

To: All members and other interested parties

Ref: 18/274 (LME Notice Reference)  
18-035 (LME Clear Notice Reference)

Classification: Consultation Rulebook

Date: 5 November 2018

Subject: **DECISION NOTICE – CONSULTATION ON PROPOSED AMENDMENTS TO THE LME AND LME CLEAR RULEBOOKS – STRATEGIC PATHWAY INITIATIVES AND MISCELLANEOUS RULE AMENDMENTS**

## Introduction

1. Following the Rulebook consultation set out in LME Notice 18/194 / LMEC Notice 18-026 dated 1 August 2018 (the “**Consultation Notice**”), this Notice (being a Rule Change Notice for LME Clear purposes and hereafter referred to as a “**Decision Notice**” for LME and LME Clear purposes):
  - (a) addresses the comments from market participants in response to the Rulebook consultation detailed in the Consultation Notice;
  - (b) sets out the revised Rules and Regulations of the LME (“**LME Rules**” or “**LME Rulebook**”);
  - (c) sets out the revised LME Matching Rules (“**Matching Rules**”); and
  - (d) sets out the revised LME Clear Rules and Procedures (“**LME Clear Rules**”) (the LME Rulebook and the LME Clear Rules together referred to as the “**Rulebooks**”).

## Background

2. The Consultation Notice sought the views of market participants in relation to amendments to the Rulebooks, relating to certain strategic pathway initiatives, as well as a number of miscellaneous Rulebook amendments (together, the “**Proposals**” and each a “**Proposal**”). The LME and LME Clear are grateful for the comments received from market participants in response



to the consultation and have given them due consideration. Market participants should review this Decision Notice, paying particular attention to: (i) how a Proposal will now be implemented; and (ii) the timing for the implementation of a Proposal or any part of a Proposal.

### **Defined terms**

3. Terms not otherwise defined in this Decision Notice shall have the meaning ascribed to them in the revised version of the LME Rulebook or Matching Rules, or the LME Clear Rules (as applicable) as detailed in paragraph 16 below.

### **Consultation responses**

4. LME and LME Clear have collated and considered the responses received from market participants in relation to the Consultation Notice. Paragraphs 5 to 14 below provide an overview of the feedback received in relation to key topics, along with a summary of LME and LME Clear's response. For further information, please refer to Appendix 1 of the Decision Notice, which details the responses received and sets out LME and LME Clear's comments on those responses ("**Response Table**"). For the avoidance of doubt, any Proposal that is not set out in the Response Table did not attract any responses.

#### Introduction of Registered Intermediating Broker ("**RIB**") membership

5. Feedback relating to this Proposal was generally commercial in nature and, in particular, did not provide any suggested amendments to the draft Rules. Several of the responses queried the commercial rationale for the introduction of RIB membership and/or the Tier 1 membership fee. Other respondents noted the potential for RIB membership to enhance liquidity, in particular in relation to new cash-settled Contracts. A small number of additional, more detailed comments were made, which are set out in the Response Table.
6. As set out in the Consultation Notice, the LME believes that RIBs are important for the development of and maintenance of liquidity in both new and established Contracts. Having considered the feedback provided, the



LME and LME Clear have decided to introduce RIB membership, and will do in the form set out in the Consultation Notice. Applications for RIB Membership will be accepted from the date of this Decision Notice.

#### New Cash-Settled Futures

7. The responses received were supportive of the LME's proposal to launch the new Cash-Settled Futures. Several specific points were made in the feedback received by the LME. These points relate mainly to the use of native units of the physical industry (rather than those set out in the Consultation Notice), as well as to recommendations as to the appropriate index to be used for the final settlement price for certain of the Cash-Settled Futures.
8. The LME is considering making the changes suggested by respondents (where appropriate, and subject to completion of relevant impact assessments). As a result, and pending the assessment of the changes proposed by respondents, the LME and LME Clear have decided not to adopt the contract specifications for the new Cash-Settled Futures (set out in Parts 6C and 6D of the LME Rulebook and in Annex 1 of the LME Clear Rules) at this time. The LME and LME Clear will therefore publish further Notice(s) in due course confirming the implementation of the contract specifications. For the avoidance of doubt, the LME and LME Clear note that all other changes relating to the introduction of Cash-Settled Futures have been implemented with effect from the date set out in the table in paragraph 17 below.

#### Trial of electronic discovery of certain Closing Prices

9. The LME did not receive any comments on the proposed drafting of these provisions, which provide a mechanism for the LME to revise the pricing methodology relating to the determination of Closing Prices. The LME acknowledges, however, that a number of responses have been received in relation to the Market Engagement on the trial of electronic Closing Prices and trade-at-settlement order books (LME Notice 18/195) ("**Market Engagement**"), which provide commercial feedback on the LME's proposal to run an electronic pricing trial in relation to the Nickel 3 month Closing Price (amongst other things).



10. The LME is assessing the feedback that it has received in relation to the Market Engagement and will issue a separate Notice on the outcome of its considerations in due course. However, given that no feedback was received on the substance of the Rule changes themselves, the LME has decided to implement these changes in the form set out in the Consultation Notice. The LME notes that the implementation of amendments set out in Regulations 5.7.7, 6.1 and 6.4 of Part 3 of the LME Rulebook is not intended to pre-judge the outcome of the Market Engagement. The LME does not intend to utilise these LME Rulebook powers prior to publishing the outcome of the Market Engagement.

#### Sanctions

11. The LME only received a small number of responses in relation to this Proposal. The respondents raised concerns over the scope of the new Sanctions-related rules in both the LME Rulebook and the LME Clear Rules, with one respondent suggesting that the amendments were '*off-market*' and comparing to provisions in other rulebooks.
12. The LME has considered the feedback carefully and has made certain non-material changes in light of this feedback. However, as a general comment the LME and LME Clear consider the obligations on the Members in relation to Sanctions to be proportionate in light of the importance of compliance with Sanctions and related regulations. The LME and LME Clear further wish to remind Members that the notification obligations in Regulation 12.6(m) of Part 2 (and Membership Procedure B3.1A of the LME Clear Rules) are qualified by reference to the knowledge of the Member. The LME and LME Clear do not consider this an onerous obligation particularly given that Members will be undertaking their own compliance checks and monitoring in relation to Sanctions obligations. The LME and LME Clear do not therefore believe it to be onerous to notify the LME and / or LME Clear (as applicable) of such findings.

#### Optional use of "UNA" trades in relation to Give-Ups and removal of fee restriction

13. The LME received only a small number of responses in relation to this Proposal, none of which suggested any Rulebook drafting amendments. A





number of responses highlighted the operational benefits of removing the mandatory obligation to use UNA trades for Give-Ups, and the resulting operational flexibility that this is expected to bring. A small number of respondents expressed concern with the removal of the fee restriction on UNAs used specifically for facilitating compliance with trade registration and matching deadlines. It was suggested that in the event the LME determines that a fee should be applied, a reasonable lead-time would help UNA users to implement alternative arrangements for the timely registration of Give-Up trades.

14. The LME is grateful for feedback highlighting the operational benefits of removing the mandatory obligation to use UNA trades for Give-Ups. The LME also appreciates the position of market participants that rely extensively on the UNA mnemonic to facilitate Give-Up business. The UNA mnemonic was introduced during the implementation phase of MiFID II in order to support industry compliance with the spirit of the MiFID II STP requirements. Based on these requirements now having bedded in across the industry, the LME will implement the changes to the Matching Rules. In parallel with considering the Consultation feedback, the LME has also assessed the commercial and operational drivers for the implementation of a fee in connection with the use of UNAs including, in particular, considering the additional operational costs incurred by the LME as a result of processing UNA trades. The LME notes one respondent's recommendation that sufficient advance notice be provided in the event that the LME intends to apply a fee. As a result of its assessment of the types of use and extent of reliance on UNAs in connection with Give-Ups, the LME has determined that it is appropriate to introduce a small administrative fee for their use. The administrative fee will apply to UNA trades that are booked and then either reversed or cancelled, with different fees applying in each case. To facilitate a smooth introduction of such fees, the LME intends to give market participants a reasonable period of notice to implement any systems and/or procedural changes needed to adopt alternative Give-Up registration arrangements if desired. Further information on the applicable fees and effective date is set out in LME Notice 18/275 (LME Clear Notice reference 18-036).



## Implementation of Proposals

15. All of the Proposals shall be implemented in the form set out in the Consultation Notice, with the exception of the following amendments to the LME Rulebook and the Matching Rules:

### LME Rulebook

- (a) removal of the wording '*applicable laws relevant to its behaviour as a Member, including without limitation*' from Regulation 12.6(l) of Part 2;
- (b) removal of the Special Contract Rules in Part 6C and Part 6D for each of the new Cash-Settled Futures;
- (c) amendment of the title of Regulation 15, Part 4 from "NEW CONTRACTS" to "NEW CONTRACTS AND NON-MATERIAL AMENDMENTS TO EXISTING CONTRACTS"; and
- (d) a minor administrative amendment to Regulation 2.12.9 of Part 3 to correct the cross-reference from "Regulation 2.12.9 above" to read "Regulation 2.12.8 above".

### Matching Rules

The following minor administrative amendments shall be made to the Matching Rules:

- (a) removal of paragraph 23, which is duplicative of paragraph 22 and deletion of paragraph 45, which is duplicative of paragraph 44. All subsequent paragraphs have been renumbered accordingly;
- (b) correction of the following cross-references:
  - (i) paragraph 15: the cross-reference to "paragraph 35" has been amended to read "paragraph 34";
  - (ii) paragraph 27: the cross-reference to "paragraphs 38 – 45" has been amended to read "paragraphs 37 – 44";
  - (iii) paragraphs 46 and 50: the cross-references to "paragraphs 52 to 62" have been amended to read "paragraphs 51 to 52";
  - (iv) paragraph 53: the cross-reference to "paragraph 55" has been amended to read "paragraph 54"; and
- (c) typographical errors have been corrected in paragraphs 22 and 26.



### LME Clear Rules

- (a) removal of the wording '*applicable laws relevant to its behaviour as a Member, including without limitation*' from Membership Procedure B3.1A(e);
  - (b) removal of the changes in Annex 1 of the LME Clear Rules relating to the new Cash-Settled Futures;
  - (c) in section 2.3(c) of Annex 1, deletion of the wording "(FS)" in relation to the Steel Scrap Contract Specification, and deletion of the wording "(FR)" in relation to the Steel Rebar Contract Specification; and
  - (d) correction of the website link in Clearing Procedure E2.12.
16. The following documents are therefore set out in this Decision Notice and include the modifications detailed in paragraph 15 above:
- (a) In relation to LME:
    - (i) Appendix 2A – Redline of the revised LME Rules compared to the version that is currently in force.
    - (v) Appendix 2B – Clean version of the revised LME Rules, which will apply as of the effective date of the Rule changes as set out in the table in paragraph 17 below. This clean version will be published on <https://www.lme.com/en-GB/About/Regulation/Rules>.
    - (vi) Appendix 3A – Redline of the revised Matching Rules compared to the version that is currently in force.
    - (vii) Appendix 3B – Clean version of the Matching Rules, which will apply as of the effective date of the Matching Rule changes as set out in the table in paragraph 17 below. This clean version will be published on <https://www.lme.com/en-GB/About/Regulation/Rules/Notices>.
  - (b) In relation to LME Clear:
    - (i) Appendix 4A – Redline of the revised LME Clear Rules compared to the version that is currently in force.
    - (ii) Appendix 4B – Clean version of the LME Clear Rules, which will apply as of the effective dates of the LME Clear Rule changes as set out in the table in paragraphs 17 below. This clean version will be



published on <https://www.lme.com/en-GB/LME-Clear/Rules-and-regulations#tabIndex=2>.

### Timing of implementation

17. The LME and LME Clear Proposals detailed in the Consultation Notice shall be implemented with effect from the dates set out in the table below. The LME and / or LME Clear (as applicable) will publish updated Rulebooks on the LME website on the effective date of each of the Proposals set out in the table below.

| Proposal  | Effective date   |
|---|--|
| All LME and LME Clear Proposals detailed in the Consultation Notice with the exception of:<br><br>i. the contract specifications proposed by the Consultation Notice to be inserted into Part 6C and Part 6D of the LME Rulebook and Annex 1 of the LME Clear Rules; and<br><br>ii. the changes to Annex 8 of the LME Clear Rules relating to the implementation of the new mandatory auction tool. | 12 November 2018   |
| The changes to Annex 8 of the LME Clear Rules relating to the implementation of the new mandatory auction tool.   | 19 November 2018   |
| The contract specifications proposed by the Consultation Notice to be inserted into Part 6C and Part 6D of the LME Rulebook and Annex 1 of the LME Clear Rules.   | The LME and LME Clear will publish further Notice(s) in due course confirming the implementation of the contract specifications. For the avoidance of doubt, the LME and LME |



| Proposal | Effective date   |
|----------|--|
|          | Clear note that all other changes relating to the introduction of Cash-Settled Futures have been implemented with effect from 12 November 2018 |

### Next steps

18. Should market participants have any questions in relation to this Decision Notice, or requests for further clarification regarding the implementation of the Proposals as described in this Decision Notice, please contact the LME and LME Clear legal team at [legal@lme.com](mailto:legal@lme.com), or speak to your Relationship Manager.
19. Please ensure that the relevant members of staff within your organisation, and your clients, are advised of the content of this Decision Notice as well as the revised Rulebooks and Matching Rules.

**Matthew Chamberlain**  
**Chief Executive Officer – LME**

**Adrian Farnham**  
**Chief Executive Officer – LME Clear**

cc: Board directors  
User Committee  
All metal committees  
Trading Committee  
Ring Dealers Committee  
Traded Options Committee  
Warehousing Committee  
Physical Market Committee



## Appendix 1

### LME and LME Clear Response to Consultation Notices 18/194 (LME) and 18-026 (LME Clear)

|   | Rule reference(s)     | Question/comment/suggested amendment   | LME / LME Clear response   |
|---|-----------------------|--|--|
| <b>Introduction of RIB membership – LME / LME Clear</b> |                       |  |  |
| 1   | N/a – general comment | <p>The LME received only a small number of responses in relation to the introduction of RIB Membership. These comments were generally commercial in nature and, in particular, did not provide any suggested amendments to the draft Rules. Taking in turn the key points raised:</p> <p>(1) A number of respondents queried the rationale behind the LME's proposal to create a new category of membership for RIBs and one respondent queried the value of Tier 1 RIB Membership in particular, given the B share requirement and annual membership fee. One respondent noted their view that commercial responsibility for trades should ultimately remain with the Executing Member and the Clearing Member. Other respondents noted the potential for RIB Membership to enhance liquidity on the LME.</p> | <p>(1) The LME believes that RIBs are important for the development and maintenance of liquidity in both new and established Contracts. It is therefore an important part of the LME's Strategic Pathway to formalise the basis on which certain introducing brokers currently operate in the inter-office market and to provide additional operational efficiency to the trade registration process that underlies this. The RIB Membership offering will also align the LME's ecosystem more closely</p> |



|   | Rule reference(s)     | Question/comment/suggested amendment  | LME / LME Clear response  |
|---|-----------------------|---|---|
|   |                       |   | with that of other peer venues. The LME therefore believes that the formalisation of the LME (and associated LME Clear) Rules regarding RIB Membership will encourage RIBs to arrange Agreed Trades on the LME, which in turn will increase and maintain the liquidity of products offered by the LME to the benefit of the LME's membership more generally. In relation to the specific point regarding responsibility for trades arranged by RIBs, these trades will be registered in LMEsmart in the name of the relevant Clearing Member. Consequently, the Clearing Member(s) in whose names the trades are registered will retain ultimate responsibility for these trades. |
| 2 | N/a – general comment | (2) One respondent suggested a concern that RIBs would not be required to be appropriately authorised, and a separate concern relating to uncertainty as to the path to clearing for Clients. | (2) RIBs must meet the eligibility criteria detailed in Regulation 3A, Part 2. Amongst other things, these criteria include the requirement that RIBs satisfy the requirements of existing Regulation 7, Part   |



|   | Rule reference(s)     | Question/comment/suggested amendment   | LME / LME Clear response   |
|---|-----------------------|--|--|
|   |                       |  | 2 (Requirements of the Financial Services and Markets Act 2000), which currently applies to all Trading Members. In broad terms, this requires that a RIB is either appropriately authorised by the Financial Conduct Authority, appropriately EEA authorised, or can validly benefit from an exemption from the need to be authorised (e.g. by being an appointed representative).  |
| 3 | N/a – general comment | (3) One respondent also set out that they would only offer access to the LME via an execution and clearing agreement if they could be certain that the relationship is exclusive, thereby ensuring that Clients would not be passed around the LME Membership until a Clearer has accepted them. | (3) New Regulation 2.12 of Part 3 of the LME Rulebook sets out requirements for RIBs, certain of which are directly relevant in relation to this comment. In particular, before arranging any Agreed Trades for a Client, a RIB must have established that each Client on whose behalf it arranges Agreed Trades: (a) has appointed a Clearing Member that will be responsible for clearing the resulting Contracts; (b) has identified that Clearing Member to the RIB; and (c) |





|   | Rule reference(s)     | Question/comment/suggested amendment   | LME / LME Clear response   |
|---|-----------------------|--|--|
|   |                       |  | has established with that Clearing Member the scope of authority to be exercised by the RIB to arrange trades on behalf of the relevant Client. Additionally, the relevant Clearing Member must permission the RIB in the Matching System RIB Screen (i.e. the permissioning screen within LMEsmart) to arrange Agreed Trades for a specific Client before a RIB may register trades in LMEsmart for that Client.  |
| 4 | N/a – general comment | (4) One respondent raised a concern about the “uncertainty of the legal relationship of the parties and the lack of clarity regarding the agency relationships”. | (4) As a general matter, neither the LME nor LME Clear considers it appropriate to dictate the commercial or detailed legal terms between Members. To the extent deemed necessary, the LME and LME Clear will (as applicable) apply Rulebook-based obligations on Members that are designed to enhance legal certainty relating to key aspects of these relationships, including the formation of Contracts on the LME, and which are also designed to minimise key regulatory |



|   | Rule reference(s)     | Question/comment/suggested amendment   | LME / LME Clear response   |
|---|-----------------------|--|--|
|   |                       |  | and contractual risks. With this in mind, the LME does not consider it appropriate to memorialise in the Rulebook the nature of the relationship between Members (including between RIBs and Clearing Members), in particular as the LME understands that these parties may have standard terms in place that could be undermined by prescriptive Rules regarding the nature of these arrangements. The LME believes that this approach is in line with other peer venues. |
| 5 | N/a – general comment | (5) One respondent asked for further information about the type of entity expected by the LME to apply for RIB Membership. | (5) The majority of interested parties are either (i) introducing brokers who are already active on the LME market or (ii) introducing brokers who wish to participate in the LME market but have not felt able to participate under the current membership structure. As set out above, all such entities will be subject to applicable Membership eligibility criteria to ensure their appropriateness for   |



|   | Rule reference(s)     | Question/comment/suggested amendment   | LME / LME Clear response   |
|---|-----------------------|--|--|
|   |                       |  | Membership of the LME.   |
| <b>New Cash-Settled Futures – LME / LME Clear</b> |                       |  |  |
| 6   | N/a – general comment | <p>The responses received were supportive of the LME's proposal to launch new Cash-Settled Futures. Several specific points were also raised:</p> <p>(1) One respondent queried the treatment of such Contracts with regards to VAT and in particular, queried the impact that the new Cash-Settled Futures may have on participants' tax positions.</p> | <p>(1) The Cash-Settled Futures will be subject to VAT on the same basis as the LME's existing cash-settled Ferrous Futures, i.e. the LME understands that as the Cash-Settled Futures do not result in a physical supply, they are exempt from VAT. The LME would, however, recommend that Members obtain their own advice as to their individual tax position.</p> |
| 7   | N/a – general comment | <p>(2) One respondent asked whether the LME expects to implement a market maker scheme for the new Cash-Settled Futures.</p>   | <p>(2) The LME is assessing the merits of offering incentives in relation to the new Cash-Settled Futures. Where the LME believes that an incentive arrangement (for example a liquidity programme or rebate) is the most appropriate option to support the growth of liquidity in a particular new Cash-Settled Future, the</p>                                     |



|   | Rule reference(s)     | Question/comment/suggested amendment  | LME / LME Clear response  |
|---|-----------------------|---|---|
|   |                       |   | LME will seek regulatory non-objection for such arrangement. The LME will inform market participants in due course by way of Notice of the availability of, and terms for participation in, any incentive arrangements that the LME ultimately determines that it will offer in relation to these products.   |
| 8 | N/a – general comment | (3) A respondent asked whether the LME intends to apply the Financial OTC Booking Fee “for firms offering a lookalike contract but hedging on [the LME]”.   | (3) The LME does not apply the Financial OTC Booking Fee to the existing Ferrous Futures (i.e. Steel Scrap and Rebar Futures), and has no plans to apply the Financial OTC Booking Fee to the new Cash-Settled Futures.   |
| 9 | N/a – general comment | (4) A respondent made a recommendation as to the price reporting agency that it considers should provide the final settlement price indices in relation to the Alumina DUP, Molybdenum DUP and Cobalt DUP Cash-Settled Futures. | (4) Following extensive market engagement, and a competitive tender process with a range of index providers, the LME has short-listed the preferred price reporting agency that it considers will provide appropriate indices for use as final settlement prices, and which the LME considers are most adopted within the metals industry and are representative of |



|    | Rule reference(s)     | Question/comment/suggested amendment  | LME / LME Clear response  |
|----|-----------------------|---|---|
|    |                       |   | the price of the relevant underlying metal(s). The LME is in the process of finalising contractual terms with the relevant price reporting agencies and intends to issue a separate press release in due course informing the market of the selected price reporting agencies and indices.  |
| 10 | N/a – general comment | (5) One respondent recommended that certain of the Cash-Settled Futures should use the native units of the physical industry, rather than the ones proposed in the Consultation, in order to facilitate efficient adoption of these Cash-Settled Futures. | (5) The LME has taken on board this feedback (as well as additional feedback that has been received informally by the LME) and will consider making these changes where appropriate and subject to completion of relevant impact assessments. Pending the LME's consideration of these changes, the LME and LME Clear have decided not to adopt the contract specifications (set out in Parts 6C and 6D of the LME Rulebooks and in Annex 1 of the LME Clear Rulebook) at this time for any of the new Cash-Settled Futures. For the avoidance of doubt, the LME will implement all other changes relating to |



|  | Rule reference(s)     | Question/comment/suggested amendment   | LME / LME Clear response  |
|--|-----------------------|--|---|
|  |                       |  | the new Cash-Settled Futures, as set out in the redline of the LME Rulebook attached to this Notice. Instead, the LME and LME Clear shall, in due course, issue one or more further Notices which shall implement the contract specifications for each of the new Cash-Settled Futures at the relevant time, with changes to reflect the revisions.   |
| <b>Trial of electronic discovery of certain Closing Prices – LME</b> |                       |  |   |
| 11   | N/a – general comment | The LME received a small number of responses in relation to the proposed LME Rulebook amendments relating to the electronic discovery of Closing Prices. However, these comments related to the commercial rationale for the trial and focused on the concern that the use of electronic price discovery to determine Closing Prices may have adverse consequences (including potential impacts on the way in which “closing orders” are handled, and on Members’ ability to “guarantee” the Closing Price to their Clients). None of the responses to the Consultation raised concerns with the | The LME did not receive any comments on the proposed drafting of these provisions, which provide a mechanism for the LME to revise the pricing methodology relating to the determination of Closing Prices. Consequently, the LME has implemented these changes in the form set out in the Consultation Notice. The LME acknowledges, however, that a number of responses have been received in relation to the Market Engagement on the trial of electronic Closing Prices and trade-at-settlement |



|                                     | Rule reference(s)                   | Question/comment/suggested amendment  | LME / LME Clear response   |
|-------------------------------------|-------------------------------------|---|--|
|                                     |                                     | proposed LME Rulebook amendments relating to this Proposal, however. Additionally, more extensive feedback was provided on the commercial aspects of the proposed trial of the electronic discovery of Closing Prices for the Nickel 3 month Contract. This feedback will be addressed by way of a separate LME Notice. | order books (LME Notice 18/195) (“Market Engagement”), which provide commercial feedback on the LME’s proposal to run an electronic pricing trial in relation to the Nickel 3 month Closing Price (amongst other things). The LME is assessing the feedback that it has received in relation to the Market Engagement and will issue a separate Notice on the outcome of its considerations in due course. The LME notes that the implementation of amendments set out in Regulations 5.7.7, 6.1 and 6.4 of Part 3 of the Rulebook is not intended to pre-judge the outcome of the Market Engagement. The LME does not intend to utilise these Rulebook powers prior to publishing the outcome of the Market Engagement. |
| <b>Dynamic Contract Rules – LME</b> |                                     |   |  |
| 12                                  | LME Rulebook: Part 1 – Definitions; | One respondent commented on this Proposal, raising a concern regarding the potential effect that an amendment considered by   | In relation to Non-Material Amendments, the intention of Regulations 6.12 and 15 taken together is to provide  |



|  | Rule reference(s)                   | Question/comment/suggested amendment  | LME / LME Clear response  |
|--|-------------------------------------|---|---|
|  | and Part 4 – Regulation 6.12 and 15 | the LME to be a Non-Material Amendment could have on a Member's book. The respondent therefore suggested that Regulation 6.12 of Part 4 be removed and that Regulation 15 of Part 4 be amended to remove references to "Non-Material Amendments" to ensure that such changes are not made without consultation. | the LME with a more streamlined and efficient approach to making non-material amendments to Special Contracts Rules for existing Contracts. The LME would typically seek to use these Regulations to facilitate the amendment of existing Special Contracts Rules (including to address feedback from its Membership) where such amendments are both non-material and unlikely to have a significant impact upon Members. Prior to introducing any such Non-Material Amendment, the LME would typically engage informally with market participants, as it does in relation to a range of matters, to ensure that it has an understanding of the potential impacts of the change. Where the LME determines that any proposed changes to existing Special Contracts Rules may have a material impact upon the Members, the LME would consult on the changes in accordance with its usual process. |





|  | Rule reference(s)                     | Question/comment/suggested amendment   | LME / LME Clear response   |
|--|---------------------------------------|--|--|
| <b>Arrangements for the prevention of disorderly trading and breaches of capacity limits – LME</b> |                                       |  |  |
| 13   | LME Rulebook: Part 3 – Regulation 1.5 | The LME received a small number of responses to this Proposal. One respondent suggested that any changes to the LME's existing procedures relating to arrangements for the prevention of disorderly trading should be communicated [to market participants], whilst another suggested the following amendment: "The Exchange may <del>establish</del> <b>implement</b> such arrangements as it considers appropriate to prevent disorderly trading and breaches of capacity limits including, without limitation, procedures to establish the maximum price fluctuation...". | The key objective of the Rules relating to this Proposal is to explicitly support the LME's compliance with its regulatory obligations arising in particular from Article 48(6) of MIFID II. Existing Regulation 1.5 of Part 3 has therefore been expanded primarily to reflect the more extensive arrangements that the LME already has in place in connection with the prevention of disorderly trading (e.g. non-cancellation ranges and dynamic price banding). Where the LME intends to implement changes to existing arrangements, or implement new measures, it will seek to provide reasonable Notice to market participants, in particular where such changes could affect market participants' activities on the LME or their internal compliance and control frameworks (except where this is not |



|  | Rule reference(s)  | Question/comment/suggested amendment   | LME / LME Clear response   |
|--|--|--|--|
|  |  |  | <p>possible, e.g. for regulatory reasons).</p> <p>The LME shall, however, reserve the right at its absolute discretion to make any such changes as it deems appropriate and/or necessary to ensure the prevention of disorderly trading conditions and breaches of capacity limits, in line with its current practice.</p>   |
| <b>New sanctions-related Rules – LME and LME Clear</b> |  |  |  |
| 14   | <p>LME Rulebook:<br/>Part 2 – Regulation 12.6</p> <p>LME Clear Rules:<br/>Membership Procedure Part B 3.1A</p> | <p>Some respondents raised concerns over the scope of the new Sanctions-related Rules in both the LME Rulebook and the LME Clear Rulebook, with one respondent suggesting that the amendments were ‘off-market’ and comparing to provisions in other rulebooks.</p> <p>Two respondents requested that the notification obligation set out in Regulation 12.6(m) of the LME Rulebook should be narrowed in scope with one suggesting deleting reference to ‘Affiliates, Clients, directors, officers, employees or agents or any of its Affiliates’ directors, officers, employees or agents’. The same</p> | <p>The LME and LME Clear have sought to jointly address respondents’ concerns on this point.</p> <p>The LME and LME Clear consider this obligation on the Members to be proportionate in light of the importance of compliance with Sanctions. The sanctions applied against Rusal earlier this year highlighted the importance within the metals industry of ensuring appropriate arrangements in place to comply with applicable sanctions.</p> <p>The LME and LME Clear</p> |



