records are MiFID II compliant</li> </ul>
<b>Clock synchronisation</b>	<ul style="list-style-type: none"> <li>Synchronised to UTC</li> </ul>	<ul style="list-style-type: none"> <li>Synchronised to and diverging no more than 1 millisecond from UTC</li> <li>New UTC timestamp field</li> <li>GTC orders can specify local time</li> </ul>
<b>Transaction reporting execution time</b>	<ul style="list-style-type: none"> <li>Execution time is time taken from LMEselect</li> </ul>	<ul style="list-style-type: none"> <li>Execution time taken from LMEselect</li> </ul>

# Inter-office

## Venue summary

Obligation	Today	MiFID II
<b>Pre-trade transparency</b>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Half trades received will be published as orders</li> <li>Trades submitted with short price codes will be published with a zero price</li> </ul>
<b>Post trade transparency</b>	<ul style="list-style-type: none"> <li>Published on LMEselectMD</li> </ul>	<ul style="list-style-type: none"> <li>Continues as today, however LMEselectMD publication is not MiFID II compliant (missing data)</li> <li>Also published with MiFID II compliant fields on new post trade transparency file (every 10 minutes)</li> <li>Client crosses will be published only if they are not linked to a market trade</li> </ul>
<b>Order record keeping</b>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Order data captured from half trades in LMEsmart</li> </ul>
<b>Trade entry</b>	<ul style="list-style-type: none"> <li>LMEsmart, many MiFID II fields already exist</li> </ul>	<ul style="list-style-type: none"> <li>LMEsmart as today, but new fields added for ORK and transaction reporting including decision maker fields requiring personal data short codes.</li> <li>All trade submissions to be in UTC</li> </ul>
<b>Clock synchronisation</b>	<ul style="list-style-type: none"> <li>LMEsmart is in local time</li> </ul>	<ul style="list-style-type: none"> <li>LMEsmart synchronised to 1 millisecond</li> </ul>
<b>Matching window</b>	<ul style="list-style-type: none"> <li>Trades to be matched within 30 minutes of execution.</li> <li>Metal trading order changed to allow more time for trade half submissions</li> </ul>	<ul style="list-style-type: none"> <li>Trades to be submitted within 10 minutes of agreement to trade</li> </ul>
<b>Transaction reporting execution time</b>	<ul style="list-style-type: none"> <li>Execution time taken from first half trade received of matched pair</li> </ul>	<ul style="list-style-type: none"> <li>Time of cleared trade status message from LMEsmart</li> </ul>

Questions?

# Recent market concerns

## Points to note

### 1. PII data in LMEsmart

Concern: LME is aware of concerns from Clearing Members who do not have the PII data required for LME interfacing to LMEsmart

Guidance: Half trades submitted to LMEsmart must contain compulsory fields, including PII fields, to be accepted  
Please contact your RM or [mifid@lme.com](mailto:mifid@lme.com) for additional dialogue

### 2. Transaction reporting

Concern: Regulatory guidelines causing confusion for transaction reporting of LME activity

Guidance: LME Transaction Reporting Guide has recently been updated on [lme.com](http://lme.com)  
Please contact your RM or [mifid@lme.com](mailto:mifid@lme.com) for additional dialogue

# Contacts



# Contacts

## Departmental contacts

Client Advisory	<a href="mailto:Client.Advisory@lme.com">Client.Advisory@lme.com</a>	+44 (0)20 7113 8090
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# Appendix

# Current status

## High level summary of impact on LME/C

Regulation	Obligation	Impact on Members/Vendors
RTS 2	Transparency	Yes
MiFID II A17,48	DEA	Yes
RTS 7	Algorithm testing	Yes
RTS 8	Market making	Yes
RTS 9	Unexecuted order trade ratio	Yes
RTS 21	Position limits & reporting	Yes
MiFID II A85,ITS4	Commitments of Traders	Yes
RTS 22	Transaction reporting	Yes
RTS 23	Instrument reporting	Yes
RTS 24	Order record keeping	Yes
RTS 25	Clock synchronisation	Already to milliseconds
RTS 27	Quality of execution	Optional
MiFIR A30	Indirect clearing	Yes

# Pre-trade transparency

## LME venues

MiFID II compliance for pre-trade transparency takes the following forms:

### LMEselect - electronic trading

- Publishing all bids and offers
- Includes the publication of the number of orders at each price

