

To: All Members

Ref: 14/171 : A167

Date: 30 May 2014

Subject: **COMMITMENTS OF TRADERS REPORT: CONSULTATION RESULTS AND CLASSIFICATION PROCESS**

Summary

1. Notice 14/131: A127 ("COTR Consultation Notice") initiated a one-month market consultation in respect of the publication of a Commitments of Traders Report (COTR) by the London Metal Exchange (LME).
2. The LME would like to thank all market participants for their feedback in respect of this. Following a thorough review of responses received, the LME acknowledges Member feedback in respect of the timeline proposed by the LME for classification of predominant business activity.
3. However, the constraints on Members must be balanced against the well-articulated desire for greater transparency in the market. Accordingly, the LME is granting a one-month extension to permit this process. The LME believes that this will provide Members with sufficient time to undertake the classification process.
4. From August 2014 the LME will publish a COTR, which will consist of a report for each business day of the previous week, collectively published on a weekly basis. The first reports will be published on 5 August 2014 for the previous week 28 July to 1 August 2014. This Notice sets out: (a) the classification procedure for Members and their Clients; (b) the obligations of Members in relation to the COTR; and (c) information in relation to the publication of the COTR.
5. The LME also acknowledges other Consultation responses which called for increased granularity within the COTR. As outlined in Notice 14/131: A127, however, the LME designed the COTR to be consistent with other markets which offer such reporting and is of the view that the proposed format ensures uniformity across markets. The LME will continue to keep the reporting format under active review.

Background

6. The COTR will provide a breakdown of open interest in contracts traded on the LME, summarised within pre-defined classifications, held by LME Members and their Clients. The report will use data submitted by LME Members into the Daily Position Reporting System (DPRS). Further information regarding the DPRS is set out in LME Notice 09/231: *R004 Daily Position and Other Reporting*.



7. All Category 1, 2, 3 and 4 Members (Relevant Members) are required to classify their predominant business activity, as well as that of their Clients, into one of the pre-determined categories outlined in this Notice.

COTR Categories

8. The categories that will make up the basis of the COTR are:

(a) Producer / Merchant / Processor / User

- Entities that are predominantly engaged in production, processing, packaging or handling of metal and that use the LME to manage or hedge risks associated with those activities.

(b) Broker Dealer / Index Trader

- Entities that are engaged in transactions for a metal, and that use the LME to manage or hedge the risk associated with those transactions. The Dealer's counterparties may be speculative traders or traditional commercial Clients that are managing risk arising from their dealings in the physical market. This categorisation is referred to as Swap Dealer in the U.S market.

(c) Money Manager

- Entities that are engaged in managing and conducting LME contracts on behalf of underlying Clients such as investment fund firms.

(d) Other Reportables

- Every other reportable entity that is not placed into one of the three categories above is placed into the "other reportables" category.

(e) Not Defined

- Used for entities which have not yet been grouped, for administrative / timing reasons. The LME reconciles these positions regularly, so expects only small numbers in this category.

9. To ensure consistency across markets, the LME COTR follows a similar format to that adopted by the U.S Commodity Futures Trading Commission (CFTC) and other markets that offer such reporting.
10. With regard to the classification of Members and their Clients for the COTR report, the LME has determined that for those parties already reporting relevant positions to the CFTC and other exchanges, the same classification should be used when reporting positions to the LME.




Obligations of Relevant Members

11. Pursuant to LME Notice 09/231, all house and customer accounts are assigned an account code within DPRS.
12. All Relevant Members must allocate each account code within DPRS to one of the pre-defined categories listed above. Members may not allocate an account code to more than one category.
13. In respect of existing account codes, Relevant Members must notify the LME of the classification allocated to each account code by no later than **25 July 2014**.
14. In respect of new account codes (created when any new house or Client account is opened), which are subject to DPRS reporting, the Relevant Member must notify the LME of the classification allocated to each account code. This information must be supplied to the LME prior to the reporting of any position on the account.
15. In any instance where the LME has not been notified of an account code's classification by the relevant date, the LME reserves the right to assign that account code a classification. The LME also reserves the right to change a classification, acting in its sole discretion, where it deems it necessary to do so. No notification or reason for such change of classification need be given by the LME.
16. All communications relating to the COTR, including classification responses and further correspondence, should be communicated to the LME using the following email address: cotr@lme.com.

LME Publication of COTR

17. The LME shall use the information submitted by the Relevant Members through the process outlined above to produce a report for each business day of the previous week, collectively published on a weekly basis (COTR). The COTR shall be published on the LME website or by such other method as the LME may elect from time to time. The COTR will show the composition of the LME market by category of trader, on an anonymised and aggregated basis.
18. On a periodic basis, the LME may publish further information on the composition of the COTR on its website.
19. The LME shall have no liability to any party for any error, inaccuracy or omission contained with the COTR, or any failure to make the COTR available on the website or any other media. Furthermore, the LME shall have no liability to any party for: (i) any use of; or (ii) any reliance placed, by a party on the COTR.



N. D. 

Nick Ong-Seng
Managing Director: Regulation & Compliance

cc: Board directors
User Committee
All metals committees