|  | Rule reference(s) | Question/comment/suggested amendment  | LME / LME Clear response   |
|--|-------------------|---|--|
|  |                   | respondent requested that equivalent changes be made to the LME Clear Rulebook. | <p>understand that the approach taken is in line with the approach adopted by certain peer venues. Notwithstanding this, the LME and LME Clear believe that the steps taken to ensure compliance with Sanctions are proportionate and appropriate given the recent sanctions impacting the metals market.</p> <p>The LME and LME Clear wish to remind Members that the notification obligations in Regulation 12.6(m) of Part 2 (and Membership Procedure B3.1A of the LME Clear Rules) are qualified by reference to the knowledge of the Member. The LME and LME Clear therefore deem it appropriate that should a Member become aware of any of the matters set out in Regulation 12.6(m) of Part 2 (and Membership Procedure B3.1A of the LME Clear Rules), they should notify the LME / and or LME Clear accordingly. The LME and LME Clear do not consider this an onerous</p> |



|    | Rule reference(s)  | Question/comment/suggested amendment   | LME / LME Clear response  |
|----|--|--|---|
|    |  |  | <p>obligation particular in light of the importance of compliance with applicable Sanctions.</p> <p>The LME and LME Clear are aware that Members will be undertaking their own compliance checks and procedures. Members may become aware of applicable Sanctions as a result of their own compliance monitoring and it is not therefore onerous to notify the LME and / or LME Clear of such findings.</p> |
| 15 | <p>LME Rulebook:<br/>Part 2 – Regulation 12.6(l)</p> <p>LME Clear Rules:<br/>Membership Procedure<br/>Part B 3.1A(e)</p> | One respondent suggested that these provisions should be amended to delete the following wording: “applicable laws relevant to its behaviour as a Member, including without limitation”. | <p>This amendment has the effect of narrowing the scope of this provision, such that the obligation on Members is more clearly restricted to compliance with applicable Sanctions. The LME and LME Clear agree with this change, and have therefore amended these provisions accordingly.</p>   |
| 16 | <p>LME Rulebook:<br/>Part 2 – Regulation 12.6</p>  | A further respondent requested a dilution of the Sanctions obligations by incorporating a definition of ‘Comprehensive Sanction’ although the respondent did not specify what            | The LME and LME Clear believe that the current definition of Sanctions is proportionate given the importance of compliance with applicable Sanctions.   |



|  | Rule reference(s)                                       | Question/comment/suggested amendment  | LME / LME Clear response   |
|--|---|---|--|
|  | LME Clear Rules:<br>Membership Procedure<br>Part B 3.1A | this definition should include.   | A narrowing of this definition by reference to a definition of 'Comprehensive Sanctions' would likely result in a compliance gap as certain Sanctions would therefore fall outside of the notification obligations in Regulation 12.6(m) of Part 2 (and Membership Procedure B3.1A of the LME Clear Rules).  |
| <b>Amendment to the LMEsword Regulations relating to LME Powers in the context of a warehouse insolvency – LME</b> |   |   |  |
| 17   | LME Rulebook:<br>Part 10 –<br>Regulation 11.14          | One respondent encouraged the LME to utilise its existing powers under the Warehouse Agreements to ask for performance bonds from fragile Warehouses. | <p>The Rulebook Consultation relates only to the amendments to the Rulebooks and Matching Rules. The LME's use of its powers under the Warehouse Agreement is outside the scope of the Consultation.</p> <p>The lessons learned from the Worldwide Warehouse Solutions insolvency were addressed in Notice 18-208 dated 8 August 2018. Notice 18-208 sets out the actions that the LME is currently proposing to take as a result of this highly</p> |



|  | Rule reference(s)  | Question/comment/suggested amendment   | LME / LME Clear response  |
|--|--|--|---|
|  |  |  | <p>unusual situation.</p> <p>The Warehouse Committee is the most appropriate forum for any other suggested actions that Members or other interested parties wish to raise with the LME.</p>   |
| <b>Optional use of “UNA” trades in relation to Give-Ups and removal of fee restriction – LME</b> |  |  |   |
| 18   | <p>Matching Rules: Paragraphs 27 (cross-reference update), 46, 49, 50, 51, 52 and 54</p> | <p>A number of Members recognised the operational benefits of the removal of mandatory use of UNA trades in relation to Give-Ups and are supportive of this change.</p> <p>A small number of respondents expressed concern with the removal of the fee restriction for UNA trades and requested that the deleted restriction be re-inserted. This feedback is driven primarily by a concern that the respondents’ operational arrangements rely on the availability of the UNA mnemonic (where the Give-Up Clearer is not known at the Execution Time). One Member requested that the LME provide reasonable notice of any changes to the fee structure to allow Members to implement systems and / or</p> | <p>The LME is grateful for feedback highlighting the operational benefits of removing the mandatory obligation to use UNA trades for Give-Ups, and the resulting operational flexibility. The LME also appreciates the position of market participants that rely extensively on the UNA mnemonic to facilitate Give-Up business. The LME notes that the UNA mnemonic was introduced during the implementation phase of MiFID II in order to support industry compliance with the spirit of the MiFID II STP requirements. The mnemonic was introduced at a time when these requirements had not yet</p> |



|  | Rule reference(s) | Question/comment/suggested amendment   | LME / LME Clear response  |
|--|-------------------|--|---|
|  |                   | <p>procedural changes. No other drafting suggestions were provided by respondents.</p> <p>One respondent also suggested that in the event that fees are applied to UNA use, a lower fee should be applied to UNA used in connection with conducting Give-Ups than are applied for other commercial uses of UNAs.</p> | <p>embedded into BAU operational arrangements. Basis this, the LME will implement the changes to the Matching Rules as set out in the Consultation. However, the LME has assessed the commercial and operational drivers for the implementation of a fee in connection with the use of UNAs including, in particular, the additional operational costs incurred by the LME as a result of processing UNA trades. The LME notes a respondent's recommendation that sufficient advance notice be provided in relation in the event that the LME intends to apply a fee. As a result of its assessment of the types of use and extent of reliance on UNAs in connection with Give-Ups, the LME has determined that it is appropriate to introduce a small administrative fee for their use. To facilitate a smooth introduction of such fee, the LME intends to give market participants a reasonable notice period to implement</p> |



|  | Rule reference(s) | Question/comment/suggested amendment | LME / LME Clear response   |
|--|-------------------|--------------------------------------|--|
|  |                   |                                      | any systems and/or procedural changes needed to adopt alternative Give-Up registration arrangements if desired. Further information is set out in LME Notice 18/275 (LME Clear Notice reference 18-036). |





## **Appendix 2A**

**LME Rulebook (redline against the version that is currently in force)**

*Distributed with this Notice.*



**Appendix 2B**  
**LME Rulebook (clean version)**

*Distributed with this Notice.*



## **Appendix 3A**

### **Matching Rules (redline against the version that is currently in force)**

*Distributed with this Notice.*



**Appendix 3B**  
**Matching Rules (clean version)**

*Distributed with this Notice.*



## **Appendix 4A**

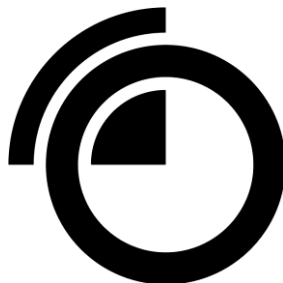
### **LME Clear Rules (redline against the version that is currently in force)**

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**Appendix 4B**  
**LME Clear Rules (clean version)**

*Distributed with this Notice.*



# **LONDON METAL EXCHANGE RULES AND REGULATIONS**

**AS AUTHORISED BY THE BOARD OF DIRECTORS**





## PREFACE

Parts 1 – 13 of this book set forth the Rules and Regulations of the London Metal Exchange, and the Appendices include further information, as on brands, assayers and warehouses listed in accordance with stated regulations.

These rules, as amended from time to time, are available on the LME website.



# OUTLINE OF CONTENTS

|             |   |
|-------------|---|
| Part 1:     | Definitions and General Rules   |
| Part 2:     | Membership, Enforcement and Discipline  |
| Part 3:     | Trading Regulations   |
| Part 4:     | Contract Regulations  |
| Part 5:     | 5A Metal Options Regulations  |
|             | 5B Traded Average Price Options Regulations   |
|             | 5C Index Options Regulations  |
| Part 6:     | Special Contract Rules for Metals   |
|             | 6A Special Contract Rules for the Construction of the Index   |
|             | 6B Special Contract Rules for LMEmini Contracts   |
|             | 6C Special Contract Rules for <del>Ferrous</del> <a href="#">Cash-Settled</a> Futures – <a href="#">Ferrous</a> |
|             | <a href="#">6D</a> <a href="#">Special Contract Rules for Cash-Settled Futures – Non-Ferrous</a>                |
| Part 7:     | Requirements for the Listing of Brands  |
| Part 8:     | Arbitration Regulations   |
| Part 9:     | Default Regulations   |
| Part 10:    | LMESword Regulations  |
| Part 11:    | Monthly Average Future Regulations  |
| Part 12:    | Premium Contract Regulations  |
| Part 13:    | LMEPrecious Regulations   |
|             | <a href="#">13A</a> <a href="#">LMEPrecious Future Regulations</a>  |
|             | <a href="#">13B</a> <a href="#">LMEPrecious Option Regulations</a>  |
| Appendices: | I Listed Brands   |
|             | II Listed Samplers and Assayers   |
|             | III Listed Warehouses   |
|             | IV Miscellany   |

For more detailed lists of contents, turn  
to pages introducing the Parts

**PART 1**  
**DEFINITIONS AND GENERAL RULES**

\*

**CONTENTS**

| <b>Section</b> |             | <b>Page</b> |
|----------------|-------------|-------------|
| 1              | Definitions | 1-1         |
| 2              | General     | 1-34        |



## **PART 1: DEFINITIONS AND GENERAL RULES**

### **1. DEFINITIONS**

1.1 In these Rules, the following words and expressions shall, unless the context otherwise requires, bear the meanings set opposite them:-

|  |   |
|--|---|
| "Account Holder"                       | the Clearing House and any person admitted as an Account Holder by the Exchange, and which has not withdrawn or ceased to be an Account Holder, under Regulation 2 of the LMEsword Regulations;   |
| "Acceptance Criteria"                  | the criteria to be satisfied under the Clearing House Rules in order for a Cleared Contract to come into effect in respect of the relevant Agreed Trade;  |
| "Administrative Procedure" or "Notice" | a notice sent to such class or classes of Member to whom they apply, containing a procedure for implementing the Rules or any part thereof. In the case of LME Select this may also be posted on the market messages screen;  |
| "Affiliate"                            | in relation to a person, another person in the same Group;  |
| "Agreed Trade"                         | the particulars of a transaction in a Contract agreed between two parties (or otherwise instructed by one or more Member(s) and confirmed within LME Select), as further specified in Trading Regulation 2.2.3;   |
| "Algorithmic Trading"                  | trading in financial instruments (as such term is defined in Article 4(1)(15) of the MiFID II Directive) where a computer algorithm automatically determines individual parameters of orders such as whether to initiate the order, the timing, price or quantity of the order or how to manage the order after its submission, with limited or no human intervention, but excluding any system that is only used for the purpose of routing orders to one or more trading venues (as such term is defined in Article 4(1)(24) of the MiFID II Directive) or for the processing of orders involving no determination of any trading parameters or for the confirmation of orders or the post-trade processing of executed transactions; |
| "Aluminium Premium Contract"           | a Premium Contract for aluminium having the characteristics set out in the Premium Contract   |

|                             |              |   |
|-----------------------------|--------------|---|
|                             |              | Regulations (and a "type" of Aluminium Premium Contract shall mean one of the classes of such Contracts distinguished by its applicable Premium Warrant Jurisdiction);  |
| "Appeal Committee"          |              | a committee appointed pursuant to Regulation 11 of the Membership Regulations;  |
| "Application"               |              | means any application (including a code for each application) receiving LME Information for Non-Display Usage;  |
| "Arbitration Regulations"   |              | the regulations set out in Part 8 of the Rules;   |
| "Articles"                  |              | the Articles of Association for the time being of the Company;  |
| <u>"At the Money"</u>       |              | <u>in relation to an LMEprecious Option, that on the Expiry Day, the Exercise Reference Price for the LMEprecious Option is equal to the Strike Price;</u>  |
| "Average Price Call Option" |              | a Traded Average Price Option pursuant to which the Granter gives the Taker the right to buy from the Granter;  |
| "Average Price Put Option"  |              | a Traded Average Price Option pursuant to which the Granter gives the Taker the right to sell to the Granter;   |
| "Business Day"              |              | any day except Saturday, Sunday or any public or bank holiday in England or a day during which trade on the Exchange has been suspended by or under the authority of any enactment or a day which the Exchange declares not to be a Business Day; |
| "B Shares"                  |              | class B shares in LME Holdings having a nominal value of 1p each;   |
| "Call Option"               |              | an Option Contract pursuant to which the Granter gives the Taker the right to buy from the Granter or, in the case of an Index Option, a notional right to buy, to be cash settled;   |
| "a Candidate"               |              | a candidate for Membership of the Exchange;   |
| "Capital Regulation"        | Requirements | Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms as from time to time amended;  |



- "Carry"
- (a) in respect of a Metal Future, Premium Contract, LMEmini Future or LMEprecious Future for the purchase or sale of a specific number of Lots for one Prompt Date coupled with one or more Futures Contracts of the same type for the sale or, as the case may be, purchase comprising in aggregate the same number of Lots between the same parties for a more distant Prompt Date or Prompt Dates; or
  - (b) in respect of a Monthly Average Future, a Contract for the purchase or sale of a specific number of Lots for one Prompt Date for a specified metal coupled with one or more Contracts for the sale or, as the case may be, purchase comprising in aggregate the same number of Lots for the same metal between the same parties for a more distant Prompt Date or Prompt Dates;

"Cash" in relation to the period between 19.31 hours on one Business Day and 19.30 hours on the next Business Day and Contracts entered into in that period, the first Settlement Business Day which falls after the next following Business Day (also referred to as "**SPOT**");

"Cash-Settled Future Daily Settlement Price" in respect of each Cash-Settled Future, the relevant price determined for margining and daily settlement purposes of such Cash-Settled Future as determined in accordance with Regulation 5.7 of the Trading Regulations;

"Cash-Settled Future Final Settlement Price" in respect of each Cash-Settled Future, the relevant price determined for final settlement purposes of such Cash-Settled Future as determined in accordance with Regulation 5.7.3 of the Trading Regulations;

"Cash-Settled Future" a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay or receive in cash the difference between the level of the relevant Cash-Settled Future Final Settlement Price on the Prompt Date and the level agreed in the Contract, multiplied by the Contract size, settled on the relevant Settlement Business Day specified in the relevant Special Contract Rules Cash-Settled

|  |   |
|--|---|
|  | <u>Futures and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange, including the specific features for the relevant type of Contract set out in the relevant Special Contract Rules for Cash-Settled Futures (and not including, for the avoidance of doubt, an LMEmini Future or an Index Future);</u> |
| <u>"Cash-Settled Future Index"</u>             | <u>in respect of each Cash-Settled Future, the relevant index (or indices, as applicable) or other reference-value specified for the specific type of Cash-Settled Future in the relevant Special Contract Rules for Cash-Settled Futures;</u>  |
| <u>"Cash-Settled Future Last Trading Time"</u> | <u>in respect of each Cash-Settled Future, the last time on the Last Trading Day for such Cash-Settled Future as specified in the relevant Special Contract Rules for Cash-Settled Futures, or as otherwise prescribed by the Exchange from time to time;</u>   |
| "Cash Today"                                   | in relation to Contracts entered into in the period between 19.31 hours on one Business Day and 12.30 hours on the next Business Day, the first Settlement Business Day after the latter Business Day save that there will be no Prompt Date for Cash Today where Cash Today is a Business Day but not a Settlement Business Day (also referred to as " <b>TOM</b> " or " <b>tomorrow</b> ");             |
| "Category 1 Member"                            | <p>a Member who is:</p> <ul style="list-style-type: none"> <li>(a) authorised by the Directors to trade in the Ring;</li> <li>(b) a member of the Clearing House;</li> <li>(c) authorised by the Directors to clear Cleared LME Base Contracts;</li> <li>(d) authorised by the Directors to issue Client LME Base Contracts; and</li> <li>(e) granted Category 1 Membership by the Directors;</li> </ul>  |
| "Category 2 Member"                            | <p>a Member who is:</p> <ul style="list-style-type: none"> <li>(a) not authorised by the Directors to trade in the Ring;</li> </ul>   |

- (b) a member of the Clearing House;
- (c) authorised by the Directors to clear Cleared LME Base Contracts;
- (d) authorised by the Directors to issue Client LME Base Contracts; and
- (e) granted Category 2 Membership by the Directors;

"Category 3 Member"

a Member who is:

- (a) not authorised by the Directors to trade in the Ring;
- (b) a member of the Clearing House;
- (c) authorised by the Directors to clear Cleared LME Base Contracts;
- (d) not authorised by the Directors to issue Client LME Base Contracts; and
- (e) granted Category 3 Membership by the Directors;

"Category 4 Member"

a Member who is:

- (a) not authorised by the Directors to trade in the Ring;
- (b) not authorised by the Directors to clear Cleared LME Base Contracts;
- (c) authorised by the Directors to issue Client LME Base Contracts; and
- (d) granted Category 4 Membership by the Directors;

"Category 5 Member"

a Member who is:

- (a) not authorised by the Directors to trade in the Ring;
- (b) not authorised by the Directors to clear Cleared Contracts;
- (c) not authorised by the Directors to issue Client Contracts; and
- (d) granted Category 5 Membership by the Directors;

|                                      |  |
|--------------------------------------|--|
| "Category 6 Member"                  | <p>a Member who is:</p> <ul style="list-style-type: none"> <li>(a) not authorised by the Directors to trade in the Ring;</li> <li>(b) not authorised by the Directors to clear Cleared Contracts;</li> <li>(c) not authorised by the Directors to issue Client Contracts;</li> <li>(d) not an Undertaking or a member of an Undertaking; and</li> <li>(e) granted Category 6 Membership by the Directors;</li> </ul>   |
| "Category 7 Member"                  | a Member who is granted honorary Membership of the Exchange by the Directors;  |
| "Chief Executive"                    | includes the Deputy Chief Executive and any other person for the time being appointed to perform the duties of Chief Executive of the Company;   |
| "Claimant"                           | the person commencing an arbitration by serving a Notice to Arbitrate;   |
| <u>"Cleared Cash-Settled Future"</u> | <u>a Cleared Contract which is a Cash-Settled Future;</u>  |
| "Cleared Contract"                   | <ul style="list-style-type: none"> <li>(a) the Contract or Contracts which may result from the process of acceptance set out in the Clearing House Rules, upon or following Execution;</li> <li>(b) any other Contract or Contracts which may be created between the Clearing House and a Clearing Member in relation to an Agreed Trade by operation of the Clearing House Rules, including, without limitation, any Contract that results from any process under the Clearing House Rules that varies, modifies, transfers, replaces, novates or ports any Contracts within (a) above or any Contract that results from any netting or settlement-to-market process under the Clearing House Rules;</li> </ul> |
| <del>"Cleared Ferrous Future"</del>  | <del>a Cleared Contract which is a Ferrous Future;</del>   |
| "Cleared Index Contract"             | a Cleared Contract which is an Index Contract;   |

|                                       |  |
|---------------------------------------|--|
| "Cleared Index Future"                | a Cleared Contract which is an Index Future;   |
| "Cleared Index Option"                | a Cleared Contract which is an Index Option;   |
| "Cleared LME Base Contract"           | a Cleared Contract which is not a Cleared LMEprecious <del>Future</del> Contract;  |
| "Cleared LMEmini Future"              | a Cleared Contract which is an LMEmini Future;   |
| <u>"Cleared LMEprecious Contract"</u> | <u>a Cleared Contract which is an LMEprecious Contract;</u>  |
| "Cleared LMEprecious Future"          | a Cleared Contract which is an LMEprecious Future;   |
| <u>"Cleared LMEprecious Option"</u>   | <u>a Cleared Contract which is an LMEprecious Option;</u>  |
| "Cleared Metal Contract"              | a Cleared Contract which is a Metal Contract;  |
| "Cleared Metal Future"                | a Cleared Contract which is a Metal Future;  |
| "Cleared Metal Option"                | a Cleared Contract which is a Metal Option;  |
| "Cleared Monthly Average Future"      | a Cleared Contract which is a Monthly Average Future;  |
| "Cleared Option Contract"             | a Cleared Contract which is an Option Contract;  |
| "Cleared Premium Contract"            | a Cleared Contract which is a Premium Contract;  |
| "the Clearing House"                  | such Clearing-house for the time being appointed by the Exchange to clear Contracts;   |
| "the Clearing House Rules"            | the rules of the Clearing House that are binding on Clearing Members, as for the time being in force in relation to the Exchange, and the procedures of the Clearing House with respect thereto;   |
| "Clearing Member"                     | a Member that is permitted by the Clearing House to clear Cleared Contracts, being: <ul style="list-style-type: none"> <li>(a) in respect of the LME Base Service, a Category 1, 2 or 3 Member; or</li> <li>(b) in respect of the LMEprecious Service, an LMEprecious General Clearing Member or an LMEprecious Individual Clearing Member;</li> </ul> |
| "Clearing Member Transferee"          | means a Clearing Member to whom a Client-  |

Related Cleared Contract is transferred in accordance with the Clearing House Rules;

"Clearing Member Transferor"

means a Clearing Member from whom a Client-Related Cleared Contract is transferred in accordance with the Clearing House Rules, being the Clearing Member that was the counterparty to the Clearing House under such Cleared Contract immediately prior to the time of such transfer;

"Client"

a person who:

- (a) is or may be a party to a Client Contract, other than the person who issues the Client Contract; or
- (b) otherwise has a client relationship with a Member in relation to any transaction represented by a Contract;

"Client Cash-Settled Future"

a Client Contract which is a Cash-Settled Future;

"Client Contract"

- (a) in respect of the LME Base Service, each of:
  - (i) an LME Base Contract between a Category 1 or 2 Member and a Category 4 Member; or
  - (ii) an LME Base Contract between a Category 1, 2 or 4 Member and any other person (as a Client); or
  - (iii) a Post-Compression Client Contract that is an LME Base Contract; or
  - (iv) any Contract formed pursuant to the application of a netting, aggregation and/or settlement to market process, applied to any Contract in (i), (ii) or (iii) above,

in each case that is not a Cleared Contract; and

- (b) in respect of the LMEprecious Service:
  - (i) an LMEprecious ~~Future~~Contract between an LMEprecious General Clearing Member and an LMEprecious Non-Clearing

Member; or

- (ii) an LMEprecious ~~Future~~[Contract](#) between an LMEprecious General Clearing Member or LMEprecious Non-Clearing Member and any other person (as a Client); or
- (iii) any Contract formed pursuant to the application of a netting, aggregation and/or settlement to market process, applied to any Contract in (i) or (ii) above,

in each case that is not a Cleared Contract;

|                                      |   |
|--------------------------------------|---|
| <del>"Client Ferrous Future"</del>   | <del>a Client Contract which is a Ferrous Future;</del>   |
| "Client Index Contract"              | a Client Contract which is an Index Contract;   |
| "Client Index Future"                | a Client Contract which is an Index Future;   |
| "Client Index Option"                | a Client Contract which is an Index Option;   |
| "Client LME Base Contract"           | a Client Contract which is not a Client LMEprecious <del>Future</del> <a href="#">Contract</a> ;  |
| "Client LMEmini Future"              | a Client Contract which is an LMEmini Future;   |
| <u>"Client LMEprecious Contract"</u> | <u>a Client Contract which is an LMEprecious Contract</u> ;   |
| "Client LMEprecious Future"          | a Client Contract which is an LMEprecious Future;   |
| <u>"Client LMEprecious Option"</u>   | <u>a Client Contract which is an LMEprecious Option</u> ;   |
| "Client Metal Contract"              | a Client Contract which is a Metal Contract;  |
| "Client Monthly Average Future"      | a Client Contract which is a Monthly Average Future;  |
| "Client Option Contract"             | a Client Contract which is an Option Contract;  |
| "Client Premium Contract"            | a Client Contract which is a Premium Contract;  |
| "Client-Related Cleared Contract"    | means a Cleared Contract that came into effect between the Clearing House and a Clearing Member pursuant to the Execution of an Agreed Trade, and which corresponds to a Client Contract that came into effect under these Rules at the same time as such Cleared Contract came into effect (and including any Post-Compression |

|                                      |  |
|--------------------------------------|--|
|                                      | Cleared Contracts that may arise following Compression at the Clearing House of any such Cleared Contract);  |
| "Client Traded Average Price Option" | a Traded Average Price Option where either Granter or Taker or each of them is not a Clearing Member;  |
| "Close of Pleadings"                 | the end of a period of 28 days after the time for submission of the points of reply, unless otherwise ordered by the Tribunal;   |
| "Closing Prices"                     | the prices determined for margining purposes on each Business Day by the Quotations Committee in accordance with Regulation 6.1 of the Trading Regulations or by the Clearing House in accordance with Regulation 15 of the Trading Regulations;   |
| "the Company" <u>or "the LME"</u>    | the London Metal Exchange, a company registered in England and Wales under company number 02128666;  |
| "Compression"                        | <p>means the replacement of multiple Contracts between the same two parties with a smaller number of Contracts by the aggregation of Contracts having the same direction, together with the netting of Contracts having opposite directions, and which may occur, as the context requires:</p> <p>(a) "at the Clearing House", in relation to Cleared Contracts, subject to and in accordance with the Clearing House Rules; and</p> <p>(b) "under the Exchange Rules", in relation to Underlying Client Contracts that relate to such Cleared Contracts, subject to and in accordance with Regulation 14 of the Contract Regulations,</p> <p>and the terms "same direction" and "opposite direction" shall be construed in accordance with Regulation 1.5 of this Part 1;</p> |
| "Constituent Metals"                 | the metals underlying the Index, being copper, lead, nickel, primary aluminium, tin and zinc;  |
| "Contingent Agreement to Trade"      | an agreement between two parties to an Agreed Trade made in the inter-office market, having the characteristics specified in Regulation 2.10   |



of the Trading Regulations;

"Contract"

- (a) a contract for the purchase and sale of one or more Lots of a metal for the time being dealt in on the Exchange in respect of which:
  - (1) either the buyer or the seller or each of them is a Category 1, 2, 3 or 4 Member; and
  - (2) the delivery date is a Prompt Date for the time being permitted by the Rules; and
  - (3) the price is expressed in a currency for the time being permitted by the Rules; and
  - (4) the quality and other characteristics of the metal concerned are expressly or impliedly to be as prescribed by the Exchange; or
- (b) a Metal Option or Traded Average Price Option which has the characteristics prescribed by or pursuant to the Metal Options Regulations or, as the case may be, the Traded Average Price Options Regulations to enter into a contract falling within (a) above; or
- (c) an Index Future or an Index Option which has the characteristics prescribed by the Rules and, as the case may be, the Index Option Regulations; or
- (d) an LMEmini Contract which has the characteristics prescribed by the Rules; or
- (e) a Monthly Average Future which has the characteristics prescribed by the Rules;
- (f) a ~~Ferrous~~Cash-Settled Future which has the characteristics prescribed by the Rules;
- (g) a Premium Contract which has the characteristics prescribed by the Rules;
- (h) an LMEprecious Future which has the characteristics prescribed by the Rules and, as the case may be, the LMEprecious

Future Regulations;

- (i) an LMEprecious Option which has the characteristics prescribed by the Rules and, as the case may be, the LMEprecious Option Regulations.