### Ring - open outcry voice trading

- Publishing all bids and offers captured in the Ring
- Includes the publication of the volume associated with those bids and offers
  - Each product already trades as a minimum quantity
  - Product quantities to be reconfirmed to Ring Dealing Members
  - Where bid or offer is in a different size to the quoted minimum, RDMs to also specify the order size
- Publication impact: Existing tag repurposed. Volume tag is already used for LMEselect publications and will also be used to publish Ring volume

### Inter-office – telephone trading

- LME respects FCA interpretation and will meet the obligation by publishing half trades received into LMEsmart as orders
  - Member half trades with another Member is consider a market trade will be published
  - Client cross half trades will only be published where the trade half is not linked to a market trade

# Post trade transparency

## New MiFID II compliant service

### Existing service

- All LMEselect, Ring and Inter-office executed trades will continue to be published through LMEselectMD
- No change = no impact for firms not seeking MiFID II compliant data
- LMEselectMD will not be MiFID II compliant for post trade transparency

### MiFID II compliance – interim solution

- Publish all LME trade executions in accordance with definition of a transaction under MiFID II
  - All market side transactions, regardless of trading capacity
  - Client crosses with MTCH or AOTC trading capacity (not DEAL capacity)
- Trade data for publication as per RTS 2, Annex 2, Table 2
- Presentation in a new XML formatted file
- File available every 10 minutes\*, only latest 10 minute file available for collection
- Accessible using new LME SFTP service – access details to be published shortly

### 2018 and beyond – strategic solution

- LME new market data platform delayed to early 2018 to allow market to focus on MiFID II
- OMD phase 1 will deliver multicast for LMEselect electronic trading
- OMD phase 2 is scheduled to deliver all LME market data using multicast channels later in 2018

# Transaction reporting

## LME interpretations

The LME must transaction report for non-MiFID Members. Some Members have asked questions of how the LME interpreted the regulatory requirements so in addition to those FAQs on [lme.com](http://lme.com), the following are key interpretations we have made in relation to transaction reporting:

- Differences in Trading Capacity
  - Member DEAL trades to be reported, Client DEAL trades are not reportable
  - Client 'AOTC' 'MTCH' trades will be transaction reported but linked to the original Member market trade
- Give-ups
  - Give up executor trades to be reported
  - UNA trades are not reportable
  - Give up clearer trades are not reportable
- Reversals & corrections
  - Reversals require full transaction reports
  - Where corrections are made on T+0, we will transaction report final transaction
  - Where corrections are on T+1 or thereafter they should reference the original transaction report
- TVTIC
  - LMEselect trades should use the LMEselect reference assigned to each transaction
  - Ring and Inter-office trades should use the TVTIC field provided by LMEsmart with the exception of carries, for which Members should use the LMEsmart SlipID for individual TVTICs for each carry leg

# DEA & third countries

## MiFID II Articles 17 (5), 48, RTS 7

### Obligations

1. Member assessment and review of the suitability of clients using their DEA service
2. Clients using the service cannot exceed any pre-set trading and credit thresholds
3. Clients' use of the service is properly monitored
4. Ensure appropriate risk controls to prevent trading creating risks to the firm or creating a disorderly market
5. LME Rules will specify requirements for DEA Providers
6. Third country firms offering DEA:
  - MiFID authorised
  - Registered with ESMA
  - Provide DEA through a delegate
  - Relying on “Overseas Person” exemption under RAO

### Impact

System	Today	Change in progress	Delivery	Members
LMEselect	Already possible	<ul style="list-style-type: none"><li>• No changes planned</li><li>• LME issued market notice to understand which firms provide DEA to clients.</li></ul>	Already available	DEA considered to be where a member provides its client with access to technology connecting the client to LMEselect such that: <ul style="list-style-type: none"><li>- the client may submit orders to LMEselect using the Member's infrastructure</li><li>- the client can control the exact timing of the submission of the order</li></ul>



# Position limits & reporting

MiFID II Article 58 (3), RTS 21, ITS 4

## Obligations

1. Members to report to the LME the ETD positions they hold and those of their clients and clients of their clients until the end client is reached
2. FCA to set position limits for spot month using deliverable supply, total open interest for other months
3. Regulators will set limits between 5% – 35%

## Definitions

- **Spot** *Being discussed. LME has advocated for all dates to and including the third Wednesday*
- **Deliverable supply** *Being discussed but likely to be a layered approach, to include live warrants, cancelled warrants and %age of warehouse capacity*

## Impact

Members to report for themselves, their clients and clients of clients until the end client is reached

Requirement	Change in progress	Delivery	Members
Firms to report ETD	Firms submit FIA formatted ITS 4 position reports to LME	From: 4 Dec 2017 Mandated from: 4 Jan 2018	Build report
Venues to report to NCA	LME to transmit position reports to FCA in FCA ITS 4 format	4 Jan 2018	No action

