

To: All Members and other interested parties

Ref: 15/334:R007

Date: 27 October 2015

Subject: **POSITION LIMITS FOR PREMIUM ALUMINIUM CONTRACTS**

## Summary

1. This Notice informs Members and other interested parties of the Position Limits for the LME's Aluminium Premium Contracts. The Position Limits set out in this Notice are subject to final regulatory approval.

## Background

2. Notice No. 15/175:A171:W054 advised Members of the Exchange's intention to launch four new Aluminium Premium Contracts, with effect from 23 November 2015. The Aluminium Premium Contracts will be monthly Contracts out to 15 months and settling on the third Wednesday of each maturity month. The Contracts will trade in the Ring, on LMEselect and on the telephone market. The Contracts will cover four key regions of aluminium demand: US Midwest and South (AN), West Europe (AW), East Asia (AE) and South-East Asia (AS).
3. Capitalised terms not otherwise defined in this Notice shall have the meaning ascribed to them in the LME Rulebook.

## Position Limits

4. The following table sets out the Position Limits for the Aluminium Premium Contracts. These Position Limits will take effect with effect from 23 November 2015 or such other date as is specified by the LME in writing, subject to final regulatory approval. No single entity, or two or more entities acting in concert, shall hold positions equating to more than the Contract limit set out in the table below, for each relevant maturity month.

Contract Code	Region	Contract Limit (lots) for nearest maturity month	Contract Limit for other maturity months (lots)
AN	US Midwest	2,500	2,500
AS	South-East Asia	2,500	2,500
AE	East Asia	2,500	2,500
AW	West Europe	2,500	2,500



5. The above Position Limits have been calculated to align with the proposed Position Limits for new contracts set out in the Final Report relating to the Regulatory and Implementing Technical Standards relating to Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (commonly referred to as “MiFID II”)<sup>1</sup>.
6. The Position Limits shall apply to any Member and/or Client trading a Premium Contract. Members shall be responsible for compliance with the Position Limits and for ensuring compliance by their Clients with the Position Limits.

### **Reporting & Surveillance**

7. Pursuant to Notice 09/231 : R004 dated 26 May 2009, Members must report to the LME all Warrant and trading positions for all customer accounts and all house accounts as at the close of business each. This shall include positions for Aluminium Premium Contracts. The market surveillance department of the Exchange shall use this data to monitor the positions of all Members and Clients in Aluminium Premium Contracts on a daily basis. As with the publication of large position information and the Lending Guidance, in calculating the total positions of two or more entities acting in concert, the LME shall aggregate the positions of a Client across all Members. Likewise the LME shall aggregate the positions of a Member or Client and such entity's related group companies unless the entity could demonstrate that the positions were independent. The Exchange will also aggregate the positions of unconnected parties if the LME market surveillance department believes that there is a common purpose between such parties. In such cases the Exchange will inform the parties either direct or through the Members with whom they trade.

### **General**

8. The attention of Members and their Clients is drawn to the relevant provisions of the LME Rulebook regarding Premium Contracts and Position Limits, including without limitation Part 12 (the Premium Contract Regulations) and Regulation 18 of Part 3 (Position Limits). In particular, pursuant to Regulation 18 of Part 3, Members shall comply with and shall co-operate with the Exchange to ensure that each of their Clients shall comply with the Position Limits and any directions issued by the Exchange in accordance with the requirements for such Position Limits as the Exchange may specify in Administrative Procedures or as the Exchange may otherwise notify Members from time to time. For the avoidance of doubt, such directions may include a requirement to reduce a position to below the relevant Position Limit. Where issued with such a direction, a Member shall, or shall procure that its Client shall, comply with such direction without delay.

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<sup>1</sup> Specifically Chapter 6 page 348, where it is suggested that, for new and illiquid contracts, where the open interest is lower than 10,000 lots over a three month period, the position limit shall be set at 2,500 lots



9. Failure by a Member to comply with the Position Limits specified by the Exchange, or with a direction issued by the Exchange, shall constitute a breach of the LME Rules which may result in disciplinary action against the Member pursuant to Part 2 of the LME Rulebook. Equally, failure by a Member to ensure that its Client(s) observe the Position Limits, or comply with a direction issued by the Exchange, shall constitute a breach of the LME Rules which may result in disciplinary action against the Member.
10. The LME reserves the right to modify the Position Limits, or any other information set out in this Notice, from time to time by issuing an amending or replacement Notice.

### **Questions**

11. If you have questions, please contact the Market Surveillance Department via email at [Market.Surveillance@lme.com](mailto:Market.Surveillance@lme.com).

**James Collier**  
**Head of Market Surveillance**

cc: Board directors, Trading Committee, Ring Dealers Committee