but

- (ii) shall not include any contract which, by virtue of provisions agreed between the parties at or before the time they enter into the contract as to delivery or otherwise, is clearly intended to be performed otherwise than as prescribed by the Rules;

|                                  |  |
|----------------------------------|--|
| "Contract Regulations"           | the Regulations set out in Part 4 of the Rules;  |
| "Counterparty"                   | in relation to a party to a Contract, the other party to the same Contract;  |
| "Counter Notice"                 | a notice served by the Respondent pursuant to Regulation 2.5 of Part 8 of the Rules;   |
| "Daily Settling Client Contract" | has the meaning set out in Regulation 9.7.1 of the Trading Regulations;  |
| "Dealer"                         | a person duly authorised to trade on behalf of a Category 1 Member or in respect of LME Select, a person permitted to deal on LME Select on behalf of an LME Select Participant; |
| "Dealing Area"                   | the Ring and surrounding area and corridors (not including booth offices sublet to Category 1 Members) on the relevant floor of the Exchange's premises;                         |
| "Dealing On Own Account"         | trading against proprietary capital resulting in the conclusion of transactions in one or more Contracts on the Exchange;  |
| "Declaration Day"                | in relation to a Traded Average Price Option for a particular month, the last Business Day in that month;  |
| "Defaulter"                      | a person whom the Exchange has determined, in accordance with Regulation 2 of the Default Regulations, to be a defaulter;  |
| "Default Notice"                 | notice of a determination by the Exchange issued pursuant to Regulation 4.1 of the Default Regulations;  |

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| "Default Regulations"       | the Regulations contained in Part 9 of the Regulations;   |
| "Default Settlement Amount" | the amount payable by one party to the other in respect of an Unsettled Contract to which a Defaulter is a party which is settled under or pursuant to the Default Regulations;   |
| "Default Settlement Price"  | <ul style="list-style-type: none"> <li>(a) in relation to a Metal Future or a Premium Contract or an LMEmini Future, the Settlement Price or Unofficial Closing Price for the relevant metal and Prompt Date published next after the time of issue of the Default Notice (determined where necessary by reference to the Settlement Price or Unofficial Closing Price so published for other Prompt Dates); or</li> <li>(b) in relation to an Index Future, the Index Futures Closing Price for the Prompt Date published next after the time of issue of the Default Notice (determined where necessary by reference to the Index Futures Closing Price so published for other Prompt Dates); or</li> <li>(c) in relation to a Metal Option which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option determined, pursuant to Regulation 5.8 of the Trading Regulations next after the time of issue of the Default Notice; or</li> <li>(d) in relation to a Traded Average Price Option Contract which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option Contract determined, pursuant to Regulation 5.8 of the Trading Regulations next after the time of issue of the Default Notice; or</li> <li>(e) in relation to an Index Option which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option determined pursuant to Regulation 5.8 of the Trading Regulations next after the time of issue of the Default Notice; or</li> </ul> |

- (f) in relation to a Monthly Average Future, the difference between the Monthly Average Settlement Price for the relevant tradeable month for the relevant underlying metal as published after the time of issue of the Default Notice, and the fixed price agreed between the buyer and the seller in the Contract multiplied by the Contract size; or
- (g) in relation to a ~~Ferrous~~Cash-Settled Future, the ~~Ferrous—Final~~Cash-Settled Future Daily Settlement Price for the ~~Prompt—Date~~Business Day next after the time of issue of the Default Notice (determined where necessary by reference to the ~~Ferrous—Final~~Cash-Settled Future Daily Settlement Price(s) so determined for other ~~Prompt Dates~~relevant Business Days within the prompt month); or
- (h) in relation to an LMEprecious Future, the LMEprecious ~~Final~~Daily Settlement Price for the ~~Prompt—Date~~Business Day next after the time of issue of the Default Notice (determined where necessary by reference to the LMEprecious ~~Final~~Daily Settlement Price(s) so determined for other ~~Prompt—Dates~~relevant Business Days within the prompt month); or
- (i) in relation to an LMEprecious Option which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option determined pursuant to Regulation 5.8 of the Trading Regulations next after the time of issue of the Default Notice;
- (~~h~~) such other price or prices as the Exchange may, in its absolute discretion, determine;

"Delta Hedged Strategy"

has the meaning set out in Regulation 2.14.2 of the Trading Regulations;

"Delivery Point"

a specific geographic area within which warehouses may be listed and approved by the Exchange for the issue of Warrants;

"Deposit"

such sum as may be specified by Administrative

Procedure from time to time;

"Designated Non-Member"

a person (other than a Member) designated from time to time by the Exchange as a person in respect of whom action may be taken under the Default Regulations or a person (other than a Member) falling within a description of persons so designated;

"Direct Electronic Access"

an arrangement where a Member permits a Client to use its trading code so the Client can electronically transmit orders relating to a financial instrument (as such term is defined in Article 4(1)(15) of the MiFID II Directive) directly to the Exchange;

"the Directors"

~~the Board of Directors~~ each person who is a director of the Company;

"Disciplinary Committee"

a committee appointed pursuant to Regulation 14 of the Membership Regulations;

"EMIR"

means Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, as from time to time amended;

"Enforcement Committee"

shall comprise four members chosen from the Directors of the LME, appointed by the Head of Market Operations in consultation with the Chairman. The quorum for the Enforcement Committee shall be three members. The Enforcement Committee shall not be quorate unless there is at least one independent Director present;

"ESMA"

the European Securities and Markets Authority;

"Event of Default"

any of the events set out in Regulation 1 of the Default Regulations;

"the Executive" or "Executive Committee" or "EXCOM"

is a sub-committee of the board of directors of the Company, to which the board may from time to time delegate certain powers and responsibilities as it sees fit;

"Expiry Day"

in relation to an LMEprecious Option, the Business Day on which the Contract shall automatically exercise or be abandoned, as specified in the LMEprecious Option Regulations;

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| "the Exchange"                              | according to context, the London Metal Exchange administered by the Company, or the premises where Ring trading is conducted;   |
| "Exchange Messaging Policy"                 | means the electronic messaging functionality within the Exchange's systems, as established by Notice;   |
| "Exchange Traded Average Price Option"      | a Traded Average Price Option where both Granter and Taker are Clearing Members;  |
| "Execution"                                 | the execution of an Agreed Trade, being the point at which the transaction represented by the Agreed Trade is concluded, resulting in the formation of one or more Contracts (and " <b>Executed</b> " shall be interpreted accordingly);  |
| "Execution Time"                            | the time at which Execution occurs, as specified for each Execution Venue in Regulation 2.3, 2.4, 2.5 or 2.11.2 (as applicable) of the Trading Regulations (and such time being the "Acceptance Time" for the purposes of the Clearing House Rules);  |
| "Execution Venue"                           | has the meaning set out in Regulation 2.2.2 of the Trading Regulations;   |
| <u>"Exercise Reference Price"</u>           | <u>the price by reference to which an LMEprecious Option shall be exercised on its Expiry Day;</u>  |
| "FCA"                                       | The Financial Conduct Authority;  |
| <del>"Ferrous Daily Settlement Price"</del> | <del>the price determined for margining and daily settlement purposes of a Ferrous Future as determined in accordance with Regulation 5.7 of the Trading Regulations;</del>   |
| <del>"Ferrous Final Settlement Price"</del> | <del>the price determined for final settlement purposes of a Ferrous Future as determined in accordance with Regulation 5.7.3 of the Trading Regulations;</del>   |
| "Ferrous Future"                            | <del>a cash settled Exchange traded futures contract pursuant to which the buyer and seller agree to pay or receive in cash the difference between the level of the Ferrous Final Settlement Price on the Prompt Date and the level agreed in the Contract, multiplied by the Contract size, settled on the Settlement Business Day next following the Prompt Date and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange;</del><br><u>a Cash-Settled</u> |

Future, the Cash-Settled Final Settlement Price for which is determined by reference to a ferrous metal-based index or indices or other reference-value, and which has the features specified in the relevant Special Contract Rules for Cash-Settled Futures - Ferrous;

~~"Ferrous Index"~~

~~the index specified in the Special Contract Rules for Ferrous Futures;~~

~~"Ferrous Last Trading Time"~~

~~the last time on the Last Trading Day for Ferrous Futures as specified in the Special Contract Rules for Ferrous Futures or as otherwise prescribed by the Exchange from time to time;~~

"Financial OTC Booking Fee Policy"

means the policy of the Exchange specifying the basis on which Members and other persons shall be required to report to the Exchange certain transactions in financial instruments that are executed outside the facilities of the Exchange, and to pay to the Exchange fees in respect of such transactions, subject to, and in accordance with, the requirements of such policy, as such policy may be updated by the Exchange from time to time in accordance with the requirements and processes set out therein;

"Firm Quote"

an order or quote that under these Rules can be matched against an opposite order or quote;

"FSMA"

the Financial Services and Markets Act 2000, as from time to time amended;

"Futures Contract"

a Metal Future, Premium Contract, LMEmini Future, Index Future, ~~Ferrous~~Cash-Settled Future or LMEprecious Future;

"Global Legal Entity Identifier System"

the global system operated under the oversight of the LEI ROC to register legal entities and assign legal entity identifiers to such entities;

"Gold"

Loco London Fine Gold held in London and complying with standards relating to good delivery and fineness acceptable to the Precious Metal Clearer of the Clearing House for the purpose of effecting settlement with the Clearing House, as such standards are in effect from time to time;

"Granter"

the seller ~~of an Option or~~under a Traded ~~Average Price~~ Option;

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| "Group"                            | in relation to any company, any company that is a "group undertaking" of that company, as defined in section 1161 of the Companies Act 2006;  |
| "Head of Market Operations"        | the Head of Market Operations and any other person within the Market Operations division of the Exchange for the time being appointed to perform the duties of the Head of Market Operations;   |
| "In The Money"                     | <p>(a) in relation to a Metal Option, that the Strike Price is, in the case of a Put Option, above or, in the case of a Call Option, below the last published Settlement Price at the relevant time for the relevant metal and Prompt Date; or</p> <p>(b) in relation to a Traded Average Price Option, that the Strike Price is, in the case of an Average Price Put Option, above or, in the case of an Average Price Call Option, below the last published Moving Monthly Average Settlement Price or Monthly Average Settlement Price at the relevant time for the relevant metal and Prompt Date; or</p> <p>(c) in relation to an Index Option, that the Strike Price is, in the case of a Put Option, above or, in the case of a Call Option, below the Settlement Price or last published Closing Price at the relevant time for the relevant Index Option and Prompt Date;</p> <p><u>(d) in relation to an LMEprecious Option, that the Strike Price is, in the case of a Put Option, above or, in the case of a Call Option, below the Exercise Reference Price at the relevant time for the relevant LMEprecious Option and Expiry Day;</u></p> |
| "Incentive Programme"              | has the meaning set out in Regulation 22.2 of the Membership Regulations;   |
| "Incentive Programme Benefits"     | has the meaning set out in Regulation 22.3 of the Membership Regulations;   |
| "Incentive Programme Requirements" | has the meaning set out in Regulation 22.3 of the Membership Regulations;   |



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| "Index"                       | an index denominated in US dollars the level of which is determined in accordance with the Special Contract Rules for the Construction of the Index;   |
| "Index Contract"              | an Index Future or an Index Option;  |
| "Index Future"                | a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay or receive in cash the difference between the level of the Index on the Prompt Date and the level agreed in the Contract, multiplied by the Contract size, settled on the Settlement Business Day next following the Prompt Date and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange; |
| "Index Futures Closing Price" | the Closing Price of an Index Future as determined in accordance with Regulation 6 of the Trading Regulations;   |
| "Index Option"                | a cash-settled Exchange-traded option contract over the Index pursuant to which the Granter grants the Taker a right to receive in cash from the Granter the difference between the level of the Index on the Prompt Date and the Strike Price, multiplied by the Contract size, settled on the Settlement Business Day next following the Prompt Date and conforming to the other specifications prescribed by the Exchange;  |
| "Index Options Regulations"   | the Regulations set out in Part 5C of the Rules;   |
| "Indirect Client"             | means an indirect Client of a Clearing Member, being a Client of a Category 4 Member, where such Category 4 Member is a Client of the Clearing Member;   |
| "Indirect Client Account"     | means a segregated account maintained by a Clearing Member in respect of the Client business of a single Category 4 Member, such that it records positions only in respect of Client-Related Cleared Contracts that have been created pursuant to the registration of Client Contracts relating to one or more Clients of that Category 4 Member (such Clients being Indirect Clients of the Clearing Member);   |
| "Initial Margin"              | (a) in relation to a Cleared Contract, the sum of money fixed by the Clearing House in   |

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|                                | consultation with the Exchange and in respect of which Members may be required to provide to the Clearing House cover in accordance with the Clearing House Rules;   |
|                                | (b) in relation to a Client Contract, such sum as may be agreed between the parties provided that such sum is equal to or greater than the amount in (a) above;  |
| "Intellectual Property Rights" | patents, trade marks, rights in logos, get-up, trade names, internet domain names, rights in designs, copyright (including rights in computer software) and moral rights, database rights, rights of confidentiality, semi-conductor topography rights, utility models, trade secrets, inventions, rights in know-how and other intellectual property or proprietary rights, in each case whether registered or unregistered and including applications for registration, and all rights or forms of protection having equivalent or similar effect to the foregoing which may now or in the future subsist in, apply to or are enforceable in, any jurisdiction in the world; |
| "Invoicing Back"               | the procedure so described in the Clearing House Rules;  |
| "Last Declaration Day"         | <p>(a) in relation to a Metal Option for a particular month, the first Wednesday in that month or, if that is not a Business Day, the next day which is a Business Day;</p> <p>(b) in relation to an Index Option for a particular month, up to 16.35 hours on the second Wednesday in that month or, if that is not a Business Day, the next day which is a Business Day;</p>   |
| "Last Trading Day"             | <p>(a) in relation to a Metal Option, the Business Day preceding the Last Declaration Day for that Option;</p> <p>(b) in relation to a Traded Average Price Option, the Business Day preceding the Declaration Day of the relevant month for that Traded Average Price Option;</p> <p>(c) in relation to an Index Option, the Last</p>   |

Declaration Day for that Index Option;

- (d) in relation to an LMEmini Future, the Business Day which is two Business Days before the Prompt Date;
- (e) in relation to a Monthly Average Future, the last Business Day of the relevant tradeable month;
- (f) in relation to a ~~Ferrous~~Cash-Settled Future, the ~~last Business Day of day~~ specified as the relevant ~~tradeable month~~"Last Trading Day" in the Special Contract Rules for Cash-Settled Futures;
- (g) in relation to a Premium Contract, the Business Day which is two Business Days before the Prompt Date; or
- (h) in relation to an LMEprecious Future, the Business Day which is one Business Day ~~prior to~~before the Prompt Date;
- (i) in relation to an LMEprecious Option, the Business Day which is one Business Day before the Expiry Day;

"LEI ROC"

the Legal Entity Identifier Regulatory Oversight Committee;

"Lending Rules"

paragraph 13.24 of Market Aberrations: The Way Forward, published by the Exchange in October 1998, setting out the behaviour required of the holders of dominant long positions in the Exchange's markets, including any clarification, revision or explanation of that behaviour issued by the Exchange from time to time;

"LME Base Contract"

a Contract that is not an LMEprecious Contract;

"LME Base Member"

a Category 1 Member, Category 2 Member, Category 3 Member, Category 4 Member, Category 5 Member or Category 6 Member;-

"LME Base Service"

the availability of the facilities of the Exchange for the trading of LME Base Contracts;

"LME Data"

all data relating to trading on the Exchange, including, without limitation, data relating to Closing Prices, Contracts, Default Settlement Amounts, Default Settlement Prices, Indexes, Official Prices, Settlement Prices, Strike Prices,

Unofficial Closing Prices, Warrants and Weightings;

"LME Holdings"

LME Holdings Limited, a company registered in England and Wales under company number 4081219, being the sole member of the Company;

"LME Information"

means any information or data (including LME Data) made available by the Exchange to Members, Member API Clients and/or Member API Sub-Clients via the API from the Exchange's systems;

"LMEmini Contract"

an LMEmini Future;

"LMEmini Future"

a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay or to receive in cash the difference between the Settlement Price of the underlying metal on the Prompt Date and the price of the underlying metal agreed in the Contract, multiplied by the Contract size, settled on the Prompt Date and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange;

"LMEmini Futures Closing Price"

the Closing Price of the relevant underlying Metal Future as determined in accordance with Regulation 6 of the Trading Regulations;

"LMEmini Last Trading Time"

the last trading time on the Last Trading Day for LMEmini Contracts as specified in the Special Contract Rules for LMEmini Contracts or as otherwise prescribed by the Exchange from time to time;

"LMEprecious Clearing Member"

an LMEprecious General Clearing Member or an LMEprecious Individual Clearing Member;

"LMEprecious Contract"

a Contract that is:

(a) an LMEprecious Future; or

(b) an LMEprecious Option.

~~"LMEprecious Contract"~~

~~an LMEprecious Future~~ and any other type of Exchange-traded derivative contract having Precious Metal as its underlying instrument, that the Exchange may specify from time to time;

"LMEprecious Daily Settlement"

the price determined for margining and daily

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| Price"   | settlement purposes of an LMEprecious Future as determined in accordance with Regulation 5.7 of the Trading Regulations;   |
| "LMEprecious Final Settlement Price"             | the price determined for final settlement purposes of an LMEprecious Future as determined in accordance with Regulation 5.7.5 of the Trading Regulations;  |
| "LMEprecious Future"                             | a physically settling Exchange-traded futures contract pursuant to which the seller agrees to sell to the buyer one or more Lots of Precious Metal for delivery on a specified Prompt Date, and conforming with the other specifications prescribed by the Exchange;   |
| <a href="#">"LMEprecious Future Regulations"</a> | <a href="#">the regulations set out in Part 13A of the Rules;</a>  |
| "LMEprecious General Clearing Member"            | <p>a Member that is:</p> <ul style="list-style-type: none"> <li>(a) a member of the Clearing House;</li> <li>(b) authorised by the Directors to clear Cleared LMEprecious <del>Futures</del><a href="#">Contracts</a>;</li> <li>(c) authorised by the Directors to issue Client LMEprecious <del>Futures</del><a href="#">Contracts</a>; and</li> <li>(d) granted LMEprecious Membership, with the categorisation as an LMEprecious General Clearing Member;</li> </ul>        |
| "LMEprecious Individual Clearing Member"         | <p>a Member that is:</p> <ul style="list-style-type: none"> <li>(a) a member of the Clearing House;</li> <li>(b) authorised by the Directors to clear Cleared LMEprecious <del>Futures</del><a href="#">Contracts</a>;</li> <li>(c) not authorised by the Directors to issue Client LMEprecious <del>Futures</del><a href="#">Contracts</a>; and</li> <li>(d) granted LMEprecious Membership, with the categorisation as an LMEprecious Individual Clearing Member;</li> </ul> |
| "LMEprecious Member"                             | an LMEprecious General Clearing Member, LMEprecious Individual Clearing Member or LMEprecious Non-Clearing Member;   |

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| "LMEprecious Non-Clearing Member" | <p>a Member that is:</p> <ul style="list-style-type: none"> <li>(a) not authorised by the Directors to clear Cleared LMEprecious <del>Futures</del><u>Contracts</u>;</li> <li>(b) authorised by the Directors to issue Client LMEprecious <del>Futures</del><u>Contracts</u>; and</li> <li>(c) granted LMEprecious Membership, with the categorisation as an LMEprecious Non-Clearing Member;</li> </ul> |
| "LMEprecious Option"              | <u>an Exchange-traded, European-style option contract pursuant to which the Granter grants to the Taker the right to buy from or sell to the Granter a Lot of a Precious Metal at a specified Strike Price in a specified month;</u>   |
| "LMEprecious Option Regulations"  | <u>the regulations set out in Part 13B of the Rules;</u>   |
| "LMEprecious Regulations"         | the regulations set out in <u>Part 13</u> of the Rules, <u>and comprising the LMEprecious Future Regulations and the LMEprecious Option Regulations;</u>   |
| "LMEprecious Service"             | the availability of the facilities of the Exchange for the trading of LMEprecious <del>Futures</del> <u>Contracts</u> ;  |
| "LME Select"                      | a system provided by the Exchange to enable the anonymous electronic trading of Contracts by LME Select Participants in accordance with the Rules and any Administrative Procedures issued by the Exchange from time to time;  |
| "LME Select API"                  | a FIX protocol application approved by the Exchange which enables LME Select Participants and their Clients to connect to LME Select for the purpose of facilitating the electronic trading of Contracts;  |
| "LME Select Participant"          | a Trading Member who is permitted to use LME Select;   |
| "LMEsword"                        | the system for, inter alia, the electronic transfer of title to Warrants governed and constituted by the LMEsword Regulations;   |
| "LMEsword Regulations"            | the regulations governing the operation of LMEsword issued by the Exchange as amended from time to time in accordance with the terms   |

thereof and forming Part 10 of the Rules;

"Lot"

- (a) in relation to a metal (that is not covered by another type of Contract specified below), the standard unit of quantity thereof, specified in the Special Contract Rules for that metal, by reference to which settlement is to be made; or
- (b) in relation to the Index, the standard value per point movement for that Index, specified in the Special Contract Rules for the Construction of the Index, by reference to which settlement is made; or
- (c) in relation to an LMEmini Contract, the standard unit of quantity thereof, specified in the Special Contract Rules for LMEmini Contracts, by reference to which settlement is made; or
- (d) in relation to a Monthly Average Future, the standard unit of quantity thereof, specified in the Monthly Average Future Regulations, by reference to which settlement is made; or
- (e) in relation to a ~~Ferrous~~Cash-Settled Future, the standard unit of quantity thereof, specified in ~~the~~respect of the specific Cash-Settled Future in the relevant Special Contract Rules for ~~Ferrous~~Cash-Settled Futures, by reference to which settlement is made;
- (f) in relation to a Premium Contract, the standard unit of quantity thereof, specified in the Premium Contract Regulations, by reference to which settlement is made; or
- (g) in relation to an LMEprecious Future, the standard unit of quantity of Precious Metal specified in the LMEprecious Regulations, by reference to which settlement is to be made;

"LPMCL"

London Precious Metals Clearing Limited, a company registered in England and Wales under company number 04195299;

"Major Currency"

in respect of a metal, the currency in which the

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|  | Settlement Price and Closing Price are to be determined;  |
| "Market Making Strategy"                             | a strategy performed by a Member or Client, when Dealing On Own Account, that involves posting Firm Quotes that are simultaneous two-way quotes of comparable size and at competitive prices relating to one or more Contracts, with the result of providing liquidity on a regular and frequent basis to the overall market; |
| "Matching Period"                                    | a period prescribed pursuant to Regulation 3.4 of the Trading Regulations;  |
| "Matching Rules"                                     | means the LME's matching rules governing the use of the Matching System as published by the LME, by Notice from time to time;   |
| "Matching System"                                    | the system operated by or on behalf of the Exchange for the matching and confirmation of Contracts, or such other system as may from time to time be adopted by the Exchange for such purposes;   |
| <a href="#"><u>"Matching System RIB Screens"</u></a> | <a href="#"><u>means the RIB-specific sub-screens of the Matching System, which are accessible to (i) Members, for the purposes of RIB permissioning and management of RIB-arranged trades; and (ii) RIBs, for the purposes of inputting the details of Agreed Trades into the Matching System;</u></a>                       |
| "Member"   | an Undertaking or individual admitted to Membership of the Exchange in accordance with the Rules;   |
| "Member API Client"                                  | means any Client or Affiliate of a Member to which the Member provides access to LME Information via the LME Select API;  |
| "Member API Sub-Clients"                             | means any Client or Affiliate of a Member LME Select API Client;  |
| "Membership"   | <p>(a) the state of being a Member;</p> <p>(b) having the status of a Member; and/or</p> <p>(c) the total body of Members,</p> <p>as the context of the Rules requires.</p>   |
| "Membership Regulations"                             | the Regulations set out in Part 2 of the Rules;   |



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| "Metal Contract"            | a Metal Future or Metal Option;  |
| "Metal Future"              | an Exchange-traded futures contract pursuant to which the seller agrees to sell to the buyer one or more Lots of metal for delivery on a specified Prompt Date (excluding any <del>Ferrous</del> <a href="#">Cash-Settled</a> Future, Premium Contract or LMEprecious Contract);   |
| "Metal Option"              | an Exchange-traded option contract pursuant to which the Granter grants to the Taker the right to buy from or sell to the Granter a Lot of a specified metal at a specified Strike Price in a specified month; <del>(excluding any LMEprecious</del> <a href="#">Option</a> );   |
| "Metal Options Regulations" | the Regulations set out in Part 5A of the Rules;   |
| "MiFID"                     | Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments, as from time to time amended;   |
| "MiFID II"                  | <p>the package of legislative measures comprising</p> <ul style="list-style-type: none"> <li>(a) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments;</li> <li>(b) Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending EMIR; and</li> <li>(c) any delegated regulations made by the European Commission thereunder,</li> </ul> <p>as from time to time amended;</p>  |
| "Monthly Average Future"    | <p>a cash-settled Exchange-traded contract pursuant to which the buyer and seller agree to pay or to receive in cash the difference between</p> <ul style="list-style-type: none"> <li>(i) the Monthly Average Settlement Price for a specified metal and for a specified tradeable month and</li> <li>(ii) the fixed price agreed between the buyer and the seller in the Contract,</li> </ul> <p>multiplied by the Contract size, settled on the Prompt Date and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange;</p> |

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| "Monthly Average Future Regulations"      | the Regulations set out in Part 11 of the Rules;   |
| "Monthly Average Settlement Price"        | <p>(a) in relation to an Average Price Call Option, the price at which the Taker will sell to the Granter if the Traded Average Price Option is declared;</p> <p>(b) in relation to an Average Price Put Option, the price at which the Taker will buy from the Granter if the Traded Average Price Option is declared;</p> <p>(c) in relation to a Monthly Average Future for a particular tradeable month, the aggregate of the Settlement Prices for the relevant metal for every Business Day in the relevant tradeable month divided by the number of Business Days for that month and which is calculated and published by the Exchange; and</p> <p>(d) in relation to a Traded Average Price Option for a particular month, the aggregate of the Settlement Prices for the relevant metal for every Business Day in the relevant tradeable month divided by the number of Business Days for that month and which is calculated and published by the Exchange.</p> |
| "Moving Monthly Average Settlement Price" | in relation to a Traded Average Price Option or a Monthly Average Future for a particular month, the aggregate of the Settlement Prices for the relevant metal for every Business Day to date in the relevant tradeable month divided by the number of Business Days to date for that month and which is calculated and published by the Exchange;   |
| "New Contract"                            | <a href="#">has the meaning set out in Regulation 15.1 of the Contract Regulations;</a>  |
| "Non-Display Usage"                       | means any use of LME Information in electronic trading systems for the purpose of generating orders or executing transactions in an automated and/or semi-automated manner without the display of the original LME Data, including, for example, the use of LME Data for algorithmic trading, program trading or the automatic monitoring of trading activities;   |

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| "Non-LME Platform Contract <u>Ferrous Future</u> " | <del>means any contract or product that is traded on, executed on, or otherwise arranged or agreed via a Non-LME Multi Dealer Trading System;</del><br><u>a Cash-Settled Future, the Cash-Settled Final Settlement Price for which is determined by reference to non-ferrous metal-based index (or indices, as applicable) or other reference-value, and which has the features specified in the relevant Special Contract Rules for Cash-Settled Futures - Non-Ferrous;</u>             |
| "Non-LME Multi Dealer Trading System"              | means: <ul style="list-style-type: none"> <li>(a) an exchange or other trading venue which is not operated by the Exchange or its Affiliates; or</li> <li>(b) any other system, granting access to more than one trading party, to facilitate the arrangement and/or execution of bilateral contracts between such parties, outside the trading venue or systems operated by the Exchange or its Affiliates,</li> </ul> <p>but shall not include a Single Dealer to Client Platform;</p> |
| <u>"Non-LME Platform Contract"</u>                 | <u>means any contract or product that is traded on, executed on, or otherwise arranged or agreed via a Non-LME Multi Dealer Trading System;</u>  |
| <u>"Non-Material Amendment"</u>                    | <u>has the meaning set out in Regulation 15.1 of the Contract Regulations;</u>   |
| "Notice"   | an Administrative Procedure;   |
| "Notice to Arbitrate"                              | a notice served by the Claimant pursuant to Regulation 2.1 of Part 8 of the Rules;   |
| "Notional Average Price"                           | in relation to each metal for a particular month, the aggregate of the Settlement Prices for Cash and, where no Settlement Prices for Cash have been established, the Closing Prices established by the Exchange for each Business Day in a month, divided by the number of Business Days in that month. Where a Business Day in a month is not a valid Prompt Date the Exchange will use a linear interpolation to derive a price for that Business Day.                                |
| "Official Prices"                                  | the prices determined in accordance with   |

Regulation 5 of the Trading Regulations;