# Commitments of Traders

## MiFID II Article 58 (1), ITS 4

### Obligation

1. Venues to publish ITS 4 weekly commitment of traders in ITS 4 format

### Impact

Requirement	Today	Change in progress	Delivery	Members /Vendors
Daily COTR	Report	No changes planned or required	Already available	No impact
New weekly COTR	-	New weekly COTR report in ITS 4 specified format	From: 4 Dec 2017 Mandated from: w/e 5 Jan 2018	Members/ Vendors to decide

# Transaction reporting

## RTS 22

### Obligations

1. Firms are to transaction report to their NCA in RTS 22 format
2. Venues to report to their NCA transactions which were executed by firms not regulated under MiFID II. The data includes:
  - LEIs (client and firm)
  - Investment & execution decision makers
  - Commodity derivative indicator (risk reduction)
  - Venue transaction id

### Impact

Requirement	Change in progress		Delivery	Members
Non-MiFID II regulated firms	LME to build transaction reporting service to FCA	New fields added to LMEselect and LMEsmart to enable transaction reporting	3 Jan 2018	Inform LME if trading for non-MiFID II regulated clients
MiFID II regulated firms	Firms to build their own reporting solution		-	Establish transaction reporting service
Existing transaction reporting	LME to switch off existing transaction reporting service		3 Jan 2018	-

# Instrument reference data

RTS 23 (plus RTS 2, 21, 22 & 24)

## Obligations

- Venues are to report all traded instruments to their NCA for forwarding to ESMA on a daily basis (ESMA intends to publish a daily list of instruments available for trading)
- ETD instruments are to be assigned ISINs for regulatory reporting purposes (post trade transparency, position reporting, position reporting, transaction reporting and order record keeping)

## Impact

Requirement	Change in progress	Delivery	Members /Vendors
Assign ISINs to LME instruments by prompt date and option strike price	LME to build automated service to collect ISINs and assign to individual instruments by prompt date and strike prices	4 Dec	No impact
Share ISINs with members	LME will publish a file twice daily to list the tradeable LME instruments 00:40 – all instruments 19:00 – all instruments plus new option strikes today and option delta values	4 Dec	Firms to collect for RTS 21 and 22
RTS 23 daily instrument report to FCA	LME will report tradeable instruments to the FCA on a daily basis	3 Jan	No impact

# Order record keeping

## RTS 24

### Obligations

- Firms to record specific data in relation to each order.
- Venues are to record specific data in relation to each order received. The data includes:
  - LEIs (Client or AGGR/PNAL)
  - Investment decision maker
  - Execution decision maker

### Impact

Venue	System	Today	Change in progress	Delivery	Members
LMEselect	LMEselect	Multiple MiFID II fields already in LMEselect 9.1	Introducing new field: <i>Strategy linked order</i> Enhancements to existing fields	LMEselect 9.2	Build to LMEselect 9.2
Ring	Surveillance	Video and audio recorded and stored	New surveillance solution agreed with RDMs	Completed	No impact
Inter-office	LMEsmart	None	Collect order data from half trades	27 Nov	LMEsmart formatted trades

# Clock synchronisation

## RTS 25

### Obligations

- Ensure business clocks are synchronised with UTC and diverge no more than 1 millisecond
- Report all times in UTC to appropriate level of granularity:
  - LMEselect electronic trading = 1 millisecond
  - Ring and Interoffice voice trading = 1 second

System	Today	Change in progress	Delivery	Members /Vendors
LMEselect	Time: UTC Timestamps: milliseconds	New functionality to ensure divergence <1 millisecond	LMEselect 9.2	If already millisecond timestamps, no impact for LME trading
LMEselectMD	Time: UTC Timestamps: milliseconds	New functionality to ensure divergence <1 millisecond	LMEselect 9.2	
LMEsmart	Time: UTC Timestamps: milliseconds	New functionality to ensure divergence <1 millisecond	LMEsmart end 2017	
Ring	Time: Local Timestamps: Ring codes	Already to one second <i>(voice trading)</i>	-	

# Quality of execution

## RTS 27

### Obligations

- Venues are to publish for each segment and instrument specific venue, access, price, costs, volume, spread order related data and the likelihood of execution

### Impact

Requirement	Change in progress	Delivery	Members
LME to publish the data specified in RTS 27	Create reports and publish data on <a href="http://lme.com">lme.com</a>	1 July 2018	FYI

# End of 05 October 2017 townhall