

# Client Porting in a Default

LME Clear Risk Management  
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SETTING THE GLOBAL STANDARD



# Client Porting

## FAQs

The LME Clear Rules provide for the portability of Client Accounts upon the default of a clearing Member. Under the portability rules, in the event that a clearing Member becomes a Defaulting Member (DM), the Clients allocated to a particular Client Account can request that the positions and assets (in certain circumstances) recorded to that Client Account be transferred to a new Client Account with a non-defaulting Member (NDM).

### What is Client porting?

- The transfer of positions and collateral (assets) allocated to a Client Account from a DM to an NDM, either as a whole account or as 'Partial Porting'.

### What is partial porting?

- Partial porting gives LME Clear the option to port certain Client's positions (if they have requested to port) and not to port other Client's positions (if they haven't requested to port), even if the Clients are in the same account, e.g. transferring the positions of one Client in an OSA (either TTCA or segregated) to another clearing Member.

### Is an account at a non-defaulting Member required in order to port?

- Clients that have an existing account or relationship at another clearing Member are likely to increase their chances of successfully porting their positions to the relevant NDM.
- Clients should discuss the porting process in the normal course of business with their clearing Member(s) so that each party understands the steps required to successfully port to an NDM following a default.

### How long after the default is the porting window open for submission of porting requests?

- LME Clear is required to open the window for a minimum of four hours from the point of default.
- LME Clear may, at its discretion, accept porting requests submitted after porting window, providing market conditions are favourable.



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### At what price are the assets and positions ported?

- Forward contracts are ported at their original trade price, allowing profits and losses on the trade to be transferred.
- Options are ported at \$0.00 premium to prevent any new premium being generated. Net liquidating value will be re-calculated at the NDM.
- All collateral is ported at the latest available price as per LME Clear valuation methodology – only applicable for ISA accounts or in the unlikely event of an EMIR ‘whole account port’ of an OSA.

### Can assets and positions be ported to multiple non-defaulting Members?

- Yes – pending LME Clear risk assessment and favourable market conditions allowing time for the operational process including the Client providing separate documentation for the port to each NDM.

### Under what conditions may assets and positions not be ported?

- Typically not all Clients in an OSA will have requested to port or selected the same NDM. Whole account porting will not be possible but positions of an individual Client may still, at LME Clear’s discretion, be partially ported (note that collateral will not be ported in a partial port).
- If incomplete documentation is submitted and LME Clear is unable to establish evidence of the positions held at the DM, LME Clear will be unable to facilitate the port.
- If LME Clear’s risk assessment process identifies that the positions are not able to be moved at that time (see slide 4), LME Clear will not port the positions / assets.
- If the NDM delays paying margin to LME Clear for ported positions, LME Clear may be unable to port the positions.
- If market conditions are too volatile to allow porting to continue.

### What happens to Client collateral at the DM?

- Where collateral cannot be moved with positions, Clients need to agree funding with their NDM for the ported positions.
- The Client can then make a claim against the administrator of the DM for the return of their collateral.



# Partial porting for clients from an OSA

## Process Summary

### How do I arrange for positions to be partially ported from an OSA?

1. **Client** contacts non-defaulting member (NDM) requesting to port positions and supplies information on all positions at DM (ideally the most recent daily statement from the DM).
2. **NDM** agrees to accept positions having completed internal assessment and agreed funding requirements with Client.
3. **NDM / Client** completes porting request notice on LME website (see links on slide 6) and sends signed documentation to LME Clear, along with evidence of positions held at DM. Clients must move all of their positions and not 'cherry pick' just profitable positions.
4. **NDM** uploads file of trades to clearing system (Position Transfer File Format specification available within the LME Clear Detailed Service Specification (DSS). Please speak to LME Clear Operations for any queries.
5. **LME Clear** reviews trade file and completes a risk assessment, confirming to NDM if positions can be ported.
6. **LME Clear** confirms to NDM once porting has been successful.

### Risk assessment by LME Clear

To limit any further losses on the DM portfolio, partial porting is controlled so that the net risk of the portfolio does not increase. Positions in an OSA that reduce the overall initial margin of the DM, or have losses attached to them, are the easiest to port. Risk increasing positions will be ported as soon as possible once they are matched with risk reducing positions.



# Client porting

## Partial Porting Process - OSA

- To maximise chance of porting from an OSA;

1. Understand the process

<https://www.lme.com/en/Clearing/Risk-management/Default-management>

2. Have more than one clearing arrangement in place

3. In the normal course of events, discuss the default process with your clearing members, including;

- documentation required
- funding arrangement/credit lines
- key contacts

4. In event of default, get in contact with LME Clear and chosen NDM asap  
[RM@lme.com](mailto:RM@lme.com)

5. Any questions, [LMECmarketrisk@lme.com](mailto:LMECmarketrisk@lme.com)



# Client Porting

## Contacts and Links

High level explanation on Default Management and further links

<https://www.lme.com/en/Clearing/Risk-management/Default-management>

Porting Request Notice

<https://www.lme.com/en/Clearing/Rules-and-regulations/Client-information>

Default Management Framework ( a more detailed explanation of the process)

<https://www.lme.com/-/media/Files/Clearing/Risk-management/Default-management/Member-and-Client-Default-Management-Framework-v51.pdf>

LME Clear Rules

<https://www.lme.com/en/Clearing/Rules-and-regulations>

LME Clear Operations  
lme.clear.operations@lme.com

LME Relationship Management  
lme.relationship.management@lme.com

LME Clear Market Risk  
lme.clear.market.risk@lme.com



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