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| "Opening Hours"        | means the hours on each Business Day during which the Matching System is open and able to receive information regarding Agreed Trades, as specified by the Exchange by Administrative Procedures from time to time;  |
| "Operating Procedures" | the manual issued by the Exchange pursuant to the LMEsword Regulations setting out detailed procedures and information relating to the operation of LMEsword;  |
| "Option Contract"      | a Metal Option or an Index Option <u>or an LMEprecious Option</u> ;  |
| "Overseas Undertaking" | an undertaking which is a body corporate incorporated outside of the United Kingdom or if not itself a body corporate, its principal or managing member is a body corporate incorporated outside of the United Kingdom;  |
| "Panel"                | the Arbitration Panel of the Company;  |
| "Panel Committee"      | a committee appointed by the Directors to oversee the conduct of arbitrations pursuant to the Arbitration Regulations, and in particular to perform the functions and powers referred to in the Arbitration Regulations;   |
| "Parent Undertaking"   | the same meaning as set out in section 1162 of the Companies Act 2006;   |
| "Position Limits"      | the position limits applied by the Exchange on any Contract or Contracts from time to time in accordance with requirements specified by the Exchange by Notice sent to the Members;  |
| "Position Netting"     | <p>means the netting of multiple Contracts between the same two parties to a smaller number of Contracts (which may take effect through the netting of long and short positions or the aggregation of long positions and short positions respectively) and/or the close out by netting of multiple Contracts, (in each case) in accordance with such process as may be specified in the Clearing House Rules, and which may occur, as the context requires:</p> <p>(a) "at the Clearing House", in relation to Cleared Contracts, subject to and in accordance with the Clearing House</p> |

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|                                      | Rules; and  |
|                                      | (b) "under the Exchange Rules", in relation to Underlying Client Contracts that relate to such Cleared Contracts, subject to and in accordance with Regulation 9.7.7 of the Trading Regulations;  |
| "Post-Compression Cleared Contract"  | a Cleared Contract that comes into effect between the Clearing House and a Clearing Member upon Compression at the Clearing House, which represents the positions under pre-Compressed Cleared Contracts, as compressed by the Clearing House in accordance with the Clearing House Rules;  |
| "Post-Compression Client Contract"   | a Client Contract that comes into effect upon Compression under the Exchange Rules, in accordance with Regulation 14 of the Contract Regulations, which shall replace the Client Contracts that were subject to such Compression and which shall come into effect between the same parties as were parties to such original Client Contracts; |
| "Precious Metal"                     | Gold or Silver;   |
| "Precious Metal Clearer"             | a member of LPMCL (or any successor company or association) that is an "Approved Delivery Facility" for the purposes of the Clearing House Rules;   |
| "Precious Metal Clearing System"     | the system operated by LPMCL (or any successor company or association), or any successor system, for the electronic settlement of unallocated Precious Metal between Precious Metal Clearers);  |
| "Pre-Execution Checks"               | the checks applied to an Agreed Trade within the systems of the Exchange and the Clearing House prior to confirmation that the Agreed Trade may be Executed, as specified in Regulation 2.8 of the Trading Regulations;   |
| "Premium Contract"                   | an Exchange-traded futures contract having the features described in the Premium Contract Regulations;  |
| "Premium Contract Closing Price"     | the Closing Price for each Premium Contract;  |
| "Premium Contract Last Trading Time" | the last trading time on the Last Trading Day for Premium Contracts as specified in the Premium Contract Regulations or as otherwise prescribed   |

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|                                | by the Exchange from time to time;  |
| "Premium Contract Price"       | the cash consideration payable under a Premium Contract, as agreed at the time of formation of the Premium Contract;  |
| "Premium Contract Regulations" | the Regulations set out in Part 12 of the Rules;  |
| "Premium Warrant"              | a Warrant issued by a Qualifying Premium Warrant Warehouse;   |
| "Premium Warrant Jurisdiction" | a geographical jurisdiction specified as such in the Premium Contract Regulations;  |
| "Product Specifications"       | means the specifications, features and/or terms of any Contract listed for trading on the Exchange, as described in the Rules and Administrative Procedures;  |
| "Prompt Date"                  | <p>(a) in relation to a Metal Future, LMEmini Future, Premium Contract or a Monthly Average Future, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations, the Contract is to be settled;</p> <p>(b) in relation to an Index Contract, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations, the Settlement Price of the Index is determined, with settlement of the Contract on the next Settlement Business Day;</p> <p>(c) <u>in relation to a Cash-Settled Future, the date specified as the relevant "Prompt Date" in the Special Contract Rules for Cash-Settled Futures;</u></p> <p>(ed) in relation to <del>a Ferrous</del> <u>LMEprecious</u> Future, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations; <u>and the Ferrous Final Settlement Price is determined, with settlement of LMEprecious Regulations,</u> the Contract <del>on the next Settlement Business Day</del> <u>is to be settled;</u> or</p> <p>(de) in relation to an LMEprecious <u>Option, the Prompt Date of the underlying LMEprecious Future, as determined in accordance with the LMEprecious Option</u></p> |

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|  | <p><u>Regulations, and comprising</u> the Business Day on which, <del>having regard where relevant to Regulation 8 of the Trading Regulations and the LMEprecious Regulations, the Contract</del> <u>such LMEprecious Future</u> is to be settled;</p>  |
| "Put Option"                                       | an Option Contract pursuant to which the Granter gives the Taker the right to sell to the Granter or in the case of an Index Option, the notional right to sell to be cash settled;   |
| "Qualifying Premium Warrant Warehouse"             | a listed warehouse for the storage of metal which satisfies the criteria specified by the Exchange from time to time and which is located in a Premium Warrant Jurisdiction;  |
| "Quotations Committee"                             | a committee authorised by the Directors to be responsible for determining Closing Prices and Settlement Prices;   |
| "RAO"  | means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), as amended from time to time and any successor legislation thereto;  |
| "REC"  | <u>the FCA's Recognition Requirements Sourcebook, as amended from time to time, and any successor regulations thereto;</u>  |
| <u>"Recognition Requirements Regulations"</u>      | <u>The Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges, Clearing Houses and Central Securities Depositories) Regulations 2001 (SI 2001/995), as amended from time to time, and any successor legislation thereto;</u>  |
| <u>"Registered Intermediating Broker" or "RIB"</u> | <p><u>a Member that is:</u></p> <p>(a) <u>authorised by the Directors to arrange Agreed Trades in Contracts between Clients, and to input the details of such Agreed Trades into the Matching System on behalf of the Member(s) that will, upon Execution, become party to the resulting Contracts; and</u></p> <p>(b) <u>granted Registered Intermediating Broker Membership by the Directors;</u></p> |
| "Regulator"  | in relation to any person, any regulatory body that has responsibility for regulating the conduct   |

of that person's business and/or which has the power to impose regulatory requirements upon a person's business (and including, where applicable, the FCA or ESMA);

"Relevant Daily Settlement Price" has the meaning set out in Regulation 9.7.4 of the Trading Regulations;

"Relevant Office Holder" has the meaning attributed thereto by section 189 of the Companies Act 1989;

"Respondent" the person receiving a Notice to Arbitrate served by the Claimant;

"RIB Product" a Contract that is a RIB Tier 1 Product or a RIB Tier 2 Product;

"RIB Scope of Authority" has the meaning set out in Regulation 2.12.5(b)(ii) of the Trading Regulations;

"RIB Tier 1 Member" a Registered Intermediating Broker that is authorised by the Directors to arrange Agreed Trades in both RIB Tier 1 Products and RIB Tier 2 Products;

"RIB Tier 1 Product" a Contract determined to be a RIB Tier 1 Product, and specified as such, by the Exchange from time to time by way of Notice;

"RIB Tier 2 Member" a Registered Intermediating Broker that is authorised by the Directors to arrange Agreed Trades in only RIB Tier 2 Products;

"RIB Tier 2 Product" a Contract determined to be a RIB Tier 2 Product, and specified as such, by the Exchange from time to time by way of Notice;

"Ring" an Exchange open-outcry trading session in a type of Contract, of such duration and at such times as are laid down by the Directors, or the ring area of the Exchange as the context requires;

"Ring Committee" a committee appointed by the Directors to oversee trading in the Ring;

"Ring Disciplinary Committee" a committee appointed by the Directors to enforce discipline on the premises of the Exchange;

"Ring Discipline Supervisory Panel" Directors appointed by the Directors to enforce discipline on the premises of the Exchange;



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| "Rules"                   | means these rules and regulations as the same may be amended in accordance with the Articles;  |
| <u>"Sanctions"</u>        | <u>any applicable law executing foreign policy, security, sanction, trade embargo, boycott, export control, foreign trade control, non-proliferation or anti-terrorism objectives or similar restrictions on any business with a sanctioned jurisdiction, certain types of business or activity, or specified persons that is imposed, administered or enforced from time to time by: (i) the European Union; (ii) the United Kingdom; (iii) the United States of America; (iv) the United Nations Security Council; or (v) any of their respective successors;</u>  |
| "Secretary"               | any person appointed to perform the duties of Secretary of the Company, and for the purpose only of Part 8 of the Rules, any person to whom the functions and powers of the Secretary referred to therein may be delegated from time to time;  |
| <u>"Service Agent"</u>    | <u>has the meaning set out in Regulation 11.4 of Part 2;</u>   |
| "Settlement Business Day" | a Business Day on which commercial banks are open in New York City for the settlement of international transactions in US dollars;   |
| "Settlement Price"        | <p>the Cash offered price or other settlement price determined:</p> <ul style="list-style-type: none"> <li>(a) by the Quotations Committee in accordance with Regulation 5.1.1 of the Trading Regulations and in the circumstances specified in Regulation 5.3 of the Trading Regulations (in respect of Metal Contracts), or Regulation 5.6 of the Trading Regulations (in respect of Index Contracts); or</li> <li>(b) in accordance with Regulation <del>5.7</del>5.1.2 of the Trading Regulations (in respect of <del>Ferrous Futures</del><u>Premium Contracts</u>); or</li> <li>(c) in accordance with Regulation <del>5.1.2</del>5.7 of the Trading Regulations (in respect of <del>Premium Contracts</del><u>Cash-Settled Futures</u></li> </ul> |

and LMEprecious Futures); or

- (d) in accordance with Regulation ~~5.7~~5.8 of the Trading Regulations (in respect of ~~Ferrous-Futures~~Metal Options, Traded Average Price Options, Index Options and, for the purposes of daily settlement and margining, LMEprecious ~~FuturesOptions~~); or
- (e) in accordance with ~~Regulation 5.8 of the Trading~~LMEprecious Option Regulations ~~(in respect of Metal, for the purpose of determining the Exercise Reference Price for LMEprecious Options, Traded Average Price Options and Index Options);~~; or
- (~~f~~e) by the Clearing House in accordance with Regulation 15 of the Trading Regulations;

"Silver"

Loco London Fine Silver held in London and complying with standards relating to good delivery and fineness acceptable to the Precious Metal Clearer of the Clearing House for the purpose of effecting settlement with the Clearing House, as such standards are in effect from time to time;

"Single Dealer to Client Platform"

means any system operated by a Member for the purpose of arranging bilateral contracts between: (i) such Member; and (ii) its customers by means of either a "Request For Quote" or continual price streaming from the Member to customers, but not including a system operating an order book where one customer may trade against another customer's price or order;

"Special Committee"

the Committee to whom the Directors have delegated the emergency powers under Regulation 17 of Part 3 as permitted by the Articles;

"Special Contract Rules for Cash-Settled Futures"

- (a) in relation to Ferrous Futures, the Special Contract Rules for Cash-Settled Futures Futures - Ferrous; and
- (b) in relation to Non-Ferrous Futures, the Special Contract Rules for Cash-Settled Futures Futures - Non-Ferrous;

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| "Special Contract Rules for <del>Ferrous</del> <u>Cash-Settled</u> Futures - <u>Ferrous</u> " | the Regulations set out in Part 6C of the Rules;  |
| <u>"Special Contract Rules for Cash-Settled Futures - Non-Ferrous"</u>                        | <u>the Regulations set out in Part 6D of the Rules;</u>   |
| "Special Contract Rules for LMEmini Contracts"  | the Regulations set out in Part 6B of the Rules;  |
| "Special Contract Rules for Metals"   | the Regulations set out in Part 6 of the Rules;   |
| "Special Contract Rules for the Construction of the Index"                                    | the Regulations set out in Part 6A of the Rules;  |
| "Standard Warrant"  | a Warrant that is not a Premium Warrant;  |
| "Strike Price"  | <p>(a) in relation to a Call Option which is a Metal Option, the price at which the Taker will buy from the Granter if the Option is declared;</p> <p>(b) in relation to a Put Option which is a Metal Option, the price at which the Taker will sell to the Granter if the Option is declared;</p> <p>(c) in relation to an Average Price Call Option, the price at which the Taker will buy from the Granter if the Traded Average Price Option is declared;</p> <p>(d) in relation to an Average Price Put Option, the price at which the Taker will sell to the Granter if the Traded Average Price Option is declared;</p> <p>(e) in relation to an Option Contract which is an Index Option, the agreed level of the Index which shall be compared with the Settlement Price of the Index on the Prompt Date to determine the amount payable to the Taker (if any);</p> <p><u>(f) in relation to a Call Option which is an LMEprecious Option, the price at which the Taker will buy from the Granter if the Option is automatically exercised;</u></p> <p><u>(h) in relation to a Put Option which is a LMEprecious Option, the price at which the Taker will sell to the Granter if the</u></p> |

Option is automatically exercised;

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| "Subsidiary Undertaking"      | the same meaning as set out in section 1162 of the Companies Act 2006;   |
| "Taker"                       | the buyer <del>of</del> <u>under</u> a Traded Option;  |
| "Terminal"                    | means a terminal through which a Member API Client and/or Member API Sub-Client has access to LME Information from a Member via an API; and  |
| "Trade Mark"                  | means any trade mark (i) belonging to or used by the Company from time to time; or (ii) that the Company may register or apply to register from time to time;  |
| "Traded Average Price Option" | an Exchange-traded option contract pursuant to which the Granter grants to the Taker the right to buy from the Granter a Lot of a specified metal at a specified Strike Price in a specified month and to sell to the Granter a Lot of a specified metal at the Monthly Average Settlement Price in that same specified month, or vice versa, the declaration of which will take place automatically if the Monthly Average Settlement Price is, in the case of an Average Price Call Option, greater than the Strike Price or, in the case of an Average Price Put Option, less than the Strike Price for the relevant tradeable month; |
| "Traded Option"               | an Option Contract or a Traded Average Price Option;   |
| "Traded Options Committee"    | the committee appointed by the Directors for the purpose of administering trading in Traded Options;   |
| "Traded Options Regulations"  | the Regulations set out in Part 5 of the Rules in relation to Metal Options, Traded Average Price Options and Index Options;   |
| "Trading-Only Member"         | a Trading Member that is not a Clearing Member;  |
| "Trading Member"              | a Member permitted to trade in Contracts, being:<br><br>(a) in respect of the LME Base Service, a Category 1, 2, 3 or 4 Member; or   |

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|                                      | (b) in respect of the LMEprecious Service, any LMEprecious Member;  |
| "Trading Regulations"                | the regulations set out in Part 3 of the Rules;   |
| "Tribunal"                           | the tribunal of one, two or three arbitrators appointed in accordance with Regulation 3 of Part 8 of the Rules;   |
| "Unallocated Precious Metal Account" | an account maintained with a Precious Metal Clearer for the settlement of unallocated Precious Metal through the Precious Metal Clearing System;  |
| "Undertaking"                        | the same meaning as set out in section 1161 of the Companies Act 2006;  |
| "Underlying Client Contract"         | <p>means:</p> <p>(a) the Client Contract that has resulted from the Execution of an Agreed Trade and that, upon such Execution, resulted in the formation of a Client-Related Cleared Contract pursuant to the Clearing House Rules; and</p> <p>(b) any Post-Compression Client Contract that may arise upon Compression under the Exchange Rules of any Underlying Client Contract,</p> <p>and any reference to "the Underlying Client Contract" in the context of any reference to a Cleared Contract means the Underlying Client Contract that, upon Execution, resulted in the formation of such Cleared Contract, or any Post-Compression Client Contract relating to such Cleared Contract;</p> |
| "Unofficial Closing Price"           | a price determined by the Quotations Committee in accordance with Regulation 5.5 of the Trading Regulations;  |
| "Unsettled Contract"                 | a Contract in respect of which the obligations of the parties have not been discharged whether by performance, set-off or otherwise;  |
| "User"                               | means a user at a Member API Client and/or Member API Sub-Client who has access to LME Information from a Member via a graphical user interface (GUI).  |

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| "Variation Margin" | <p>(a) in relation to a Cleared Contract, the sum of money determined by the Clearing House under the Clearing House Rules;</p> <p>(b) in relation to a Client Contract, the sum of money determined by the relevant Category 1 or Category 2 Member or LMEprecious Clearing Member (or, where no such Member is a party, by the relevant Category 4 Member or LMEprecious Non-Clearing Member) representing the amount of variation margin called by the Clearing House in respect of the Client-Related Cleared Contract that corresponds to such Client Contract or such larger sum as may be agreed between the parties;</p> |
| "Warrant"          | a warehouse warrant for the storage of metal, issued by a listed warehouse and in a form approved by the Exchange;   |
| "Weighting"        | the factor determined by the Exchange from time to time which, when multiplied by the Settlement Price of a Constituent Metal, determines the contribution to the Index of that Constituent Metal;   |
| "Working Day"      | any weekday, Monday to Friday inclusive, which is not a public holiday in England and Wales.   |

- 1.2 In Part 8 and Part 10 of these Rules, the additional definitions set out therein shall apply for the purpose of construing the relevant words and expression in those Parts.
- 1.3 Words importing the singular shall, where the context permits, include the plural and vice versa. Words importing gender shall include each gender. Words importing persons shall, where the context permits or requires, include partnerships and corporations.
- 1.4 Where reference is made to a Regulation in any Part of the Rules it shall be deemed to be a reference to a Regulation in that Part unless the context otherwise requires.
- 1.5 Where reference is made in these Rules to the "direction" of a Contract, such term shall be construed as follows:
- (a) multiple Contracts have the "same direction" where, under each such Contract (i) the same party is the buyer; and (ii) the same party is the seller; and
  - (b) multiple Contracts have the "opposite direction" where the buyer under one Contract is the seller under the other Contract.

- 1.6 Any reference in the Rules or in any Administrative Procedure issued pursuant to the Rules to any European Union Regulation or Directive or any EU-level rules or legislation made pursuant to any such Regulation or Directive shall be construed to include any national law or regulation made in the United Kingdom that replaces or supersedes such Regulation, Directive, rule or legislation. For the avoidance of doubt, this rule of interpretation shall apply to the definitions of the Capital Requirements Regulation, EMIR and MiFID II.

1.7 For the avoidance of doubt, the Directors may delegate any powers and responsibilities under the Rules to EXCOM; EXCOM may then delegate any such powers and responsibilities from the Directors to employees and/or representatives of the Company as appropriate in the circumstances.

## 2. GENERAL

- 2.1 The Rules are made and subject as provided by law may be altered by the Directors in accordance with the powers conferred on them by the Articles.
- 2.2 Administrative Procedures may be issued by (a) the Chief Executive, or those empowered by him for this purpose, in relation to commercial matters, and (b) by the Head of Market Operations, or those empowered by him for this purpose, in relation to regulatory and compliance matters, and shall have the same force as Rules.
- 2.3 Where any Administrative Procedure refers to any Rule then:
- (a) where such Rule has been amended subsequent to the issuance of such Administrative Procedure, the Administrative Procedure shall, to the extent possible, be construed in a manner consistent with the amended Rule (so that, by way of example, where a specific Rule referred to in an Administrative Procedure is later numbered differently, or contained in a different section or Part of the Rulebook, or has been updated, the Administrative Procedure shall be deemed to refer to the current Rule); and
  - (b) where the effect of the amendment of such Rule is to render any aspect of an Administrative Procedure to be redundant or manifestly inconsistent with the Rule, such aspects of the Administrative Procedure shall be deemed to have been repealed to the extent of such redundancy or manifest inconsistency, subject that (a) or (b) shall not apply where and to the extent that the Exchange amends, replaces or repeals any Administrative Procedure in order to address any inconsistency between the Rules and the Administrative Procedure.
- 2.4 Administrative Procedures shall be sent to such class or classes of Member to whom they apply.
- 2.5 The Rules and Administrative Procedures shall be binding on all Members. Failure to comply with any of them or with any decision of the Directors or direction of the Exchange made pursuant to them shall constitute a breach of the Rules for the purposes of disciplinary procedures.
- 2.6 The Directors or the Head of Market Operations may grant to a Member a waiver of particular requirements of these Rules in such circumstances and subject to such conditions as either think fit, provided that the Directors or the Head of Market Operations are satisfied that compliance with the relevant requirements would be unduly burdensome to the Member and that the waiver would not create unacceptable risks for the Exchange, or

the market generally, and would not result in unreasonable or inequitable discrimination between Members. Waivers granted by the Head of Market Operations shall be subsequently notified to the next meeting of the Directors.

2.7 Unless otherwise stated, all times in the Rules refer to London time.



**PART 2**  
**MEMBERSHIP, ENFORCEMENT AND DISCIPLINE**

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**CONTENTS**

| <b>Section</b>            |   | <b>Page</b>                |
|---------------------------|---|----------------------------|
| 1                         | Admission to Membership   | 2-1                        |
| 2                         | Membership of the LME Base Service  | 2-1                        |
| 3                         | Membership of the LMEprecious Service                                     | 2-5                        |
| <a href="#"><u>3A</u></a> | <a href="#"><u>Registered Intermediating Broker Membership</u></a>        | <a href="#"><u>2-8</u></a> |
| 4                         | Common Eligibility Criteria   | 2-8                        |
| 5                         | Applications for Membership   | 2-9                        |
| 6                         | Change in Class or Category of Membership                                 | 2-10                       |
| 7                         | Requirements of the Financial Services and Markets Act 2000               | 2-11                       |
| 8                         | Change in Ownership of a Member   | 2-13                       |
| 9                         | Designation of Members  | 2-14                       |
| 10                        | Withdrawal from Membership  | 2-14                       |
| 11                        | Committees  | 2-16                       |
| 12                        | Provision of Information and Obligations of Members                       | 2-16                       |
| 13                        | Investigation   | 2-18                       |
| 14                        | Discipline  | 2-19                       |
| 15                        | Disqualification and Expulsion  | 2-27                       |
| 16                        | Forfeiture of Rights on Cessation of Membership                           | 2-28                       |
| 17                        | Disputes Between Members  | 2-28                       |
| 18                        | Intellectual Property Rights  | 2-28                       |
| 19                        | Financial OTC Booking Fee Policy  | 2-30                       |
| 20                        | Restrictions on use of LME Property or Systems for Non-Exchange Contracts | 2-31                       |

|    |                              |      |
|----|------------------------------|------|
| 21 | Confidentiality              | 2-31 |
| 22 | Fees & Incentive Programmes  | 2-33 |
| 23 | Recording of Telephone Calls | 2-36 |

## PART 2: MEMBERSHIP, ENFORCEMENT AND DISCIPLINE

### 1. ADMISSION TO MEMBERSHIP

- 1.1 The Directors may grant admission to Membership in accordance with these Rules.
- 1.2 The requirements set out in Regulation 2 of these Membership Regulations shall apply to Candidates applying to participate in the LME Base Service, other than as Registered Intermediating Brokers.
- 1.3 The requirements set out in Regulation 3 of these Membership Regulations shall apply to Candidates applying to participate in the LMEprecious Service, other than as Registered Intermediating Brokers.
- 1.4 The requirements set out in Regulation 3A of these Membership Regulations shall apply to Candidates applying to participate in the LME Base Services and/or the LMEprecious Service in the capacity of Registered Intermediating Brokers.
- ~~1.4~~ 1.5 The requirements set out in Regulation 4 onwards within these Membership Regulations shall apply in respect of all Candidates or Members, regardless of the service in which they are applying to participate, or already participate, save to the extent that any Regulation specifies that it is limited to any particular category of Membership or any particular service.

### 2. MEMBERSHIP OF THE LME BASE SERVICE

#### 2.1 Eligibility for Membership

- 2.1.1 The Membership categories described in this Regulation 2 apply to the LME Base Service.
- 2.1.2 To be eligible for Membership of the LME Base Service, a Candidate must satisfy the eligibility criteria set out below for the class or category of Membership for which he is applying.

#### 2.2 Category 1 Membership:

A Candidate for Category 1 Membership must satisfy the Directors:-

- (a) that it is:
- (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
  - (2) an Overseas Undertaking;
- (b) that it satisfies the requirements for Category 1 Members set out in Regulation 7 of these Membership Regulations;
- (c) that it is capitalised at or above the level for the time being prescribed by the Directors;
- (d) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for Ring Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;

- (e) that the persons to be responsible for trading on its behalf in the Ring have sufficient and relevant experience and qualifications to become Authorised Dealers; in considering experience the Directors may take into account indications given by a Candidate as to the level and type of trading it intends to conduct in the Ring;
- (f) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for Category 1 Membership;
- (g) that it is a member of the Clearing House or will, subject to election as a Category 1 Member, become a member of the Clearing House authorised to clear Cleared Contracts;
- (h) that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants;
- (i) that it becomes an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations; and
- (j) that it satisfies any and all other criteria for Category 1 Membership, and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

## 2.3 **Category 2 Membership:**

### 2.3.1 A Candidate for Category 2 Membership must satisfy the Directors:-

- (a) that it is:
  - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
  - (2) an Overseas Undertaking;
- (b) that it satisfies the requirements for Category 2 Members set out in Regulation 7 of these Membership Regulations;
- (c) that it is capitalised at or above the level for the time being prescribed by the Directors;
- (d) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for Category 2 Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for Category 2 Membership;
- (f) that it is a member of the Clearing House or will, subject to election as a Category 2 Member, become a member of the Clearing House authorised to clear Cleared Contracts;
- (g) that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants;

- (h) that it becomes an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations; and
- (i) that it satisfies any and all other criteria for Category 2 Membership, and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

## 2.4 **Category 3 Membership:**

2.4.1 A Candidate for Category 3 Membership must satisfy the Directors:-

- (a) that it is:
  - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
  - (2) an Overseas Undertaking;
- (b) that it satisfies the requirements for Category 3 Members set out in Regulation 7 of these Membership Regulations;
- (c) that it is capitalised at or above the level for the time being prescribed by the Directors;
- (d) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for Category 3 Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for Category 3 Membership;
- (f) that it is a member of the Clearing House or will, subject to election as a Category 3 Member, become a member of the Clearing House authorised to clear Cleared Contracts;
- (g) that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants;
- (h) that it becomes an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations; and
- (i) that it satisfies any and all other criteria for Category 3 Membership, and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

## 2.5 **Category 4 Membership:**

2.5.1 A Candidate for Category 4 Membership must satisfy the Directors:-

- (a) that it is:
  - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or

- (2) an Overseas Undertaking;
- (b) that it satisfies the requirements for Category 4 Members set out in Regulation 7 of these Membership Regulations;
- (c) that it enjoys a financial business standing which, in the opinion of the Directors, is suitable for Category 4 Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (d) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for Category 4 Membership; and
- (e) that it satisfies any and all other criteria for Category 4 Membership and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

2.5.2 A Category 4 Member may, if it is eligible in accordance with Regulation 2.4 of the LMEsword Regulations, apply to become an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations. Any such Category 4 Member that applies to become an Account Holder must also satisfy the Directors that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants.

## 2.6 **Category 5 Membership:**

2.6.1 A Candidate for Category 5 Membership must satisfy the Directors:-

- (a) that it is:
  - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
  - (2) an Overseas Undertaking;
- (b) that it enjoys a financial business standing which, in the opinion of the Directors, is suitable for Category 5 Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives; and
- (c) that it satisfies any and all other criteria for Category 5 Membership and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

2.6.2 A Category 5 Member need not hold shares in LME Holdings.

2.6.3 A Category 5 Member may, if it is eligible in accordance with Regulation 2.4 of the LMEsword Regulations, apply to become an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations. Any such Category 5 Member that applies to become an Account Holder must also satisfy the Directors that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants.

## 2.7 **Category 6 Membership:**

A Candidate for Category 6 Membership:-

- (a) may not, unless the Directors in the circumstances of any particular application decide otherwise, be a director or employee of (a) an Undertaking which either is a Member or, although not a Member, would be eligible to become a Member nor (b) a Subsidiary Undertaking or Parent Undertaking of any such Undertaking; and
- (b) must satisfy the criteria for Category 6 Membership which the Directors may from time to time prescribe.

## 2.8 **Category 7 Membership:**

Category 7 Membership may be conferred on individuals at the discretion of the Directors.

## 3. **MEMBERSHIP OF THE LMEPRECIOUS SERVICE**

### 3.1 **Eligibility for Membership**

- 3.1.1 The Membership categories described in this Regulation 3 apply to the LMEprecious Service.
- 3.1.2 To be eligible for Membership of the LMEprecious Service, and to become an LMEprecious Member, a Candidate must satisfy the eligibility criteria set out below for the class or category of Membership for which he is applying.
- 3.1.3 For the avoidance of doubt, the requirements for certain LMEprecious Members to hold B Shares is not cumulative with the requirements for certain LME Base Members to hold B Shares (and *vice versa*). For example: if the Directors have prescribed that a Category 1 Member is required to hold 25,000 B Shares and that an LMEprecious General Clearing Member is required to hold 10,000 B Shares, a Candidate seeking to become both a Category 1 Member and an LMEprecious General Clearing Member would be required to hold 25,000 B Shares in total (not 35,000 B Shares).

### 3.2 **LMEprecious General Clearing Member:**

A Candidate for LMEprecious General Clearing Membership must satisfy the Directors:

- (a) that it is a member of the Clearing House, or will, subject to election as an LMEprecious General Clearing Member, become a member of the Clearing House with permission to clear LMEprecious ~~Futures~~[Contracts](#); and
- (b) that it has established one or more Unallocated Precious Metal Accounts of the appropriate type, at a Precious Metal Clearer, to enable the LMEprecious General Clearing Member to make and receive deliveries of unallocated Precious Metal, through the Precious Metal Clearing System, in settlement of LMEprecious ~~Futures~~[Contracts](#); and
- (c) that it is a Member of the LME for the LME Base Service having a Category 1 or 2 Membership; or
- (d) if (c) does not apply:
  - (i) that it is:
    - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or

managing member is a body corporate incorporated in the United Kingdom; or

- (2) an Overseas Undertaking;
- (ii) that it satisfies the requirements for LMEprecious General Clearing Members set out in Regulation 7 of these Membership Regulations;
- (iii) that it is capitalised at or above the level for the time being prescribed by the Directors; and
- (iv) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for LMEprecious General Clearing Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for LMEprecious General Clearing Membership; and
- (f) that it has met any additional criteria for use of the LMEprecious Service and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

### 3.3 **LMEprecious Individual Clearing Member:**

A Candidate for LMEprecious Individual Clearing Membership must satisfy the Directors:

- (a) that it is a member of the Clearing House, or will, subject to election as an LMEprecious Individual Clearing Member, become a member of the Clearing House with permission to clear LMEprecious ~~Futures~~Contracts; and
- (b) that it has established one or more Unallocated Precious Metal Accounts of the appropriate type, at a Precious Metal Clearer, to enable the LMEprecious Individual Clearing Member to make and receive deliveries of unallocated Precious Metal, through the Precious Metal Clearing System, in settlement of LMEprecious ~~Futures~~Contracts; and
- (c) that it is a Member of the LME for the LME Base Service having a Category 1, 2 or 3 Membership; or
- (d) if (c) does not apply:
  - (i) that it is:
    - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
    - (2) an Overseas Undertaking;
  - (ii) that it satisfies the requirements for LMEprecious Individual Clearing Members set out in Regulation 7 of these Membership Regulations;



- (iii) that it is capitalised at or above the level for the time being prescribed by the Directors; and
- (iv) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for LMEprecious Individual Clearing Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for LMEprecious Individual Clearing Membership; and
- (f) that it has met any additional criteria for use of the LMEprecious Service and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

### 3.4 **LMEprecious Non-Clearing Member:**

3.4.1 A Candidate for LMEprecious Non-Clearing Membership must satisfy the Directors:

- (a) that it has appointed one or more LMEprecious General Clearing Members to clear Agreed Trades in LMEprecious ~~Futures~~Contracts effected by such LMEprecious Non-Clearing Member;
- (b) that it is a Member of the LME for the LME Base Service having a Category 1, 2 or 4 Membership; or
- (c) if (b) does not apply:
  - (i) that it is:
    - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
    - (2) an Overseas Undertaking;
  - (ii) that it satisfies the requirements for LMEprecious Non-Clearing Members set out in Regulation 7 of these Membership Regulations; and
  - (iii) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for LMEprecious Non-Clearing Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (d) that it has met any additional criteria for use of the LMEprecious Service and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

3.4.2 An LMEprecious Non-Clearing Member must have at all times one or more LMEprecious General Clearing Members appointed to clear Agreed Trades in LMEprecious ~~Futures~~Contracts effected by such LMEprecious Non-Clearing Member.

- 3.4.3 For the avoidance of doubt, an LMEprecious Non-Clearing Member shall not be required to use to clear LMEprecious ~~Futures~~Contracts the same Clearing Member that it uses to clear Contracts subject to the LME Base Service.
- 3.4.4 An LMEprecious Non-Clearing Member must at all times maintain appropriate arrangements to enable the settlement of any LMEprecious Contract to which it is party. For the avoidance of doubt, such arrangements may include the maintenance of settlement and custody accounts for Precious Metals with: (a) an LMEprecious General Clearing Member; or (b) a Precious Metal Clearer; or (c) a custodian having an account for the settlement of unallocated Precious Metals.

### **3A. REGISTERED INTERMEDIATING BROKER MEMBERSHIP**

#### **3A.1 Eligibility for Membership**

3A.1.1 The Membership categories described in this Regulation 3A apply to Registered Intermediating Brokers.

3A.1.2 To be eligible for Membership as a Registered Intermediating Broker, and to become an RIB Member, a Candidate must satisfy the eligibility criteria set out below for the class or category of RIB Membership for which he is applying.

3A.1.3 For the avoidance of doubt, the requirements for certain RIB Members to hold B Shares is not cumulative with the requirements for certain LME Base Members and/or LMEprecious Members to hold B Shares (and vice versa).

#### **3A.2 Common Criteria for RIB Membership:**

3A.2.1 A Candidate for RIB Membership must satisfy the Directors:-

- (a) that it is:
  - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
  - (2) an Overseas Undertaking;
- (b) that it satisfies the requirements for RIB Members set out in Regulation 7 of these Membership Regulations; and
- (c) that it satisfies any and all other criteria for RIB Membership and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

#### **3A.3 RIB Tier 1 Membership:**

3A.3.1 A Candidate for RIB Tier 1 Membership must satisfy the Directors:-

- (a) that it enjoys a financial business standing which, in the opinion of the Directors, is suitable for RIB Tier 1 Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;

- (b) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for RIB Tier 1 Membership; and
- (c) that it satisfies any and all other criteria for RIB Tier 1 Membership which the Directors may from time to time prescribe.

### **3A.4 RIB Tier 2 Membership:**

#### **3A.4.1 A Candidate for RIB Tier 2 Membership must satisfy the Directors:-**

- (a) that it enjoys a financial business standing which, in the opinion of the Directors, is suitable for RIB Tier 2 Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (b) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for RIB Tier 2 Membership; and
- (c) that it satisfies any and all other criteria for RIB Tier 2 Membership which the Directors may from time to time prescribe.

### **3A.5 Authorisation of RIB Members in respect of specific Contract Types:**

#### **3A.5.1 A Registered Intermediating Broker may be authorised by the Directors to arrange Agreed Trades in both LME Base Contracts and LMEprecious Contracts, and to thereby participate in both the LME Base Service and the LMEprecious Service, in its capacity as a RIB.**

#### **3A.5.2 Notwithstanding Regulation 3A.5.1 above:**

- (a) a Registered Intermediating Broker shall not be permitted to act as a Trading Member in respect of any Agreed Trade for which it is also acting as a RIB;
- (b) a Registered Intermediating Broker shall be permitted to arrange Agreed Trades in Contracts comprising:
  - (i) RIB Tier 1 Products and RIB Tier 2 Products, where such Member has RIB Tier 1 Membership; or
  - (ii) RIB Tier 2 Products only, where such Member has RIB Tier 2 Membership;
- (c) a Registered Intermediating Broker shall only be required to satisfy the eligibility criteria for the class or category of RIB Membership for which he is applying (including the number of B Shares prescribed by the Directors for the relevant class of RIB Membership), regardless of whether he is applying to arrange Agreed Trades in LME Base Contracts and/or LMEprecious Contracts;
- (d) a Registered Intermediating Broker shall not be required to satisfy the eligibility criteria for LME Base Membership (as set out in Regulation 2 above) or LMEprecious Membership (as set out in Regulation 3 above); and
- (e) A Member shall be permitted to hold Registered Intermediating Broker Membership in addition to being a Trading Member, provided that such Member:
  - (i) shall satisfy the eligibility criteria applicable to all relevant categories of Membership;

- (ii) shall comply with the Rules separately as they apply to each such category of Membership;
- (iii) shall ensure that it is at all times clear to its Client whether it is acting in its capacity as Trading Member or as Registered Intermediating Broker;
- (iv) shall not, in respect of any Agreed Trade, act as both (1) Registered Intermediating Broker and (2) Trading Member and/or Clearing Member; and
- (v) shall have established appropriate systems and controls to ensure segregation (to the extent required by applicable law and regulation) of its activities as a Registered Intermediating Broker from its other LME activities.

3A.5.3 The Exchange may, by the issue of a Notice, recategorise a RIB Tier 1 Product as a RIB Tier 2 Product (or vice versa). In doing so, the Exchange shall consider such factors as, in its discretion, are relevant to a decision to recategorise a RIB Tier 1 Product or a RIB Tier 2 Product. The factors that the Exchange shall have regard to may include, without limitation: (i) average trading volumes; (ii) levels of open interest; (iii) the availability of Incentive Programmes to support liquidity; and (iv) factors specific to the relevant Contract.

3A.5.4 In the event that the Exchange recategorises a RIB Tier 2 Product as a RIB Tier 1 Product, a RIB Tier 2 Member shall cease to be permitted to arrange Agreed Trades in such RIB Tier 1 Products. In order to be able to continue arranging Agreed Trades in such recategorised Contracts, a RIB Tier 2 Members must first obtain RIB Tier 1 Membership, in accordance with the requirements set out in Regulation 3A.3.

3A.5.5 For the avoidance of doubt, any recategorisation of a RIB Tier 1 Product as a RIB Tier 2 Product (or vice versa) shall not affect the permission of a RIB Tier 1 Member to arrange Agreed Trades in such Contract, in accordance with Regulation 3A.5.2(b) above.

3A.5.6 For the avoidance of doubt, the Exchange shall not be required to determine that any Contract should be a RIB Product. Furthermore, the Exchange may, by the issue of a Notice, determine that a Contract shall cease to be a RIB Product. Where a Contract has not been categorised as a RIB Product, or has ceased to be categorised as a RIB Product, a Registered Intermediating Broker shall not be permitted to arrange, or to continue to arrange (as applicable), Agreed Trades in such Contract.

#### **4. COMMON ELIGIBILITY CRITERIA**

##### **4.1 Share Capital**

4.1.1 The amount prescribed by the Directors, from time to time, as the minimum Net Worth Requirement for each category of Membership shall be met by permanent capital plus additional capital less disallowables.

4.1.2 Permanent capital shall be issued and fully paid ordinary shares, issued and fully paid preference shares, share premium and other reserves not available for distribution. A deficit in reserves available for distribution will be deducted when calculating permanent capital.

4.1.3 Additional capital shall be other equity reserves (distributable or otherwise) profit and loss reserves and subordinated loans.

- 4.1.4 Disallowable items are intangible fixed assets such as goodwill, development costs etc., investments in subsidiaries and/or other group companies, shares in the Clearing House and the value of exchange Memberships.

#### 4.2 **Overseas Undertakings**

- (a) A Candidate that is an Overseas Undertaking may not be admitted to Membership in the event that the Exchange does not have any necessary licences, authorisations or regulatory permissions to enable the Exchange to lawfully provide investment exchange services to a person having the same characteristics as the Candidate from that Candidate's (or, where applicable, its principal or managing member's) place of incorporation or any other relevant jurisdiction.
- (b) A Candidate that is an Overseas Undertaking may not be admitted to Membership in the event that the jurisdiction of the Candidate's place of incorporation or other relevant jurisdiction is not satisfactory to the Exchange, on the grounds of legal or regulatory risk relating to that jurisdiction.

#### 4.3 **AML Procedures**

A Candidate must have appropriate anti-money laundering and financial crime systems, controls and procedures, the adequacy of which must be satisfactory to address the risk that the facilities of the Exchange may be used for any improper purpose and to address any applicable legal or regulatory requirements. The Exchange reserves the right to request from any Candidate or Member from time to time (a) details of such systems, controls and procedures and/or (b) a reasoned legal opinion from a reputable law firm that such systems, controls and procedures are appropriate to address any applicable legal or regulatory requirements, in such format and addressing such concerns as the Exchange may specify.

#### 4.4 **Discretion to Refuse Application on Grounds of Compliance or Risk**

The Directors shall be permitted to refuse any application for Membership by a Candidate that satisfies the criteria set out above where the Directors have reasonable grounds for considering that:

- (a) the Candidate is unlikely to be capable of complying with its obligations as a Member under these Rules or any Administrative Procedures; or
- (b) the Candidate is subject to any legal or regulatory requirement or restriction that may prevent the Candidate from complying fully with any obligation it may have as a Member under these Rules or any Administrative Procedure; or
- (c) the admission of the Candidate as a Member would be likely to expose other Members and/or the Exchange and/or the Clearing House to a materially increased level of risk than is generally presented by other Members having the same category of Membership for which the Candidate is applying; ~~or~~
- (d) the Candidate is subject to any form of Sanctions or the directors, officers, employees or agents of it or any of its Affiliates are subject to any form of Sanctions; or

(e) the admission of a Candidate as a Member would expose the Exchange or the Clearing House or any other Member to any risk of infringement of any applicable law, including relevant Sanctions.

## 5. APPLICATIONS FOR MEMBERSHIP

- 5.1 An application for Membership of the Exchange shall be made in the form prescribed from time to time by the Directors, obtainable upon application to the Secretary. Each application must be accompanied by such admission fee as may be prescribed by the Directors. Where required under Regulation 7.5, such application shall include a legal opinion that satisfies the requirements of that Regulation.
- 5.2 The Directors may require from the Candidate such information, and may institute such investigations to verify information submitted by the Candidate, as they deem necessary. The Directors may require the Candidate, or one or more representatives of the Candidate, to attend for interview by the Directors or by a committee of the Directors.
- 5.3 Notice of each application for Membership shall be sent to Members promptly following the date when the application is first considered by the Directors. Within a ten Business Day period thereafter, any Member who objects to the Candidate becoming a Member of the Exchange shall be entitled to submit a written objection for consideration by the Directors. The Directors may take such objections into consideration before confirming their decision whether to admit the Candidate. In the absence of any objections beyond the ten Business Day period, the Directors shall promptly notify the Candidate in writing of their decision to admit the Candidate to the Membership and an approval Notice will be sent to Members.
- 5.4 When the Exchange determines that a Candidate is operationally ready to commence trading on the Exchange, the Directors shall confirm such status by means of a Notice sent to Members, including the designated mnemonic for the Candidate for the purposes of the Matching System.
- 5.5 Upon admission a Member shall pay the Subscription applicable to his class or category of Membership.
- 5.6 An official list of all Members can be seen by any Member on application to the Secretary.
- 5.7 If the Directors decide not to admit a Candidate to Membership they shall notify him with a statement of reasons for the refusal and the Candidate may within 14 days of being notified of the Directors' decision lodge notice of appeal with the Secretary.
- 5.8 Appeal under this Regulation shall be to a single arbitrator ("**the Arbitrator**") to be appointed by the President for the time being of The Law Society. Regulations 1, 4-10, 14 and 16 of Part 8 of the Rules (amended as set out in Regulation 5.9) shall apply to an appeal under this Rule. The Arbitrator shall consider the written statement of reasons given to the Candidate by the Directors and any representations made by or on behalf of the Candidate and by or on behalf of the Company. The Arbitrator shall determine whether or not the Directors correctly interpreted the Membership criteria from time to time applicable in respect of the class of Membership for which the Candidate applied and whether the rules of natural justice were complied with in reaching the decision refusing admission ("**the Decision**"). The Decision shall not otherwise be open for review and the Arbitrator shall have no power to order that the Directors shall admit the Candidate. The decision of the Arbitrator on questions of fact shall be final and binding on the Company

and the Candidate. If the Arbitrator determines that the Directors did not correctly interpret the relevant Membership criteria, or that the rules of natural justice were not complied with in reaching the Decision, the Directors shall reconsider the application. In doing so the Directors shall consider the application afresh and (in particular but without limitation) shall not be obliged to decide the application on the basis only of information available to them prior to the Decision.

5.9 For the purpose only of an appeal under Regulation 5.8, and without prejudice to any powers the Arbitrator may have under English law, the following amendments shall apply to the Arbitration Regulations.

5.9.1 In Regulation 1.1 of Part 8 of the Rules:

- (a) defined terms shall be ignored unless used in the Regulations referred to in Regulation 2.8;
- (b) "Claimant" shall mean the Candidate;
- (c) "Respondent" shall mean the Company;
- (d) "Tribunal" shall mean the arbitrator appointed pursuant to Regulation 2.8.

5.9.2 Regulation 6.3 of Part 8 of the Rules shall not apply.

5.9.3 Regulations 10.1(e), (i), (j), (l), (n), and (p)-(s) of Part 8 of the Rules shall not apply.

5.9.4 In Regulation 14.1 of Part 8 of the Rules the words "or by the Company" and "or the Company" shall be ignored.

5.9.5 Regulation 14.3 of Part 8 of the Rules shall not apply.

## **6. CHANGE IN CLASS OR CATEGORY OF MEMBERSHIP**

6.1 Any Member may change his Membership from any class or category of Membership to any other class or category, or add a new category of Membership in respect of a new service, provided that:-

- (a) the prior consent of the Directors is obtained; and
- (b) he pays any increase in Subscription applicable to his new class or category of Membership. A Member shall pay the full amount of Subscription applicable to his new class or category of Membership, credit being given for the amount of Subscription already paid by the Member in the year of application.

6.2 In deciding whether or not to admit a Member to a different class or category of Membership, the Directors shall determine whether the Member satisfies the criteria for the new class or category of Membership in accordance with Regulations 1 to 4 above (as applicable).

6.3 Any Member having any category of Membership in respect of the LME Base Service may apply to have any category of Membership in respect of the LMEprecious Service (and vice versa), subject in each case to the application of Regulations 6.1 and 6.2 above.

6.4 Regulations 1 to 4 and Regulations 5.2, 5.4 and 5.5 shall apply *mutatis mutandis* to an application under this Regulation 6 save that any reference to a "Candidate" shall be

construed as a reference to the relevant applicant Member. Any change of the type described in Regulation 6.1 shall be effective from the date stipulated in the Notice to Members in accordance with Regulation 5.3.

## 7. REQUIREMENTS OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

7.1 No person may apply or continue to be a Trading Member [or a Registered Intermediating Broker](#) unless he is:

- (a) an authorised person or exempt person within the meaning of Part III of FSMA; or
- (b) an authorised investment firm within the meaning of Article 4 of the MiFID II Directive by the competent authority of an EEA State other than the United Kingdom (including a branch established in the United Kingdom of such a firm); or
- (c) an authorised credit institution within the meaning of Article 4.1(1) of the Capital Requirements Regulation by the competent authority of an EEA State other than the United Kingdom (including a branch established in the United Kingdom of such an institution); or
- (d) a person whose activities in relation to the Exchange as a Member would not constitute regulated activities (as defined in FSMA) on the basis of an appropriate exclusion under the RAO.

In this Regulation 7.1, "competent authority" and "EEA State" have the meanings given to them in the FCA Handbook.

7.2 No Member may undertake any regulated activity (as defined in the FSMA) in relation to the Exchange unless the Member is:

- (a) authorised, ~~including through exemption,~~ by the FCA to carry on such a regulated activity; or
- (b) a person whose activities in relation to the Exchange as a Member would not constitute regulated activities (as defined in the FSMA) on the basis of an appropriate exclusion under the RAO; [or](#)
- (c) [permitted, pursuant to its status as an exempt person within the meaning of Part III of FSMA, to carry on such regulated activities.](#)

7.3 No person may enter into a Client Contract unless he or the other party to the Contract is:

- (a) where such Contract is an LME Base Contract, a Category 1 Member, Category 2 Member or Category 4 Member; or
- (b) where such Contract is an LMEprecious ~~Future~~[Contract](#), an LMEprecious General Clearing Member or LMEprecious Non-Clearing Member,

in each case that can validly enter into Client Contracts in accordance with the law of the United Kingdom and any other applicable law or regulation.

7.4 A Member must inform the Exchange immediately of:



- (a) any variation or cancellation of permission to carry on a regulated activity, including the withdrawal of the Member's status as an authorised person by the FCA; or
- (b) any change of circumstances that may result in the Member no longer being able to rely upon an appropriate exclusion under the RAO; ~~or~~
- (c) any change of circumstances of the Member or any other person (such as the Member's principal under any appointed representative arrangement) that may result in the Member no longer being treated as an exempt person for the purposes of Part III of FSMA, or otherwise no longer being able to rely upon its status as an exempt person to perform any regulated activities in relation to the Exchange.

7.5

A person falling within Regulation 7.1(d) or Regulation 7.2(b) must:

- (a) promptly following a request by the Exchange, provide such information as the Exchange may reasonably request regarding the person's business, regulatory status and the basis on which the person is able to lawfully perform activities in relation to the Exchange in the United Kingdom and any other relevant jurisdictions; and
- (b) where requested by the Exchange, include in that person's application for Membership a reasoned legal opinion from a reputable law firm with demonstrable expertise in United Kingdom financial services regulation that the activities to be performed by that person, taking into account that person's proposed category of Membership, could lawfully be performed by that person under the law of their home jurisdiction and under the law of the United Kingdom, notwithstanding that such person is not an authorised person within the meaning of Part III of the FSMA; and
- (c) following that person's admission to Membership, promptly following a request by the Exchange:
  - (1) (where the person has previously provided a legal opinion pursuant to (b) above) provide to the Exchange an updated reasoned legal opinion, from a law firm meeting the requirements in (b), confirming the continuing validity of the opinion provided under (b); and
  - (2) (where the person has not previously provided a legal opinion pursuant to (b) above) provide to the Exchange a reasoned legal opinion that satisfies the requirements in (b) above.

The Exchange shall be entitled to refuse to accept a legal opinion provided pursuant to this Regulation 7.5 in the event that the Exchange, in its absolute discretion, is not satisfied that the law firm selected by the Candidate or Member has sufficient and appropriate expertise in United Kingdom financial services regulation or where the Exchange, in its absolute discretion, disagrees with the conclusions set out in the legal opinion.

7.6

A person falling within Regulation 7.2(c) must, promptly following a request by the Exchange, provide such information as the Exchange may reasonably request regarding the basis on which the person is able to lawfully perform activities in relation to the Exchange in the United Kingdom and any other relevant jurisdictions, including, where such person is an exempt person pursuant to the maintenance of appointed representative status under section 39 of FSMA:

- (a) the identity and regulatory status of such person's principal (as defined pursuant to section 39 of FSMA);
- (b) a copy of any agreement defining the scope of activities for which such person is permitted to act for its principal within the scope of its agreement with such principal; and
- (c) any limitations of the scope of appointment of such person by such principal.

~~7.6~~7.7 Notwithstanding Regulations 7.1, 7.2~~or~~, 7.5~~;~~ or 7.6, the Exchange may:

- (a) refuse to admit a Candidate for Membership that is seeking admission on the basis of Regulation 7.1(d) or Regulation 7.2(b) or Regulation 7.2(c) (as applicable) in the event that:
  - (1) the Exchange is not satisfied that the Candidate has demonstrated beyond all reasonable doubt that it is able to lawfully perform the activities that it may, or may be required to, perform as a Member of the Exchange notwithstanding that it is not an authorised person within the meaning of Part II of the FSMA; or
  - (2) the Exchange has reasonable grounds for concern as to the ability of the Candidate to ensure that the activities that it performs as Member in relation to the Exchange shall always fall within the scope of an appropriate exclusion under the RAO;
- (b) where a Member is admitted on the basis of Regulations 7.1(d) or 7.2(b)~~;~~ or 7.2(c) or 7.6, suspend or terminate a Member's Membership, or change the category of a Member's Membership in the event that:
  - (1) the Member fails to comply with Regulations 7.4(b) or 7.5(a) or (c)~~;~~ or 7.6; or
  - (2) the Exchange has reasonable grounds to believe that the Member may not be able to lawfully continue to perform the activities that it may, or may be required to, perform as a Member of the Exchange with the Member's category of Membership.

~~7.7~~7.8 Each Member is responsible for ensuring that it and its agents have secured all regulatory approvals needed by them in any jurisdiction in order to perform the activities that the Member may conduct on or in connection with the Exchange and for complying with all applicable laws and regulations applying to such activities.

## 8. CHANGE IN OWNERSHIP OF A MEMBER

8.1.1 A Member which is a body corporate shall notify the Exchange in writing of the name of any person for the time being holding, or having a beneficial interest in, 10% or more of any class of the equity share capital of the Member or of any Parent Undertaking of the Member, and of any change in such a holding or interest, within seven days of the holding or interest, or a change therein, coming to the Member's notice.

8.1.2 The members of a partnership or an unincorporated association who are joint Members shall notify the Exchange in writing of the name of any person who becomes or ceases to

be a partner of that partnership or member of that unincorporated association (as the case may be) within seven days of that event coming to that joint Member's notice.

- 8.2 Upon receipt by the Exchange of any notice from a Member under Regulation 8.1.1 or 8.1.2 the Directors may review the suitability of the Member for Membership of the Exchange. The Directors may require the Member to furnish such additional information as the Directors may from time to time consider material in the course of such review. If upon completion of the review the Directors are not satisfied that the Member continues to satisfy the criteria for Membership of the relevant class they shall consider whether to suspend the rights of the Member.

## 9. DESIGNATION OF MEMBERS

Members may only describe their Membership of the Exchange on any letter heading, advertisements, brochures, or other written material in the following terms:

| Type of Member                         | Description   |
|--|---|
| Category 1 Member                      | "Ring Dealing Member" or "Category 1 Member" of the London Metal Exchange.                              |
| Category 2 Member                      | "Associate Broker Clearing Member" or "Category 2 Member" of the London Metal Exchange.                 |
| Category 3 Member                      | "Associate Trade Clearing Member" or "Category 3 Member" of the London Metal Exchange.                  |
| Category 4 Member                      | "Associate Broker Member" or "Category 4 Member" of the London Metal Exchange.                          |
| Category 5 Member                      | "Associate Trade Member" or "Category 5 Member" of the London Metal Exchange.                           |
| Category 6 Member                      | "Individual Member" or "Category 6 Member" of the London Metal Exchange.                                |
| Category 7 Member                      | "Honorary Member" or "Category 7 Member" of the London Metal Exchange.                                  |
| LMEprecious General Clearing Member    | "LMEprecious General Clearing Member" of the London Metal Exchange.                                     |
| LMEprecious Individual Clearing Member | "LMEprecious Individual Clearing Member" of the London Metal Exchange.                                  |
| LMEprecious Non-Clearing Member        | "LMEprecious Non-Clearing Member" of the London Metal Exchange.   |
| <u>"RIB Tier 1 Member"</u>             | <u>"Registered Intermediating Broker Tier 1 " or " RIB Tier 1 Member" of the London Metal Exchange.</u> |
| <u>"RIB Tier 2 Member"</u>             | <u>"Registered Intermediating Broker Tier 2 " or " RIB Tier 2 Member" of the London Metal Exchange.</u> |

The words London Metal Exchange may be abbreviated to LME.

10. **WITHDRAWAL FROM MEMBERSHIP**

- 10.1 Subject to Regulation 10.2 to 10.7, a Member may at any time withdraw from Membership of the Exchange and, where the Member [\(other than a Registered Intermediating Broker\)](#) participates in both the LME Base Service and the LMEprecious Service, from any individual service.
- 10.2 A Member desiring to withdraw from Membership must lodge a notice in writing to that effect (a "**resignation notice**") with the Secretary. If the resignation notice is not received by the Secretary on or before the 30th day of November of the year in which the Member intends his Membership to cease, he will be liable for payment of the subscription for the following year.
- 10.3 A Member who gives the Exchange a resignation notice must provide the Exchange with such information concerning the circumstances of the resignation as, in the opinion of the Directors, is necessary for the Directors to determine whether:
- (a) to accept the resignation;
  - (b) to postpone the effective date of the resignation;
  - (c) without prejudice to the courses of action available to the Directors under subparagraphs (a) and (b) above, any other measures should be taken by the Exchange before or after the resignation takes effect.
- 10.4 The Directors may, in their absolute discretion, refuse to accept a resignation notice given by a Member or may postpone the effective date if they consider it necessary for the protection of Clients, or otherwise in the interests of the market.
- 10.5 A Member who ceases to be a Member by virtue of Regulations 10 or 15 (a "**former member**") shall remain subject to the Rules and to the jurisdiction of the Exchange including, inter alia, those Rules relating to the retention of records and provision of information, in respect of acts and omissions while he was a Member and in respect of any investigation or disciplinary proceedings relating thereto (including the payment of any fine or application of any other sanction imposed) as if he were a Member, for the longer of:
- (a) the period of six years from the date on which he ceased to be a Member; or
  - (b) the period during which any disciplinary proceedings continue against him, being proceedings started by the Exchange no later than twelve months after the date on which he ceased to be a Member, subject to any extension of the period under Regulation 10.7; or
  - (c) the period until such time as all his obligations under any Contract entered into by him prior to his ceasing to be a Member shall have been discharged.
- 10.6 Disciplinary proceedings following a Member's resignation may be started by giving notice to the former member of an investigation no later than twelve months after the date on which he ceased to be a Member.
- 10.7 In the event that a Disciplinary Committee concludes that there are, or may be additional matters which should be investigated and in respect of which disciplinary proceedings may be taken, the period referred to in Regulation 10.5 shall be extended until such time as such

additional disciplinary proceedings are completed (including the payment of any fine or application of any other sanction imposed).

10.8 Where a Category 5 or Category 6 Member does not pay any Membership fee due to the Exchange and such fee remains unpaid for more than sixty (60) calendar days, the Exchange may deem this to be an indication of the Member's intention to resign from Membership of the Exchange. In such circumstances, the Directors may at their absolute discretion accept such resignation and confirm in writing to the Member, the effective date of such resignation, and the Membership of the relevant Category 5 or Category 6 Member shall terminate on such date.

10.9 Where a Member resigns from an individual service, and remains a Member of any other service, Regulations 10.6 and 10.7 shall be construed to apply only in respect of the service from which the Member has resigned.

## 11. **COMMITTEES**

11.1 The Directors shall appoint such committees with such terms of reference as they may from time to time determine.

11.2 The persons to serve on committees shall be drawn from Category 7 Members, Category 6 Members, directors and employees of other Members and such other persons with relevant experience as the Directors may select.

11.3 No person serving on any committee shall, in the absence of bad faith or wilful default, be under any liability whatsoever whether in contract, in tort or otherwise to any Member for any decision taken or other act or omission of the relevant committee.

## 12. **PROVISION OF INFORMATION AND OBLIGATIONS OF MEMBERS**

12.1 Each Member (other than Category 6 and Category 7 Members) shall provide the following financial and trading information to the Exchange:

12.1.1 annual audited accounts (including balance sheet, profit and loss account and cash flow statement) within four months of the end of its financial year and those of its ultimate Parent Undertaking (if any) as soon as they are sent to any person entitled to receive them; and

12.1.2 such further information in relation to commercial matters as may be required by the Chief Executive or those empowered by him generally or in any specific case; and

12.1.3 such further information in relation to regulatory and compliance matters as may be required by the Head of Market Operations or those empowered by him generally or in any specific case. Where the Head of Market Operations or those empowered by him have cause to suspect the existence or to anticipate the development or likely development of an undesirable situation or undesirable or improper trading practice, the information which may be required shall include information relating to the over-the-counter business of a member or any of its affiliates in metals, including any index thereon, traded on the Exchange.

12.2 The Chief Executive in relation to commercial matters and the Head of Market Operations in relation to regulatory and compliance matters and those empowered by each of them

generally or in any specific case may request trading or other information regarding any Clearing Member from the Clearing House and the Clearing House shall provide the same.

- 12.3 The Chief Executive in relation to commercial matters and the Head of Market Operations in relation to regulatory and compliance matters and those empowered by each of them generally or in any specific case shall be entitled at any time to inspect and take copies of the records, trading information, books of account and other documentation, in whatsoever medium retained, of Members (including, in whatsoever medium retained, any documentation maintained by or in the possession of the Member for any other person) for the purpose of ensuring compliance with the Rules. Where documentation of a Member is maintained for it by a third party, the Member shall procure that access is provided to such documentation as if it were in the possession of the Member.
- 12.4 The Chief Executive in relation to commercial matters and the Head of Market Operations and those empowered by each of them generally or in any specific case shall be entitled at any time to attend at the premises of any Member for the purpose of inspecting any of the matters referred to in Regulations 12.1 and 12.3 and the Member shall ensure that all cooperation is afforded.
- 12.5 The Chief Executive and the Head of Market Operations and those empowered by each of them generally or in any specific case may cooperate with any governmental or international agencies, any investment exchanges, any clearing houses and self-regulatory and other regulatory or enforcement organisations in such manner as each of them think fit and shall, in particular, be permitted to divulge to any of the aforesaid persons or bodies any information for the time being in the possession of the Exchange regarding any Member's financial condition or trading activity including any information obtained pursuant to Regulations 12.1 to 12.4.
- 12.6 A Member shall:
- (a) observe high standards of integrity and fair dealing, and observe high standards of market conduct as reflected in the FCA Principles and Guidance Releases as published from time to time;
  - (b) organise and control its internal affairs in a responsible and effective manner, with appropriate and adequate risk management systems;
  - (c) ensure its internal record-keeping is appropriate and adequate;
  - (d) ensure that it has appropriate and adequate business continuity plans;
  - (e) ensure that all of its Dealers, staff and directors involved in the conduct of business on the Exchange are fit and proper, suitable, appropriately and adequately trained, properly supervised, and, where appropriate, suitably qualified;
  - (f) ensure that any business conducted on the Exchange complies with the Member's obligations under the Rules;
  - (g) ensure that any business conducted by it, or by or through any of its Dealers or staff, shall not cause the Member, its Dealers or ~~staff of the Exchange~~ or Clearing House or any of their respective staff to be in breach of any applicable laws and/or regulations; including without limitation any relevant Sanctions (except to the extent that any obligation or undertaking contemplated by this Regulation 12.6(g)

would be in conflict with any applicable laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts);

- (h) ensure that it does not enter orders into or make trades on LME Select in or from a jurisdiction where the Exchange does not have the relevant regulatory licences or approvals (if such regulatory licence or approval is required) if to do so would bring the Exchange into disrepute with the regulatory authority within such jurisdiction or put the Exchange in breach of any legal or regulatory obligations to which it might be subject within that jurisdiction. A Member shall observe the requirements relating to participants from jurisdictions other than the UK, as set out in the document headed "Jurisdictions" which shall be available on the website of the Exchange, as such document is updated from time to time;
- (i) ensure that any hardware, information technology or any online services provided to it, or any of its Dealers or staff, or made available to it, or any of its Dealers or staff, pursuant to its Membership of the Exchange shall only be used for the purposes of conducting its business and activities as a Member of the Exchange, in accordance with these Regulations;
- (j) retain all relevant documentation, and provide the Exchange with copies thereof on request, in relation to all Contracts arranged, or entered into, by them and also in relation to all other contracts arranged, or entered into, by them for the purchase and sale of primary aluminium, aluminium alloy, cobalt, copper, lead, molybdenum, nickel, steel, tin, zinc, including:
  - any option for the purchase and sale of any such metal; and
  - any contract for difference, swap, or similar contract based on the price of any such metal;
- (k) deal with the Exchange in an open and cooperative manner and keep the Exchange promptly informed of anything concerning the Member which might reasonably be expected to be disclosed to it;
- (l) have, implement and maintain policies and procedures that are adequate to ensure compliance with applicable Sanctions, and, at the request of the Exchange and/or the Clearing House, promptly provide satisfactory evidence of such policies and procedures (including, without limitation, copies thereof) and of the adequate implementation and maintenance of such policies and procedures (except to the extent that any obligation or undertaking contemplated by this Regulation 12.6(l) would be in conflict with any applicable laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts);
- (m) notify the Exchange and the Clearing House as soon as reasonably practicable upon becoming aware of any of the following:
  - (i) any Sanctions of which it has become the target;
  - (ii) any change to the Member such that it is or becomes incorporated, registered, located, organised, domiciled or resident in any jurisdiction subject to Sanctions;

(iii) any of its Affiliates, Clients, directors, officers, employees or agents or any of its Affiliates' directors, officers, employees or agents, to its knowledge:

(1) being the target of any Sanction;

(2) being or becoming incorporated, registered, located, organised, domiciled or resident in any jurisdiction subject to Sanctions,

unless, in any case, the same is permitted pursuant to an exemption or exception in the applicable laws establishing the Sanctions or any regulations thereunder or subject to an applicable license granted by all relevant governmental authorities under that applicable law;

(iv) details of any order or transaction in metal derivatives which if made on, or reported to, the Exchange, would take place in circumstances where the Member would be in breach of Regulation 12.6(g) above.

12.7 No Member shall:

- (a) manipulate or attempt to manipulate the market;
- (b) create or attempt to create a disorderly market; or
- (c) assist its Clients, or any other person, to do either (a) or (b) above.

12.8 Where applicable under Regulation 7.5, a Member shall provide to the Exchange a legal opinion that satisfies the requirements of that Regulation, which shall be updated at such frequency as may be required pursuant to that Regulation.

### 13. INVESTIGATION

13.1 Investigation into alleged acts of misconduct must be authorised by the Head of Market Operations.

13.2 In the context of this Regulation 13 and the following Regulation 14, the expression "the Exchange" shall, where appropriate, be taken to mean the Head of Market Operations or any other person or persons being part of the Executive, authorised by the Head of Market Operations to undertake any of the functions described herein.

13.3 In the course of conducting an investigation, the Exchange may appoint professional, legal or accounting advisors to assist, or enlist the assistance of any other external advisor as it thinks fit. Any external adviser appointed by the Exchange shall be required to treat all information obtained in the course of the investigation as confidential and to disclose it only to the Exchange.

13.4 The Exchange shall issue a Notice of Investigation (NoI) notifying the Member concerned that an investigation has been commenced. The NoI shall be in writing to the Member's Compliance Officer, and shall contain a brief description of the matter under investigation.

13.5 Members shall co-operate fully with all investigations (whether or not they are the Member under investigation). In particular, and without limitation, Members shall:



- 13.5.1 Make available for interview such of their officers, employees or agents as may be reasonably requested in order that they may answer questions and explain any matter that the Exchange considers relevant to the investigation;
- 13.5.2 Comply fully with their obligation to provide information in accordance with Regulation 12;
- 13.5.3 Permit an authorised representative of the Exchange to visit their offices at any time, for the purpose of the investigation.
- 13.6 A report detailing the findings of the investigation shall be passed to the Head of Market Operations who may, or may not, recommend to the Enforcement Committee that disciplinary proceedings should be commenced.
- 13.7 Where some or all of the findings of an investigation may be of relevance to the market in general, the Head of Market Operations may publish such findings as he deems appropriate.

#### 14. **DISCIPLINE**

##### Institution of Proceedings

- 14.1 The Enforcement Committee may institute disciplinary proceedings against any Member in respect of any act of misconduct by a Member or employee thereof or any other person for whom the Enforcement Committee deems the Member to be responsible. For the purposes of this Regulation, an act of misconduct is:
- (i) any violation or attempted violation of these Rules and Regulations or participation in conduct by a third party which would be a violation or attempted violation of these Rules and Regulations if that third party were subject to these Rules and Regulations;
  - (ii) a failure to pay an automatic fine or a fine or order for costs imposed by a Disciplinary Committee that has not been overturned by an Appeal Committee;
  - (iii) conduct which has brought or may be likely to bring the Exchange or any of its markets into disrepute;
  - (iv) provision to the Exchange of information (including information for the purpose of obtaining Membership) which is false, misleading or inaccurate in a material particular;
  - (v) ceasing to meet eligibility criteria for Membership as set out in Regulations 1 to 4 without notifying the Exchange;
  - (vi) any other matter of which the Exchange may, from time to time, notify Members through Notices.
- 14.2 Where the Enforcement Committee decides to institute disciplinary proceedings, a Notice, approved by it setting out the alleged act of misconduct together with a summary of the facts relied upon ("the Notice") shall be served on the Member concerned.

##### Defence

- 14.3 The Member has twenty working days from service of the Notice in which to serve a statement of defence ("the Defence") responding to all or any of the allegations, stating its intended pleas and what admissions of fact, if any, it makes.
- 14.4 Where no defence has been served pursuant to Regulation 14.3, and no settlement has been reached, the Member will be deemed to have accepted the facts and matters alleged in the Notice.
- 14.5 Having seen and considered the Defence, the Enforcement Committee, if it deems it appropriate, may choose to discontinue disciplinary proceedings.

#### Pre-hearing Review

- 14.6 Unless decided otherwise by the Disciplinary Committee, and subject to Regulation 14.7, a pre-hearing review shall be convened not later than twenty working days after service of the Defence.
- 14.7 Unless required by the Disciplinary Committee, the Exchange and the Member can agree in writing to postpone or dispense with a pre-hearing review. In the event that they dispense with the pre-hearing review Regulation 14.10 shall apply.
- 14.8 At the pre-hearing review, the Disciplinary Committee may give all such directions and take such other steps as it considers appropriate for the clarification of the facts and issues and for the just and expeditious determination of the case.
- 14.9 The Exchange and the Member shall attend the pre-hearing review and may be legally represented.
- 14.10 Without restriction on its general power to give directions, the Disciplinary Committee may, at the pre-hearing review (or where there is no pre-hearing review, may in writing to the parties):
- 14.10.1 fix a time and place or make arrangements for the hearing;
  - 14.10.2 direct the hearing or any part of the hearing proceed by way of written submissions and written evidence;
  - 14.10.3 direct the Exchange or the Member to disclose and serve copies of any document;
  - 14.10.4 direct the Exchange or the Member to provide the names of all witnesses to be called at the hearing and their statements or an outline of proposed evidence;
  - 14.10.5 make time limits for complying with directions and orders or for any other purpose of the proceedings;
  - 14.10.6 grant leave to the Exchange or the Member to amend any formal documents referred to in these Regulations. Within such period of time of the grant of leave to amend as shall be specified by the Disciplinary Committee, the party granted such leave shall serve the amended document on the other party;
  - 14.10.7 extend or abridge time limits;
  - 14.10.8 make any order for the payment of costs of or in connection with pre-hearing preparation or any pre-hearing review.

- 14.11 In the event that the Member fails to comply with any direction, the Exchange may apply to the Disciplinary Committee for an order that the Member be precluded from contesting the case unless the direction is complied with. In addition, failure by the Member to comply with any direction may be adduced by the Exchange before the Disciplinary Committee for such inferences to be drawn as are proper in all the circumstances. Failure to comply with any direction may render the Member liable for costs, whether or not any charge is found proved.
- 14.12 In the event that the Exchange fails to comply with any direction, the Member may apply to the Disciplinary Committee for an order that the Exchange be precluded from pursuing the case unless the direction is complied with, or an order that the case be dismissed.

#### The Hearing

- 14.13 The date of the hearing shall be set at the pre-hearing review, where held. Where no pre-hearing review has taken place, the hearing shall take place no later than 20 working days after service of the Defence, or on such other date as the Disciplinary Committee shall require.
- 14.14 All parties attending the hearing, including any witnesses to be called by either party, shall be given reasonable notice of the date, time and venue.
- 14.15 The Disciplinary Committee shall determine the procedure to be followed at the hearing having regard to the following:
- 14.15.1 the Exchange to open the case;
- 14.15.2 the Exchange to adduce evidence and to call witnesses whom the Member may then cross-examine, the Exchange re-examine, and who may be asked questions by the Disciplinary Committee;
- 14.15.3 the Member to adduce evidence and to call witnesses whom the Exchange may cross-examine, the Member re-examine and who may be asked questions by the Disciplinary Committee;
- 14.15.4 the Exchange to address the Disciplinary Committee;
- 14.15.5 the Member to address the Disciplinary Committee.

#### The Determination

- 14.16 The Disciplinary Committee shall announce its findings to the parties as soon as practicable.
- 14.17 Where the Disciplinary Committee is satisfied that the Member has committed an act of misconduct it shall provide the parties with an opportunity to make representations before determining the penalty to be imposed.
- 14.18 The Disciplinary Committee shall announce the penalty to be imposed as soon as possible.
- 14.19 Any penalty imposed shall take into account any representations made by the parties, all the circumstances of the offence and may take into account any previous disciplinary record before deciding the penalty to be imposed and the costs to be ordered.

- 14.20 Within twenty business days of announcing its findings, the Disciplinary Committee shall serve on the parties a written decision comprising its findings of fact, its findings as to whether any charges not admitted are proved, the reasons for its decision and any penalties to be imposed on the Member together with an indication as to whether any part of the penalty is compensatory for the benefit of the market generally or of specified individuals, and what part is purely punitive.
- 14.21 Subject to appeal, and unless the Disciplinary Committee determines otherwise, any penalty imposed shall take effect ten business days after service of the written decision.

#### Penalties

- 14.22 The Disciplinary Committee may impose one or more of the following penalties:
- 14.22.1 a reprimand;
- 14.22.2 a fine;
- 14.22.3 an order that the Member make restitution to any person when the Member has profited from an act of misconduct at that person's expense;
- 14.22.4 an order that the Member forfeit to the LME any gains made as a result of a proven Regulation breach;
- 14.22.5 a requirement to comply with such terms and conditions as appropriate;
- 14.22.6 temporary or permanent withdrawal of Dealer or Clerk status or admission rights to the Exchange rooms from any individual;
- 14.22.7 suspension or expulsion from Membership subject to ratification by the Directors.

#### Indicative Penalties

- 14.23 Where appropriate, the Enforcement Committee may submit proposals to the Disciplinary Panel (referred to in Regulation 14.47) for indicative penalties to be attached to certain offences covered by these Regulations. These indicative penalties shall represent the level of penalty the Enforcement Committee considers appropriate for an offence given no aggravating or extenuating circumstances.
- 14.24 Such indicative penalties as are approved by the Disciplinary Panel shall be notified from time to time to all Members, and where relevant Warehouse Companies, by way of an administrative notice.
- 14.25 Penalties so notified shall be indicative only and shall not fetter the discretion of a disciplinary committee or appeal committee to set the penalty it deems appropriate in all the circumstances of the case in question.

#### Costs

- 14.26 Costs are at the discretion of the Disciplinary Committee. It may order any party to pay such costs as it thinks appropriate, including, but not limited to, administration costs, costs incurred in the investigation, preparation and presentation of the case.

#### Appeal

- 14.27 Within ten days of service of the Disciplinary Committee's decision, the Member may appeal to the Disciplinary Appeal Committee ("the Appeal Committee") by serving a Notice of Appeal on the Chairman of the Appeal Panel.
- 14.28 Within ten days of service of the Disciplinary Committee's decision, the Exchange may appeal to the Appeal Committee by serving a Notice of Appeal on the Chairman of the Appeal Panel and the Member.
- 14.29 A Notice of Appeal shall set out the grounds of the appeal and shall contain a brief statement of all matters relied upon by the appellant.
- 14.30 The grounds of the appeal may be any one or more of the following:
- 14.30.1 the Disciplinary Committee misdirected itself;
- 14.30.2 the Disciplinary Committee's decision was
- (a) one which no reasonable Disciplinary Committee could have reached;
  - (b) unsupported by the evidence or was against the weight of the evidence;
  - (c) based on an error of law, or misinterpretation of the Rules.
- 14.30.3 the penalty imposed by the Disciplinary Committee was either excessive or insufficient;
- 14.30.4 new evidence is available and that, had it been adduced, the Disciplinary Committee could reasonably have come to a different decision provided that this will not apply if the evidence could have been adduced before the Disciplinary Committee by the exercise of reasonable diligence.
- 14.31 The Appeal Committee shall determine the procedure at the appeal having regard to the following:
- 14.31.1 the appellant will open the appeal;
- 14.31.2 any witnesses called may be cross-examined and re-examined by the parties and questioned by the Appeal Committee;
- 14.31.3 the other party may make submissions in response;
- 14.31.4 the appellant may make closing submissions.
- 14.32 The Appeal Committee shall announce its decision to the parties as soon as practicable.
- 14.33 The Appeal Committee may dismiss or allow the appeal and may increase or decrease the penalty imposed upon such terms and conditions as it considers appropriate.
- 14.34 Within 20 business days of the conclusion of the hearing, the Appeal Committee shall serve on the parties a written decision setting out its reasons.
- 14.35 Regulation 14.26 in relation to costs shall apply to the Appeal Committee *mutatis mutandis*.

## Settlements

- 14.36 The Exchange and the Member may agree a settlement of disciplinary proceedings at any time up to the commencement of the disciplinary hearing.
- 14.37 A Member wishing to enter into settlement negotiations must submit written proposals for settlement to the Exchange and the Enforcement Committee.
- 14.38 Settlement negotiations shall be on a without prejudice basis.
- 14.39 Any settlement agreement shall be submitted to the Enforcement Committee for ratification. The Enforcement Committee may ratify or refuse to ratify any settlement agreement. A settlement agreement shall not take effect unless ratified by the Enforcement Committee. A settlement agreement so ratified shall have the same status as a decision by a Disciplinary Committee.
- 14.40 Once the hearing has commenced, the Exchange and the Member may reach an agreed finding. Any agreed finding shall be submitted to the Disciplinary Committee for ratification.
- 14.41 The Disciplinary Committee may ratify or refuse to ratify the agreed finding. An agreed finding shall not take effect unless ratified by the Disciplinary Committee. Where the Disciplinary Committee refuses to ratify the agreed finding, the hearing shall proceed as if no agreed finding was reached.

#### Publication of Findings and Penalties

- 14.42 Subject to appeal, where the Disciplinary Committee finds that there has been an act of misconduct, notification of such findings and of any sanction shall be made (once the same has taken effect) by means of a notice to the relevant parties.
- 14.43 Where disciplinary proceedings have been concluded by way of settlement ratified by the Enforcement Committee or an agreed finding ratified by a Disciplinary Committee, notification of the settlement agreement or the agreed finding shall be made by means of notice to the relevant parties. Such notice to be drafted by the Exchange in consultation with the Member.
- 14.44 Relevant parties in this context shall mean:
- 14.44.1 the person or Member found to have committed the act of misconduct;
- 14.44.2 where the misconduct was on the part of a warehouse company or agent thereof, all Members, approved warehouses and their agents;
- 14.44.3 where the misconduct was on the part of any Member or person deemed to be the responsibility of a Member, to all Members;
- 14.44.4 as an exception to Regulation 14.44.3, where the finding is by the Ring Disciplinary Committee or the Ring Discipline Supervisory Committee, all Category 1 Members;
- 14.44.5 in all cases the appropriate regulatory or other authorities, as the Exchange deems appropriate.
- 14.45 The outcome of disciplinary proceedings being notified to all Members shall also be made public by such means as the Exchange shall think fit.

- 14.46 Where the Appeal Committee upholds the finding of the Disciplinary Committee (even in the event that the penalty is altered), the above rules on publication shall apply.

Procedural Provisions applicable to the Exchange Disciplinary Process

*Membership of the Disciplinary Committee and the Appeal Committee*

- 14.47 The Exchange, in consultation with the Chairman of the Appeal Panel, shall from time to time appoint persons, who may be Directors or other persons, to a panel ("**the Disciplinary Panel**"). A member of the Enforcement Committee cannot be appointed to the Disciplinary Panel. Membership of particular Disciplinary Committees shall be drawn only from the Disciplinary Panel.
- 14.48 The Exchange, in consultation with the Chairman of the Appeal Panel, shall from time to time appoint persons, who shall not be Directors, to a panel ("**the Appeal Panel**"). Membership of particular Appeal Committees shall be drawn only from the Appeal Panel.
- 14.49 Membership of the Disciplinary Panel and the Appeal Panel shall be notified to Members from time to time by means of a Notice.
- 14.50 Membership of the Disciplinary Panel shall be for a period of 5 years (the term) renewable. A member of the Disciplinary Panel may not be removed from the Panel prior to the expiration of the term save in the event that he or she ceases to be a Director of the LME, or in the event that he or she is guilty of conduct which has brought or may be likely to bring the Exchange or any of its markets into disrepute.
- 14.51 Membership of the Appeal Panel shall also be for a period of 5 years (the term) renewable. A member of the Appeal Panel may not be removed from the Panel save in the event that he or she is guilty of conduct which had brought or may be likely to bring the Exchange or any of its markets into disrepute.
- 14.52 The Exchange shall appoint one member of the Disciplinary Panel to be the Chairman of the Disciplinary Panel. The Exchange shall appoint one member of the Appeal Panel to be the Chairman of the Appeal Panel.
- 14.53 No person shall be eligible to serve as a member of the Disciplinary Committee or Appeal Committee in relation to any particular case if he has any material interest in the matter under consideration either personally or through any Undertaking with which he may be concerned.
- 14.54 At least one member of the Appeal Committee must be a qualified lawyer.
- 14.55 At the request of the Head of Market Operations, the Chairman of the Disciplinary Panel shall nominate three members of the Disciplinary Panel to sit on a Disciplinary Committee and shall notify the Member and the Exchange of such nomination. The Chairman may nominate himself. If the Member does not agree to one or more of the nominated Disciplinary Committee, the Chairman, if satisfied that the grounds of objection are reasonable, shall nominate a replacement, or replacements, from the Disciplinary Panel, subject to such replacement, or replacements, being willing and able to sit on that Disciplinary Committee.
- 14.56 On receipt of a Notice of Appeal, the Chairman of the Appeal Panel shall nominate three members of the Appeal Panel to sit on an Appeal Committee and shall notify the Member

and the Exchange of such nomination. The Chairman may nominate himself. If the Member does not agree to one or more of the nominated Appeal Committee, the Chairman, if satisfied that the grounds of objection are reasonable, shall nominate a replacement, or replacements, from the Appeal Panel, subject to Regulation 14.54 and subject to such replacement, or replacements, being willing and able to sit on that Appeal Committee.

- 14.57 In the case of a matter set out in Regulations 11.3 to 11.10 of the Trading Regulations (by way of appeal or otherwise) the Appeal Committee shall not include any member of the Ring Discipline Supervisory Panel who was involved in that capacity in the matter.

#### Composition

- 14.58 The Disciplinary Committee or the Appeal Committee shall appoint one of their number to be the Chairman.
- 14.59 The quorum of a Disciplinary Committee or Appeal Committee shall be three, unless decided otherwise by the Disciplinary Committee or Appeal Committee.
- 14.60 The Disciplinary Committee may decide that any pre-hearing review shall be heard by the Chairman sitting alone.

#### Legal Adviser

- 14.61 A legal adviser, who shall be a barrister or solicitor, may be appointed by the Disciplinary Committee or the Appeal Committee to sit throughout the hearing (including any pre-hearing review) and provide legal advice to the Committee.
- 14.62 The same legal adviser may not be appointed to advise both the Disciplinary Committee and Appeal Committee on the same case.

#### Hearings in private

- 14.63 Disciplinary Committee hearings and Appeal Committee hearings shall be held in private, unless the Member elects to hold the hearing in public.

#### Representation

- 14.64 Parties to disciplinary proceedings may be represented.
- 14.65 Where disciplinary action is taken against an individual, he or she may represent himself or herself, or may be represented by his or her employer or may be legally represented.
- 14.66 Where disciplinary proceedings are taken against a Member, it may be represented by one of its officers, employees or may be legally represented.
- 14.67 The Exchange may be represented by one of its officers, employees or may be legally represented.
- 14.68 The availability of a particular legal representative shall not be conclusive when fixing a date for a pre-hearing review or a tribunal.

#### Failure to attend

- 14.69 If either party fails to attend, the hearing may proceed in its absence.



#### Record of hearing

- 14.70 A record shall be made of the hearing, electronically or otherwise. The Member shall be entitled to a transcription or copy of the record on payment of the costs.

#### Burden and standard of proof

- 14.71 The burden of proof shall be on the Exchange. The Disciplinary Committee shall not find a charge proved unless it is satisfied on the balance of probability.

#### Evidence

- 14.72 The Disciplinary Committee may admit any evidence whether oral or written, whether direct or hearsay and whether or not the same would be admissible in a court of law.

#### Notice periods

- 14.73 Any notice periods specified in these rules may be amended by agreement in writing between the Exchange and the Member, unless such notice periods have been set by the Disciplinary Committee or the Appeal Committee.

#### Convictions and findings by other authorities

- 14.74 The findings of fact of any court in the United Kingdom or of the Financial Services Tribunal, which have not been set aside on appeal or otherwise shall be conclusive evidence of the facts so found.

- 14.75 A criminal conviction by any court in the United Kingdom which has not been set aside on appeal or otherwise shall be conclusive evidence of the commission of that offence.

- 14.76 The findings of fact of the following bodies, which have not been set aside on appeal or otherwise, shall be prima facie evidence of the facts so found:

- 14.76.1 any court of competent jurisdiction outside the United Kingdom;

- 14.76.2 any committee or tribunal of the Financial Conduct Authority, and self-regulating organisation, recognised professional body, recognised investment exchange or recognised clearing house or any overseas regulatory authority which the Exchange considers to be relevant exercising regulatory or disciplinary functions;

- 14.76.3 the ~~Monopolies Competition~~ and ~~Mergers Commission~~ Markets Authority ;

- 14.76.4 any other body exercising a regulatory or disciplinary jurisdiction over any persons engaged in financial services business whether in the United Kingdom or elsewhere-; and

- 14.76.5 any successor to any body specified in this Regulation 14.76.

#### 15. **DISQUALIFICATION AND EXPULSION**

- 15.1 The criteria for Membership are continuing requirements and if a Member shall cease at any time to satisfy any of the criteria for Membership of his class the Directors may in their discretion re-categorise his Membership to a class the criteria for which he is able to satisfy or, subject to Regulation 15.4, suspend his Membership until such time as he is able to satisfy the criteria, or may seek to expel him from Membership.

15.2 Upon the happening of any of the following events the Directors may resolve, with immediate effect, that the Member concerned be suspended from Membership, and, where appropriate, subject to Regulation 15.5, expelled from Membership:-

15.2.1 ~~A~~a Member pursuant to disciplinary proceedings held in accordance with these Regulations is found to have committed a serious breach or persistent breach of the Regulations and the Disciplinary Committee has suspended or expelled the Member subject to ratification by the Directors, provided that the Disciplinary Committee's decision has been upheld by an Appeal Committee, or the time for lodging an appeal has elapsed and no appeal has been made;

15.2.2 ~~A~~a Member fails to meet his material contractual obligations to another Member and the obligation or the obligations concerned are not being disputed in good faith;

15.2.3 ~~A~~a Member is declared a Defaulter pursuant to the Default Regulations;

15.2.4 ~~A~~an Event of Default (as defined in the Default Regulations) occurs in relation to a Member (other than a Registered Intermediating Broker) and is continuing~~;~~ or

15.2.5 in relation to a Registered Intermediating Broker, the Exchange becomes aware of any facts or circumstances that indicate that the Registered Intermediating Broker is not a reliable entity to arrange Agreed Trades on behalf of Clients and/or to discharge the obligations of Registered Intermediating Brokers under these Rules. Such facts or circumstances may include, without limitation, any evidence that the Registered Intermediating Broker has input into the Matching System particulars of any Agreed Trade(s) that it did not have the appropriate authorisations to broker (including from its purported Clients, or from any Clearing Member which would become party to any Contract upon Execution of such Agreed Trade).

15.3 The Directors shall have the power to suspend a Member where it is considered necessary to ensure an orderly market, or otherwise to enable the Exchange to comply with its statutory obligations.

15.4 Save in the case of Regulation 15.2.1, the power to suspend a Member is subject to a right of appeal by the Member to an Appeal Committee convened pursuant to Regulation 14. The Appeal Committee shall, in such circumstance, have full jurisdiction to review the facts of the case as if it were a Disciplinary Committee. Any appeal shall be heard swiftly.

15.5 Save in the case of Regulation 15.2.1, where the Directors believe expulsion is warranted, they shall request that an Appeal Committee be convened, pursuant to Regulation 14, to consider the case for expulsion. Such an Appeal Committee shall be convened swiftly. The Directors may suspend the Member with immediate effect pending the outcome of the Appeal Committee so convened. The Appeal Committee shall, in such circumstance, have full jurisdiction to review the facts of the case as if it were a Disciplinary Committee. Where the Appeal Committee agrees that expulsion is justified, the Member shall be expelled with immediate effect.

## 16. **FORFEITURE OF RIGHTS ON CESSATION OF MEMBERSHIP**

16.1 A Member who shall have been expelled or shall otherwise have ceased to be a Member shall not be entitled to any refund of subscription or fees.

- 16.2 All rights and privileges of being a Member and all Cards of Admission issued to a Member or to a Member's directors or employees on his application and all rights appertaining thereto shall ipso facto be cancelled upon the Member's ceasing for any reason to be a Member or losing in any other way the right of entry to the Exchange.

17. **DISPUTES BETWEEN MEMBERS**

Upon the Secretary receiving a notice in writing from a Member that a dispute exists between him and another Member arising out of or in connection with a Contract, he shall send a Notice to Members to this effect. Such memorandum shall be removed by the Secretary when he shall receive notification in writing by the party or parties reporting the existence of such dispute that it has been settled or has been referred to arbitration in accordance with Part 8 of the Rules or otherwise disposed of.

18. **INTELLECTUAL PROPERTY RIGHTS**

- 18.1 As between the Members and the Company, all right, title, interest and Intellectual Property Rights in:-

- (a) the Rules and Administrative Procedures; and
- (b) LME Data;

shall be the property of the Company. To the extent a Member acquires any right, title, interest or Intellectual Property Rights in the same it hereby assigns all such right, title, interest and Intellectual Property Rights (including by way of a present assignment of any future copyright or similar rights) to the Company for the full duration of such right, title, interest and Intellectual Property Rights.

- 18.2 For the avoidance of doubt, the Company hereby expressly reserves any and all rights (including Intellectual Property Rights and any rights of confidentiality), licences and permissions in and to the LME Data, the Trade Marks and the Product Specifications.

- 18.3 Unless explicitly permitted in writing between the Member and the Company, the Member shall not:

- (a) remove the Trade Marks from the LME Data or alter them (unless not practicable to display the Trade Marks and LME Data together);
- (b) use the Trade Marks in conjunction with any other mark, name, logo, symbol or device;
- (c) use the Trade Marks other than in relation to:
  - (i) Contracts; or
  - (ii) any contract to which the Financial OTC Booking Fee Policy applies, and in respect of which the Member shall report such contract to the Company in accordance with the Financial OTC Booking Fee Policy;
- (d) use the Trade Marks in such a way as to damage the goodwill or reputation attaching to such Trade Marks or the name of the Company or to otherwise prejudice the validity or enforceability of any such Trade Marks;

- (e) permit access to, distribute, sub-licence or publish the LME Data or Trade Marks to any third party;
- (f) use the LME Data as a Benchmark or in connection with the determination of a Benchmark or pass the Data to an Administrator in connection with the determination of a Benchmark;
- (g) manipulate the LME Data in any way and/or use the LME Data to create any Derived Data;
- (h) use the LME Data or Trade Marks, or any part of them:
  - (i) in breach of these Rules or the Financial OTC Booking Fee Policy or other applicable laws or regulations;
  - (ii) for any unlawful purpose; or
  - (iii) in any way that may in the Company's absolute opinion be considered to bring the Company, its Affiliates, the LME Data and/or the Trade Marks into disrepute.

18.4 Each Member acknowledges and agrees that LME Data may be provided by the Company to any Member and any third party, and may be used by the Company or such other persons for any commercial or other purpose, subject to any restrictions applicable to particular categories of LME Data in Regulation 21 (Confidentiality). The Company may from time to time grant a licence to Members or third parties to use, copy, modify, distribute or otherwise exploit the LME Data, but, subject to Regulation 18.5 below, in the absence of such a licence, Members may not use, copy, modify, distribute or otherwise exploit the LME Data.

18.5 The Company hereby grants to each Member a non-exclusive, worldwide, perpetual, royalty-free licence, with the right to sub-licence, to use, copy, modify, distribute and otherwise exploit the LME Data relating solely to that Member for any commercial or other purpose, subject in each case to the restrictions in Regulation 21 (Confidentiality).

## 19. **FINANCIAL OTC BOOKING FEE POLICY**

19.1 Each Member shall comply with the Financial OTC Booking Fee Policy. Without prejudice to the generality of the foregoing, each Member shall:

- (a) register with the Exchange, pursuant to the requirements of the Financial OTC Booking Fee Policy;
- (b) report to the Exchange, any trades undertaken by the Member which are required to be reported pursuant to the Financial OTC Booking Fee Policy; and
- (c) pay to the Exchange, any fees due to the Exchange pursuant to the Financial OTC Booking Fee Policy in relation to trades undertaken by the Member.

19.2 Each Member shall procure and otherwise take steps to ensure that their Affiliates comply with the Financial OTC Booking Fee Policy. Where the Affiliate fails to comply with the Financial OTC Booking Fee Policy, whether: (a) registering with the Exchange; (b) reporting any trades undertaken by the Affiliate to the Exchange; or (c) paying to the Exchange, any fees due pursuant to the Financial OTC Booking Fee Policy; or (d)

otherwise, the Member shall be liable to the Exchange for any non-compliance by Affiliate with the Financial OTC Booking Fee Policy.

19.3 Without prejudice to any additional rights of the Exchange under the Financial OTC Booking Fee Policy to require information from any Member or its Affiliate, each Member shall, and shall ensure that its Affiliates shall, within 5 Business Days of any request by the Exchange:

- (a) permit the Exchange and its representatives to have access to any records and information maintained by the Member and/or its Affiliates (as the case may be) in respect of any transactions undertaken by the Member or its Affiliates for the purposes of assessing compliance with the Financial OTC Booking Fee Policy; and
- (b) respond to any reasonable questions from the Exchange which are relevant to assessing the compliance by the Member and its Affiliates with the Financial OTC Booking Fee Policy.

19.4 For the avoidance of doubt, a Member or its Affiliate shall only be entitled to benefit from an exemption from compliance with any aspect of the Financial OTC Booking Fee Policy in the event that such exemption has been granted by the Exchange in accordance with the terms of the Financial OTC Booking Fee Policy.

20. **RESTRICTIONS ON USE OF LME PROPERTY OR SYSTEMS FOR NON-EXCHANGE CONTRACTS**

20.1 The facilities of the Exchange may not be used to facilitate the execution, clearing or settlement of any Non-LME Platform Contract. Without limitation to the foregoing:

- (a) no Member may use any LME Data, Product Specifications or any other Intellectual Property Rights of the Exchange, or any part of them for the formation, trading, pricing, clearing or settlement of any Non-LME Platform Contract;
- (b) LME Warrants may not be used for the purpose of settling any Non-LME Platform Contract;
- (c) the Ex-Cleared settlement functionality of LMEsword may not be used to facilitate the settlement of any Non-LME Platform Contract;
- (d) no Member may use the inter-office market to facilitate the submission to the Matching System of any Non-LME Platform Contract as an Agreed Trade; and
- (e) no Member may bring-onto, or allow its Client to bring-onto, the Exchange any Non-LME Platform Contract, including pursuant to the OTC Bring-On category within the Matching Rules, the submission to the Matching System of an Agreed Trade, or otherwise.

20.2 The Exchange may, in its absolute discretion, by Notice dis-apply any of the restrictions specified in this Regulation 20 in respect of Non-LME Platform Contracts traded on, executed on, or otherwise arranged or agreed via any specific Non-LME Multi Dealer Trading System. Such Notice:

- (a) shall specify the identity of the specific Non-LME Multi Dealer Trading System that is approved by the Exchange as a venue for the formation of Agreed Trades that may be brought-onto the Exchange; and

(b) may specify the categories of Contracts to which such approval shall apply.

20.3 The Exchange shall issue a Notice pursuant to Regulation 20.2 above, publicising the situation where, as determined by the LME in its sole discretion and acting reasonably, any Non-LME Multi Dealer Trading System is lawfully making use of the Intellectual Property Rights of the Exchange, including, without limitation, where such Non-LME Multi Dealer Trading System has: (i) entered into a licence agreement for the use of Intellectual Property Rights belonging to the Exchange; or (ii) been granted open access rights pursuant to prevailing applicable legislation.

## 21. **CONFIDENTIALITY**

21.1 Subject to Regulation 21.2, the Company shall treat as confidential all information received from a Member that concerns the business and affairs of a Member or Client (including any information relating to any Contract).

21.2 The Company may disclose any information which is subject to the confidentiality obligations in Regulation 21.1:-

- (a) to any regulator that has responsibility for regulating the Exchange or the Clearing House;
- (b) to any regulator that has responsibility for regulating the Member;
- (c) to the Clearing House, to the extent that such information is relevant to the performance by the Clearing House of its functions under its own rules or terms of service, or its obligations under applicable law, or its contractual obligations to the Company;
- (d) to the Member itself;
- (e) where the Company acquires or develops the information independently of any information or document provided by the Member;
- (f) to any member of the Company's group, or to any employees, officers, consultants, professional advisers or agents of any of them, in connection with the operation of the Exchange, risk management processes or for the purposes of internal group control or accounting, subject to appropriate confidentiality requirements;
- (g) to any other Member for the purposes of a potential transfer of a Contract to such Member in accordance with the Rules;
- (h) to third parties appointed or engaged by the Company or a Member in connection with the operation of the Company's complaint-handling or discipline processes, where and to the extent that such third parties reasonably need to receive such information in order to discharge their functions in support of such processes;
- (i) with the consent of the Member;
- (j) to potential acquirers (and their advisers) of the Company or an holding company of the Company or of the businesses of the Company, provided that each such potential acquirer has entered into a confidentiality undertaking with respect thereto;

- (k) in a document in relation to a takeover offer conducted under the rules of The Panel on Takeovers and Mergers or any equivalent body in any other relevant jurisdiction;
- (l) if and to the extent the information has come into the public domain through no fault of the Company;
- (m) to the Company's insurer(s), provided that any such insurer has entered into a confidentiality undertaking with respect thereto;
- (n) where necessary for the discharge of the Company's obligations under applicable law;
- (o) where the Company considers it appropriate to disclose such information for the purpose of discharging the Company's obligations under the Rules having due regard to the confidential nature of the information, and taking reasonable care to ensure that the recipient of such information is aware of its confidential nature; or
- (p) where and to the extent that such disclosure is necessary or permitted pursuant to any other Regulation or Administrative Procedure, including for the avoidance of doubt, any Regulation permitting the Company to issue Notices in respect of a Member,

and for the avoidance of doubt, nothing in this Regulation 21 shall prevent the Company from providing LME Data to any third party in accordance with Regulation 18.4 above where and to the extent that any such LME Data that is provided to a third party in respect of a Member is anonymised and/or aggregated with LME Data in respect of other Members.

21.3 Subject to Regulation 21.4, each Member shall treat as confidential all information concerning the business and affairs of the Company.

21.4 A Member may disclose any information which is subject to the confidentiality obligations in Regulation 21.3:-

- (a) to any regulator that has responsibility for regulating the Member where required to do so pursuant to any direction, rule or requirement of the regulator or by applicable law;
- (b) to the Company itself;
- (c) where the Member develops the information independently of any information or document provided by the Company;
- (d) to the Member's group, or to employees, officers, consultants, professional advisers or agents of the Member or its group solely to the extent that such persons need to receive such information in order to assist the Member in properly performing its obligations or exercising its rights under these Rules, and subject, in all cases to their agreement to treat such information as strictly confidential;
- (e) with the consent of the Company;
- (f) if and to the extent the information has come into the public domain through no fault of the Member;

- (g) where necessary for the discharge of the Member's obligations under applicable law; or
- (h) where the Member considers it appropriate to disclose such information for the purpose of discharging the Member's obligations under the Rules having due regard to the confidential nature of the information, and taking reasonable care to ensure that the recipient of such information is aware of its confidential nature.

## 22. FEES & INCENTIVE PROGRAMMES

22.1 Members shall pay such fees to the Exchange as the Exchange shall specify by Administrative Procedure from time to time.

22.2 The Exchange may, from time to time, make available to Members incentive, rebate or market-making programmes that shall operate to provide certain specified benefits and/or modify the fees payable in respect of specified types of Contracts (each such programme being an "**Incentive Programme**").

22.3 The Exchange shall specify, by way of notice issued on the public website maintained by the Exchange:

- (a) the eligibility criteria to be satisfied by any Member and, where applicable, any Client of such Member wishing to participate in each Incentive Programme;
- (b) any information and/or application documentation to be submitted to the Exchange by the Member in respect of itself and, where applicable, any Client of such Member wishing to participate in each Incentive Programme;
- (c) the technical and operational procedures to be followed by any Member and, where applicable, any Client of such Member, in order to qualify for the benefits available under an Incentive Programme;
- (d) any conditions, commitments, minimum transaction volumes, or requirements as to the types of transactions executed that are to be satisfied by any Member and, where applicable, any Client of such Member, in order to qualify for the benefits available under an Incentive Programme;
- (e) any information reporting requirements or other obligations that must be complied with by any Member participating in an Incentive Programme;
- (f) the specific benefits available under an Incentive Programme for any Member that complies with the requirements specified in accordance with (a) to (e) above; and
- (g) any other information, descriptions, explanations or details that the Exchange considers relevant to the manner in which the Exchange intends to operate the Incentive Programme,

such criteria, procedures, conditions and requirements under (a) to (e) being the "**Incentive Programme Requirements**" and such benefits under (f) being the "**Incentive Programme Benefits**". The Exchange may, from time to time, amend, add to or replace any Incentive Programme Requirements and/or Incentive Programme Benefits applying to or under any Incentive Programme, and any other information published pursuant to (h), by updating or replacing the relevant notice published on the public website of the Exchange.



- 22.4 Any Member wishing to participate in an Incentive Programme must satisfy the Incentive Programme Requirements for such Incentive Programme that may be specified by the Exchange, in accordance with Regulation 22.3 above, from time to time.
- 22.5 The Exchange may, in its absolute discretion:
- (a) reject any request by a Member:
    - (1) to participate in any Incentive Programme; or
    - (2) to allow a Client to participate in any Incentive Programme; or
    - (3) to apply the Incentive Programme to the activities of any Client; or
  - (b) terminate the application of any Incentive Programme to any:
    - (1) Member; or
    - (2) Client, or to the activities of any Client, of a Member.
- 22.6 For the avoidance of doubt, the Incentive Programme Benefits available in respect of any Incentive Programme may include:
- (a) the specification of a rebate to any fees payable by a Member in respect of any specified type of Contract; or
  - (b) the specification of a reduction to any fees payable by a Member in respect of any specified type of Contract; or
  - (c) the specification of any other form of monetary or non-monetary benefit that the Exchange may make available to a Member,
- and any such Incentive Programme Benefit may be specified as being limited in duration, or applicable only to specific Contracts or Transactions that satisfy certain Incentive Programme Requirements.
- 22.7 Where any Incentive Programme makes the availability of Incentive Programme Benefits subject to any Incentive Programme Requirements applying to the trading activity of any Client of a Member, or the nature, identity or behaviour of any such Client:
- (a) it shall be the responsibility of the Member to ensure that the relevant Incentive Programme Requirements are satisfied; and
  - (b) it shall be the sole responsibility of the Member to notify its Clients of its participation in the Incentive Programme, and the features of such Incentive Programme, together with the satisfaction of any other disclosure requirements that may be applicable under any relevant law or regulation or the terms of any agreement between the Member and any Client; and
  - (c) for the avoidance of doubt, the Exchange has no responsibility to any Client for ensuring that any of the Incentive Programme Benefits are made available by the Member to the relevant Client; any such arrangement shall be governed solely by the arrangements established between the Member and the Client.

For the avoidance of doubt, any reference in these Rules to any "participation" by a Client in any Incentive Programme does not create, imply or infer the creation of any contractual relationship between the Exchange and any Client in relation to such Incentive Programme, nor confer on any Client any entitlement to receive any benefits (including Incentive Programme Benefits) from the Exchange. If and to the extent that the Exchange provides an Incentive Programme that is intended to provide an entitlement for a Client to receive Incentive Programme Benefits, such entitlement shall be established pursuant to separate contractual documentation between the Exchange and the relevant Client that explicitly establishes the basis for such entitlement.

22.8 Any Clearing Member that participates in any Incentive Programme shall ensure that it shall not, and that any Client shall not, through its participation in the Incentive Programme:

- (a) affect or distort the proper market in any Contract; or
- (b) commit or permit the commission of any market abuse or any other breach of any applicable law or regulation applying to the Member, Client or the trading of any Contract; or
- (c) enter into any Contract that is not compliant with any applicable Incentive Programme Requirements.

22.9 The Exchange may, at any time and from time to time, request from a Member such evidence as the Exchange may consider necessary or appropriate to determine the compliance by the Member, or any Client of the Member, with the Incentive Programme Requirements applicable to any Incentive Programme in which the Member or its Client is participating, and the Member shall, upon receipt of such request, promptly provide such evidence.

22.10 The Exchange may publish the names of any Member or Client participating in any Incentive Programme.

22.11 The Exchange may withdraw any Incentive Programme, together with any Incentive Programme Benefits available thereunder, at any time in its sole discretion. The withdrawal of any Incentive Programme shall not affect any Incentive Programme Benefits that have accrued to a Member prior to the time of such withdrawal.

22.12 Subject to Trading Regulation 21, a Member must not pursue, or permit any Client of the Member to pursue, a Market Making Strategy on the Exchange without first notifying the Exchange and entering into such agreements as the Exchange may specify, including any agreement required to satisfy any applicable legal or regulatory requirement. The Member must ensure that any activity it undertakes on the Exchange in pursuing a Market Making Strategy complies with the term of any such agreement, the Rules, including but not limited to the applicable requirements in Trading Regulation 21, and any relevant administrative procedure.

22.13 Regulation 22.12 above shall apply with effect from 3 January 2018.

## 23. **RECORDING OF TELEPHONE CALLS**

23.1 The Exchange may record:

- (a) telephone calls between representatives of Members and the Exchange; and
- (b) the telephone number from which representatives of Members call the Exchange, together with the time, date and content of the call,

and may maintain records relating to (a) and (b) above, in each case in accordance with the Exchange's policy on telephone recording from time to time and applicable law.

**PART 3**  
**TRADING REGULATIONS**

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**CONTENTS**

| <b>Section</b> |  | <b>Page</b> |
|----------------|--|-------------|
| 1              | General  | 3-1         |
| 2              | Permitted Contracts and Contract Formation                 | 3-2         |
| 3              | The Matching System and Recording of Trades                | 3-8         |
| 4              | Price Information  | 3-14        |
| 5              | Settlement Prices and Other Official Prices                | 3-15        |
| 6              | Closing Prices and Margin                                  | 3-18        |
| 7              | Payment System   | 3-19        |
| 8              | Prompt Dates   | 3-19        |
| 9              | Settlement of Contracts                                    | 3-21        |
| 10             | Delivery — General   | 3-29        |
| 11             | Dealings in the Ring                                       | 3-30        |
| 12             | Dealings on LME Select                                     | 3-37        |
| 13             | Trade Invalidation and Cancellation                        | 3-43        |
| 14             | Prohibited Practices                                       | 3-43        |
| 15             | When the Clearing House May Fix Prices                     | 3-44        |
| 16             | Who May Trade in the Ring or on LME Select                 | 3-44        |
| 17             | Emergencies  | 3-45        |
| 18             | Lending Rules  | 3-47        |
| 19             | Liability  | 3-48        |
| 20             | Position Limits  | 3-49        |
| 21             | Conformance Testing, Algorithmic Trading and Market Making | 3-49        |
| 22             | Order Cancellation and Controls                            | 3-51        |
| 23             | Transaction Reporting                                      | 3-51        |



## PART 3: TRADING REGULATIONS

### 1. GENERAL

- 1.1 Members who wish to access any of the Exchange's systems must meet all prescribed connectivity requirements, as amended by the Exchange from time to time. Members must ensure that any connectivity solutions that are utilised have the appropriate degree of resiliency.
- 1.2 The Exchange may fix and from time to time alter the hours of opening and closing the Exchange, the hours for trading by open outcry in the Ring and the hours for trading on LME Select.
- 1.3 The Exchange may, at its absolute discretion, acting reasonably suspend trading on one or more of the Exchange trading venues for such period it considers necessary in the interests of maintaining a fair and orderly market. Trading will be resumed as soon as reasonably practicable following any such suspension of a trading venue.

1.4 Members may:-

(a) enter into Agreed Trades; or

(b) (in relation to Registered Intermediating Brokers) arrange Agreed Trades,

at any time on a Business Day notwithstanding that the Exchange may not be open at the time.

~~1.4~~1.5 ~~The Exchange may implement~~The Exchange may establish such arrangements as it considers appropriate to prevent disorderly trading and breaches of capacity limits including, without limitation, procedures to establish the maximum price fluctuations on the market for each Metal Contract, which may as a consequence lead to the restriction or suspension of business.

~~1.5~~1.6 The making by a Trading Member of Contracts shall be subject to the Rules of the Exchange (of which the Trading Regulations form a part). Cleared Contracts shall in addition be subject to the Clearing House Rules.

~~1.6~~1.7 Contracts may be written only by Trading Members and accordingly at least one party to every Contract must be such a Member. LME Base Contracts may be written only by Category 1, 2, 3 or 4 Members. LMEprecious ~~Futures~~Contracts may be written only by LMEprecious Members.

1.8 A Contract resulting from an Agreed Trade arranged by a Registered Intermediating Broker must have, as at least one party, a Trading Member, which shall be regarded as the party that has entered into such Contract.

~~1.7~~1.9 All Contracts shall be governed by the Rules including:

- (a) the Trading Regulations;
- (b) the Contract Regulations;
- (c) the Traded Options Regulations,

- (d) the Monthly Average Future Regulations;
  - (e) the Special Rules for the relevant metal, LMEmini Contract, ~~Ferrous~~Cash-Settled Future or for the Construction of the Index;
  - (f) the Premium Contract Regulations;
  - (g) the LMEprecious Regulations; and
  - (h) (in respect of Cleared Contracts) the Clearing House Rules,
- as effectively as if the same had been expressly inserted therein.

## 2. PERMITTED CONTRACTS AND CONTRACT FORMATION

### 2.1 Permitted Contracts

2.1.1 ~~Members~~Members, other than Registered Intermediating Brokers, may act only as principals. In all dealings with non-Members they shall comply with the provisions contained in the Rules which refer to relations with Clients and to dealings with Clients.

2.1.2 All dealing by Members in Metal Contracts, LMEmini Contracts, Index Contracts, ~~Ferrous~~Cash-Settled Futures, Monthly Average Futures, Premium Contracts and LMEprecious ~~Futures~~Contracts made subject to the Rules of the Exchange must be evidenced by:

- (a) a Cleared Contract; and/or
- (b) one or more Cleared Contracts and one or more Client Contracts,

and the details of the Agreed Trade that results in the formation of such Contract(s) must be input into the Matching System by the Member. This Regulation shall not impose on the Clearing House any obligation which is not imposed on it by the Clearing House Rules.

2.1.3 Any Contract, except Index Contracts, ~~Ferrous~~Cash-Settled Futures, LMEmini Contracts, Monthly Average Futures, Premium Contracts and LMEprecious ~~Futures~~Contracts, may be written with the price or premium payable in any one of the following currencies and no other: US dollar, euro, Japanese yen or sterling. Index Contracts, ~~Ferrous~~Cash-Settled Futures, LMEmini Contracts, Monthly Average Futures, Premium Contracts and LMEprecious ~~Futures~~Contracts shall be written with the price or premium payable solely in US dollars.

### 2.2 Contract Formation

2.2.1 The basis on which Contracts shall be formed shall be as set out in this Trading Regulation 2.

2.2.2 Agreed Trades may be made:

- (a) in the Ring; or
- (b) in LME Select; or
- (c) in the inter-office market,

(and each of (a), (b) and (c) shall be an "**Execution Venue**"), subject to any restrictions regarding the permissible trading venues for any type of Contract specified in these Rules.

2.2.3 An Agreed Trade shall constitute the agreement of the terms of a transaction for the purpose of enabling Contracts to be formed between each Clearing Member that is:

- (a) party to the Agreed Trade; or
- (b) responsible for the clearing of the Agreed Trade,

and the Clearing House, subject to and in accordance with the Acceptance Criteria of the Clearing House. An Agreed Trade shall not itself constitute a binding contractual agreement between the parties to the Agreed Trade (whether as a Cleared Contract or otherwise) unless and to the extent otherwise specified in these Rules.

2.2.4 A Clearing Member shall be "**responsible for the clearing of an Agreed Trade**" where:

- (a) one party to the Agreed Trade is a Client of the Clearing Member; and
- (b) the Client and the Clearing Member have established arrangements for such Agreed Trade to be cleared by the Clearing Member.

2.2.5 An Agreed Trade shall result in the formation of one or more Contracts when it is Executed, in accordance with the applicable Rules governing Execution for the Execution Venue within which the Agreed Trade was agreed.

## 2.3 **Execution of trades in the Ring**

2.3.1 Where an Agreed Trade is made in the Ring and satisfies the Acceptance Criteria, the following shall apply.

- (a) The time of such agreement between two Clearing Members shall be the Execution Time.
- (b) At the Execution Time, Cleared Contracts shall be automatically and immediately formed between the Clearing House and each Member that is party to the Agreed Trade, subject to and in accordance with the Clearing House Rules.

## 2.4 **Execution of trades in LME Select**

2.4.1 Where an Agreed Trade is made in LME Select, the following shall apply.

- (a) The Agreed Trade made in LME Select shall, provided that it satisfies the Acceptance Criteria, be Executed at the time that LME Select confirms that the Agreed Trade is matched and that all Pre-Execution Checks are satisfied (and such time shall be the Execution Time).
- (b) At the Execution Time, Cleared Contracts shall be automatically and immediately formed between the Clearing House and each Member that is party to, or responsible for the clearing of, the Agreed Trade, subject to and in accordance with the Clearing House Rules.



## 2.5 Execution of trades in the inter-office market

2.5.1 Where an Agreed Trade is made in the inter-office market, otherwise than when it is made by a Registered Intermediating Broker, the following process shall apply.

- (a) Upon the agreement of an Agreed Trade in the inter-office market, the parties to the Agreed Trade shall become bound to a Contingent Agreement to Trade.
- (b) The obligations of the parties to the Contingent Agreement to Trade shall be as specified in Regulation 2.10 below.
- (c) The Agreed Trade shall, provided that it satisfies the Acceptance Criteria, be Executed at the time that the Matching System confirms that the Agreed Trade is matched and that all Pre-Execution Checks are satisfied (and such time shall be the Execution Time).
- (d) At the Execution Time:
  - (i) Cleared Contracts shall be automatically and immediately formed between the Clearing House and each Member that is party to, or responsible for the clearing of, the Agreed Trade, subject to and in accordance with the Clearing House Rules; and
  - (ii) the Contingent Agreement to Trade shall be discharged.

2.5.2 Where an Agreed Trade is arranged in the inter-office market by a Registered Intermediating Broker, the following process shall apply:

- (a) The Registered Intermediating Broker shall act as agent for each of its Clients, for the purposes of agreeing the Agreed Trade between such Clients.
- (b) Upon agreement of the particulars of the Agreed Trade by each Client, the Registered Intermediating Broker shall, using the Matching System RIB Screen, submit such particulars to the Clearing Member nominated by each Client as being responsible for the clearing of the Contracts that will arise upon Execution of the Agreed Trade.
- (c) Each such Clearing Member shall promptly review such particulars, and record within the Matching System, within the timescales specified in Regulation 3.5 below, whether such Clearing Member approves the Agreed Trade.
- (d) Upon confirmation within the Matching System that both Clearing Members (or, where both Clients have appointed the same Clearing Member, the Clearing Member) have approved the Agreed Trade, the Agreed Trade shall, provided that it satisfies the Acceptance Criteria, be Executed at the time that the Matching System confirms that the Agreed Trade is matched and that all Pre-Execution Checks are satisfied (and such time shall be the Execution Time).
- (e) At the Execution Time, Cleared Contracts shall be automatically and immediately formed between the Clearing House and each Clearing Member that is party to, or responsible for the clearing of, the Agreed Trade, subject to and in accordance with the Clearing House Rules.

## 2.6 **Formation of Client Contracts**

2.6.1 Where an Agreed Trade is made between:

- (a) a Clearing Member and its Client; or
- (b) a Client of a Clearing Member and any other person, pursuant to an arrangement where the Clearing Member is to be responsible for the clearing of the Agreed Trade,

and upon Execution of the Agreed Trade, one or more Cleared Contracts are formed between the Clearing House and the Clearing Member, then a back-to-back Client Contract shall automatically and immediately come into effect between the Clearing Member and the Client having the same terms as the Cleared Contract and having the same direction as the Cleared Contract, such that:

- (i) where the Member is the Buyer under the Cleared Contract, it shall be the Seller under the Client Contract; and
- (ii) where the Member is the Seller under the Cleared Contract, it shall be the Buyer under the Client Contract.

2.6.2 Where the Client is a Category 4 Member or an LMEprecious Non-Clearing Member, and the Agreed Trade is made by the Category 4 Member or LMEprecious Non-Clearing Member with its own Client, then, in addition to the Client Contract formed pursuant to Regulation 2.6.1 above, an additional back-to-back Client Contract shall automatically and immediately come into effect between the Category 4 Member or LMEprecious Non-Clearing Member and its Client, having the same terms and direction as the Client Contract formed under Regulation 2.6.1, such that:

- (a) where the Member is the Buyer under the Client Contract formed under Regulation 2.6.1, it shall be the Seller under the Client Contract formed under this Regulation 2.6.2; and
- (b) where the Member is the Seller under the Client Contract formed under Regulation 2.6.1, it shall be the Buyer under the Client Contract formed under this Regulation 2.6.2.

2.6.3 A Client Contract shall be deemed to come into effect pursuant to this Regulation 2.6 where both parties to the Client Contract are Members.

2.6.4 Where any party to a Client Contract is not a Member, the back-to-back Client Contract shall come into effect pursuant to the terms of business between the Member and the Client. Any Member seeking to enter into Client Contracts with Clients that are not Members must ensure that its terms of business with such Clients contain provisions giving effect to this Regulation 2.6, and which provide that such Client Contracts shall incorporate and be subject to these Rules.

## 2.7 **LME Select API**

2.7.1 In the event that a Member makes available to a Client the order-routing facility of the LME Select API and due to any use by a Client of the order-routing facility of the LME Select API:

- (a) one or more Cleared Contracts come into effect between the Clearing House and a Clearing Member; and
- (b) one or more Client Contracts comes into effect between:
  - (i) the Clearing Member and the Client (in accordance with Regulation 2.6.1); and / or
  - (ii) the Clearing Member and a Category 4 Member or LMEprecious Non-Clearing Member (in accordance with Regulation 2.6.1); and / or
  - (iii) a Category 4 Member or LMEprecious Non-Clearing Member and its Client (in accordance with Regulation 2.6.2)

then:-

- (1) such Client Contract(s) shall be on the same commercial terms as the Cleared Contract, save that the price of the back-to-back Client Contract(s) may be marked-up or down to reflect a commission payable by the Client to the relevant Member, provided that such mark-up or mark-down to the price has been input into the Matching System prior to the Execution Time;
- (2) when the particulars of the Agreed Trade are input into the Matching System, the Clearing Member that is to become party to the Client Contract must ensure that the particulars of the Agreed Trade that will result in the Client Contract are also input into the Matching System, including the identification of the accounts to which the resulting Cleared Contract(s) should be allocated and the identification of any details reflecting the arrangements specified in (1) above, in accordance with Administrative Procedures; and
- (3) Members are reminded that a Metal Future or Premium Contract is a promise by one party to deliver metal to the other party on the specified Prompt Date and a promise by the other party to pay for that metal on the Prompt Date, and that the obligations to take and to deliver metal must remain open until such specified Prompt Date, subject to any provision of these Rules that specifies otherwise.

## 2.8 **Pre-Execution Checks**

2.8.1 The Exchange and/or the Clearing House will conduct the following checks prior to allowing an Agreed Trade made in LME Select or the inter-office market to be Executed:

- (a) the Agreed Trade is for a valid Contract, including having a valid Prompt Date (if applicable);
- (b) each Member that is to be party to a Cleared Contract upon Execution of the Agreed Trade is permitted to clear such Cleared Contract;
- (c) any Member that is to be party to a Client Contract upon Execution of the Agreed Trade is permitted to issue such Client Contract;

- (d) the transaction price or, in the case of a Traded Option, premium, is within an acceptable range, as specified by the Exchange from time to time;
- (e) the Agreed Trade is within any parameters (with respect to the number of Lots and notional value) specified by the Member within the pre-trade risk management functionality within the Matching System;
- (f) the transaction details identifying the correct position keeping account(s) at the Clearing House to which the resulting Cleared Contracts should be allocated have been entered into the Matching System;
- (g) (in respect of Agreed Trades made in the inter-office market), the Clearing Member responsible for the Agreed Trade meets the Acceptance Criteria; and
- (h) such other checks as the Exchange and/or the Clearing House may deem prudent or appropriate from time to time.

## 2.9 **Post-Execution Checks**

2.9.1 The Exchange and/or the Clearing House will conduct the checks specified in Trading Regulation 2.8.1(a) to (h) above following the Execution of an Agreed Trade made in the Ring.

2.9.2 The Exchange and/or the Clearing House, will, following the Execution of an Agreed Trade made in LME Select, check that the Clearing Member responsible for the Agreed Trade has sufficient collateral with the Clearing House to cover the additional risk(s) represented by the Cleared Contract(s) resulting from the Execution of the Agreed Trade.

2.9.3 For the avoidance of doubt, where an Agreed Trade falling within Trading Regulations 2.9.1 or 2.9.2 above fails any of the checks specified therein, such failure shall not affect the validity of the Execution of the Agreed Trade or the Contracts that have come into effect upon such Execution.

## 2.10 **Contingent Agreement to Trade**

2.10.1 The terms of a Contingent Agreement to Trade shall be as set out below:

- (a) where both parties to the Contingent Agreement to Trade are Members:
  - (i) the Contingent Agreement to Trade shall be deemed to come into effect at the time of agreement between the Members of the particulars of the Agreed Trade, and shall be subject to, and governed by, these Rules; and
  - (ii) the obligations of the parties to the Contingent Agreement to Trade shall be to submit the particulars of the Agreed Trade to the Matching System within the timescales specified in Regulation 3.5 below;
- (b) where only one party to the Contingent Agreement to Trade is a Member, the Member shall:
  - (i) be responsible for submitting the particulars of the Agreed Trade into the Matching System in accordance with Regulation 2.10.1(a)(ii);
  - (ii) ensure that its terms of business with the other party (being a Client):

- (1) specify that any Contingent Agreement to Trade shall come into effect pursuant to such terms of business, and shall incorporate and be subject to, these Rules; and
  - (2) oblige the other party to become bound to the Contingent Agreement to Trade on the basis that the other party's obligations shall be to become bound to, and perform, the Client Contract that shall come into effect in accordance with Regulation 2.6 upon Execution of the Agreed Trade.
- 2.10.2 A Member that is party to a Contingent Agreement to Trade must not submit the particulars of the Agreed Trade into the Matching System if such Member has been declared a Defaulter under these Rules.
- 2.10.3 In the event that a Member that is party to a Contingent Agreement to Trade fails to fulfil its obligations to submit the particulars of the Agreed Trade into the Matching System within the timescales specified in Regulation 3.5:
  - (a) the Member may be subject to disciplinary action for an act of misconduct in accordance with Membership Regulation 14;
  - (b) the Member shall be in breach of the Contingent Agreement to Trade and the Member acknowledges that it shall be liable to the other party to the Contingent Agreement to Trade for any loss suffered by such party as a consequence of such breach; and
  - (c) in the event that the Member becomes a Defaulter after entering into the Contingent Agreement to Trade, the Contingent Agreement to Trade shall automatically and immediately be terminated for all purposes, without prejudice to any liability that may have accrued pursuant to Regulation 2.10.3(b) above. For the avoidance of doubt, and in the absence of any specific agreement to the contrary, the references to "all purposes" above shall include the possible existence of any bilateral (OTC) contract.
- 2.10.4 Any dispute between the parties to a Contingent Agreement to Trade shall, unless resolved between the parties, be referred by either party to arbitration in accordance with the Arbitration Regulations.
- 2.10.5 For the avoidance of doubt, a Contingent Agreement to Trade shall not itself be a derivative contract for the purpose of EMIR or MiFID II, although the Cleared Contracts and any Client Contracts that arise pursuant to the Execution of the Agreed Trade to which the Contingent Agreement to Trade relates may be derivative contracts for such purposes.
- 2.11 **Give-Ups**
  - 2.11.1 In the event that a Member agrees an Agreed Trade that is to be the subject of a give-up, such Member must comply with such technical, procedural and timing requirements as may be specified in Administrative Procedures, including any requirements relating to: (i) the specification of the accounts at the Clearing House to which the Cleared Contract(s) resulting from the Execution of the Agreed Trade should be allocated; and (ii) any subsequent cancellation or reversal of such Cleared Contract(s) upon acceptance of the give-up by another Clearing Member.

2.11.2 Where a Clearing Member accepts a give-up:

- (a) such Clearing Member shall comply with such technical, procedural and timing requirements as may be specified in Administrative Procedures to facilitate the acceptance of the give-up; and
- (b) the acceptance of the give-up shall, at the time that the Matching System confirms that the Agreed Trade represented by such acceptance satisfies the Acceptance Criteria and that all Pre-Execution Checks are satisfied (such time being the Execution Time), be deemed to result in the Execution of an Agreed Trade between the Clearing Member and the Client which shall result in the formation of a Client Contract between the Clearing Member and the Client, in accordance with Regulation 2.6 above.

**2.12 Requirements for Registered Intermediating Brokers**

**2.12.1 The following requirements apply to Registered Intermediating Brokers and Agreed Trades and Contracts arranged by Registered Intermediating Brokers.**

**2.12.2 Registered Intermediating Brokers shall be permitted to arrange Agreed Trades only in the inter-office market. Registered Intermediating Brokers shall not be permitted to arrange Agreed Trades in the Ring, or through the facilities of LME Select.**

**2.12.3 Registered Intermediating Brokers may not arrange, or submit to the Matching System, any Agreed Trade the execution of which would result in such Registered Intermediating Broker becoming a counterparty to any resulting Contract (including as a Client of any other Member).**

**2.12.4 Registered Intermediating Brokers may arrange Agreed Trades between persons who are either Members or non-Members, and each such person shall in these circumstances be a Client of the Registered Intermediating Broker.**

**2.12.5 In order to arrange an Agreed Trade between two Clients, a Registered Intermediating Broker must first:**

- (a) have established appropriate contractual arrangements with each Client addressing at least the following:
  - (i) the Registered Intermediating Broker must be authorised to act as the agent of such Client for the purposes of arranging Agreed Trades with other Clients of such Registered Intermediating Broker;
  - (ii) the Registered Intermediating Broker must be authorised to submit to the Matching System the particulars of any Agreed Trade, for and on behalf of such Client;
  - (iii) the Registered Intermediating Broker must maintain appropriate technical and operational arrangements with each of its Clients to ensure that details of Agreed Trades are accurately recorded, reflecting a matched transaction all relevant details of which have been agreed by each Client, and capable of being input into the Matching System in accordance with these Rules;

- (iv) the basis on which the parties shall respectively be liable for any Agreed Trade that is input into the Matching System in error or that is inputted inaccurately;
  - (v) the basis on which the Registered Intermediating Broker may otherwise be liable to the Client in connection with its performance of services on such Client's behalf, and any limitations on such liability;
- (b) have established that each Client has:
- (i) appointed a Clearing Member that will be responsible for clearing the Contract(s) resulting from the Execution of such Agreed Trade on behalf of such Client, and identified such Clearing Member to the Registered Intermediating Broker;
  - (ii) established with such Clearing Member the scope of authority to be exercised by the Registered Intermediating Broker to arrange Agreed Trades on behalf of the Client and to submit such Agreed Trades to the Matching System for clearing by the Clearing Member, including:
    - (1) any requirements, restrictions or limitations imposed by the Client on the Agreed Trades that may be arranged by the Registered Intermediating Broker; and
    - (2) any requirements, restrictions or limitations imposed by the Clearing Member on the Agreed Trades that may be cleared for the Client,

(the "**RIB Scope of Authority**)";
  - (iii) established appropriate arrangements with such Clearing Member to ensure that the Clearing Member will accept for clearing any Agreed Trades arranged by the Registered Intermediating Broker that fall within the RIB Scope of Authority;
  - (iv) communicated to the Registered Intermediating Broker the RIB Scope of Authority;
  - (v) where such Client is a Member, and the Execution of the Agreed Trade would result in the creation of one or more Client Contracts between such Member and its own Client (and, where relevant between such Client and any Indirect Clients), that there are appropriate contractual arrangements in place between each party in the chain of Client Contracts; and
- (c) have established to which accounts of the Clearing Member at the Clearing House the Contracts resulting from the Execution of the Agreed Trade should be recorded.

2.12.6 A Registered Intermediating Broker must maintain appropriate systems and controls to ensure that its RIB Scope of Authority for each of its Clients are at all times (i) up-to-date within its own books and records; and (ii) notified to the relevant Clearing Member.

2.12.7 Without prejudice to the generality of Regulation 2.12.6 above, in the event that a Client of a Registered Intermediating Broker withdraws the authorisation of the Registered

Intermediating Broker to arrange Agreed Trades on its behalf and/or to arrange the clearing of such Agreed Trades with any Clearing Member, such Registered Intermediating Broker must immediately notify the relevant Clearing Member.

2.12.8 In the event that a Registered Intermediating Broker inputs the particulars of an Agreed Trade into the Matching System and either:

(a) the Agreed Trade is not accepted within the Matching System by the Clearing Member within the timescale specified in Regulation 3.5; or

(b) the Clearing Member rejects the Agreed Trade,

then the Registered Intermediating Broker must promptly take reasonable steps to: (i) liaise with the Clearing Member and the relevant Clients; (ii) identify the cause of the rejection or delay of approval; and (iii) resolve the underlying issue.

2.12.9 Upon the resolution of the underlying issue pursuant to Regulation 2.12.8 above, the Registered Intermediating Broker must promptly re-submit the Agreed Trade to the Matching System through the Matching System RIB Screen. Such re-submission shall be effected within such timescales as are specified in Regulation 3.5, as if the time at which the underlying issue was resolved were treated as the time at which the particulars of the Agreed Trade were agreed.

## 2.13 Use of Registered Intermediating Brokers: Requirements for Members

2.13.1 Without prejudice to the obligations of the Registered Intermediating Broker under these Rules, a Member that uses a Registered Intermediating Broker shall retain responsibility for any Agreed Trades input into the Matching System by a Registered Intermediating Broker acting on such Member's behalf.

2.13.2 Where a Member uses a Registered Intermediating Broker to arrange any Agreed Trade that will, upon Execution, result in the creation of one or more Client Contracts (as specified in Regulation 2.12.5(b)(v) above), such Member must, prior to allowing such Registered Intermediating Broker to arrange any such Agreed Trade, provide to the Registered Intermediating Broker a list of the Clients and Indirect Clients of the Member in respect of which the Registered Intermediating Broker may arrange such Client Contracts. The Member must ensure that the Registered Intermediating Broker is at all times in receipt of an accurate and up-to-date list. The Member must provide such list to the Exchange promptly upon request.

2.13.3 A Clearing Member that agrees with any Client to permit a Registered Intermediating Broker to arrange Agreed Trades for such Client that may, upon Execution, be cleared by such Clearing Member, must:

(a) maintain appropriate systems and controls to ensure that such Clearing Member is at all times able to confirm the RIB Scope of Authority prescribing the scope of permitted activity that such Registered Intermediating Broker may undertake for such Client; and

(b) upon receipt of an instruction from such Client indicating that such Registered Intermediating Broker is no longer to be authorised to arrange Agreed Trades on its behalf, or to clear such trades through the Clearing Member, promptly take such steps as are prudent and reasonable to ensure that no further Agreed Trades in



respect of such Client that are submitted to the Clearing Member for approval by such Registered Intermediating Broker shall be approved.

2.13.4 A Clearing Member may reject an Agreed Trade input into the Matching System by a Registered Intermediating Broker where such Agreed Trade breaches the RIB Scope of Authority (including any limits agreed between the Clearing Member and a relevant Client).

2.13.5 In the event that a Registered Intermediating Broker inputs incorrect data into the Matching System in respect of an Agreed Trade and such error is identified prior to the Execution of the Agreed Trade:

- (a) the Registered Intermediary Broker must, upon identifying the error, immediately notify the Clearing Member;
- (b) the Clearing Member must not allow an Agreed Trade, in respect of which it has received notification of an error pursuant to (a), to proceed to Execution unless and until the error has been resolved and correct information input into the Matching System;
- (c) following receipt of such notification by the Clearing Member, the Clearing Member and the Registered Intermediating Broker must co-operate in good faith to promptly resolve the error and ensure that the correct data is input into the Matching System prior to the Execution of the Agreed Trade; and
- (d) in the event that the error is not capable of being corrected within the timescale for approval or rejection of the Agreed Trade pursuant to Regulation 3.5.1(c)(iii), the Clearing Member must reject the Agreed Trade;
- (e) where an Agreed Trade is to be cleared by more than one Clearing Member and an error relating to an Agreed Trade relates to, or affects, the details of the Agreed Trade that is to be approved by both Clearing Members, both Clearing Members must co-operate with the Registered Intermediating Broker and with each other to resolve the error and ensure that the correct information in respect of the Agreed Trade is input into the Matching System.

2.13.6 In the event that a Registered Intermediating Broker inputs incorrect data into the Matching System in respect of an Agreed Trade and such error is not identified prior to the Execution of the Agreed Trade, any liability for losses resulting to the Client and/or the Clearing Member as a consequence of such error shall be determined by the contractual terms between the Client, the Registered Intermediating Broker and, if applicable, the Clearing Member and shall not be prescribed by these Rules.

## 2.14 Delta Hedging of Option Contracts by Registered Intermediating Brokers

2.14.1 The Matching System provides functionality to enable RIB Tier 2 Members to arrange Agreed Trades in RIB Tier 1 Products that are Futures and/or Monthly Average Futures, subject to complying with the restrictions set out in this Regulation 2.14, and notwithstanding that the RIB Tier 2 Member does not otherwise have authority under these Rules to arrange Agreed Trades in RIB Tier 1 Products.

2.14.2 RIB Tier 2 Members may use the functionality described in this Regulation 2.14 in order to arrange Agreed Trades in RIB Tier 1 Products only where such arrangements comprise

part of the same “strategy” in relation to which the RIB Tier 2 Member has arranged Agreed Trades in one or more Traded Option Contracts. The purpose of such strategy must be limited to hedging the initial delta risk arising from the Traded Option Contract(s). An arrangement of the kind described in this Regulation 2.14.2 shall be referred to as a “Delta Hedged Strategy”. Delta Hedged Strategies may comprise one or more Agreed Trades in Traded Option Contracts and the relevant RIB Tier 1 Products, but all of the Agreed Trades comprising a Delta Hedged Strategy must be submitted to the Matching System simultaneously.

2.14.3 Where a RIB Tier 2 Member arranges a Delta Hedged Strategy, any RIB Tier 1 Product comprising, or forming part of, such Delta Hedged Strategies shall be deemed to be a RIB Tier 2 Product in respect of which the RIB Tier 2 Member is permitted to arrange Agreed Trades, provided that:

- (a) all of the relevant Agreed Trades comprise part of the same Delta Hedged Strategy;
- (b) all Agreed Trades in RIB Tier 1 Products that comprise, or form part of, the Delta Hedged Strategy must be arranged solely for the purpose of hedging the delta risks arising from, or associated with, the Agreed Trades arranged in the Traded Option Contracts;
- (c) the counterparties to any Agreed Trade in the RIB Tier 2 Products that forms part of the Delta Hedged Strategy must also be the counterparties to the Agreed Trade(s) in the RIB Tier 1 Product(s) that comprise, or form part of, Delta Hedged Strategy;
- (d) the number of Lots of the relevant RIB Tier 1 Products must be consistent with the delta risk exposure within the Delta Hedge for the related RIB Tier 2 Product that is a Traded Options Contract.

2.14.4 In the event that a RIB Tier 2 Member arranges any Agreed Trade in a RIB Tier 1 Product otherwise than pursuant to a legitimate Delta Hedged Strategy, or in breach of the requirements specified in Regulation 2.14.2 and 2.14.3 above, such circumstance shall be an act of misconduct by the RIB Tier 2 Member for the purposes of Regulation 14 of the Membership Regulations, and may result in disciplinary action against the Member by the Exchange. In such circumstances, the disciplinary action available to the Disciplinary Committee may include, in addition to the penalties set out in Membership Regulation 14.22, the suspension of the RIB’s access to the Matching System RIB Screen, or the suspension of access of any one or more individuals acting for, or on behalf of, the RIB, who the Exchange determines was involved in the act of misconduct. Any such suspension shall be for such period as the Exchange may determine.

### **3. THE MATCHING SYSTEM AND RECORDING OF TRADES**

#### **3.1 Responsibility for Trade Input**

**3.1.1** Each Trading Member shall be responsible for the input into the Matching System of all Agreed Trades by him in relation to Contracts. Where a Registered Intermediating Broker arranges an Agreed Trade for a Trading Member, the Trading Member may permit the Registered Intermediating Broker to input the Agreed Trade into the Matching System on its behalf, but the Trading Member shall remain responsible, for the input of such Agreed Trade into the Matching System.

3.1.2 In all other circumstances where an Agreed Trade is arranged by a Registered Intermediating Broker, the Registered Intermediating Broker shall be responsible for the input into the Matching System of all Agreed Trades arranged by him in relation to Contracts.

~~3.1.2~~3.1.3 For the purpose of input of Agreed Trades, Trading Members and Registered Intermediating Brokers shall install and maintain within their offices such electronic data input and capture systems as may be required and approved by the Exchange for the purpose of using the Matching System. They shall ensure the operational capability of such systems at all times and operate the same in accordance with any terms as may be prescribed by the Exchange.

### 3.2 **Form for Recording of Trades**

3.2.1 Agreed Trades made in the Ring shall be recorded as they are agreed on such form as may be approved by the Exchange, and shall also be input into the Matching System.

3.2.2 All other Agreed Trades made by Trading Members shall be recorded on Trading Members' own recording documentation and shall also be input into the Matching System.

3.2.3 All Agreed Trades arranged by Registered Intermediating Brokers shall be recorded on such Registered Intermediating Brokers' own recording documentation and shall also be inputted into the Matching System, subject to, and following the approval of such Agreed Trade by the Clearing Members that will be responsible for clearing such Agreed Trade.

~~3.2.3~~3.2.4 All Agreed Trades required to be input into the Matching System shall be input in such form and within such time as may be prescribed by the Exchange from time to time.

### 3.3 **Identification of Clearing House Accounts**

3.3.1 Each Clearing Member must, in respect of each Agreed Trade that it inputs, or allows to be input by a RIB, to the Matching System specify to which account at the Clearing House the resulting Cleared Contracts should be allocated. It is the sole responsibility of the Clearing Member to ensure that any Cleared Contract that is to be allocated to a "client account" (whether it is an "omnibus" client account, an "individually segregated" client account or an "indirect" client account) is so allocated through the input of the relevant information into the Matching System. Where an Agreed Trade is:-

(a) entered into by a Category 4 Member or an LMEprecious Non-Clearing Member;  
or

(b) arranged by a Registered Intermediating Broker on behalf of a Client that has appointed the Clearing Member to clear the Contracts resulting from the Execution of the Agreed Trade.

such Member and the Clearing Member that is responsible for clearing the Agreed Trade shall comply with the Administrative Procedures with respect to the requirements for identifying the account(s) at the Clearing House to which the resulting Cleared Contracts should be allocated.

~~3.3.1~~3.3.2 Members shall comply with any requirements specified by the Clearing House and any requirements under applicable law (including EMIR) regarding the identification and allocation of Cleared Contracts to accounts at the Clearing House.

~~3.3.2~~ 3.3.3 Where:

- (a) an Agreed Trade relates to an LME Base Contract:
  - (i) an Agreed Trade between two Clearing Members shall be allocated to each Clearing Member's house account at the Clearing House;
  - (ii) an Agreed Trade between a Client and the Clearing Member responsible for clearing the Agreed Trade shall result in the allocation of Cleared Contracts to both:
    - (1) the Clearing Member's house account; and
    - (2) the Clearing Member's appropriate client account at the Clearing House;
  - (iii) an Agreed Trade between a Client and any other person shall result in the allocation of Cleared Contracts to both:
    - (1) the house account of the Clearing Member responsible for clearing the Agreed Trade; and
    - (2) the client account of the Clearing Member responsible for clearing the Agreed Trade;
- (b) an Agreed Trade relates to an LMEprecious ~~Future~~Contract:
  - (i) an Agreed Trade that is a proprietary trade of an LMEprecious Clearing Member shall be allocated to the house account of the LMEprecious Clearing Member at the Clearing House; and
  - (ii) an Agreed Trade made by a Member, and for which an LMEprecious LMEprecious General Clearing Member is responsible for clearing such Agreed Trade may be allocated to a house account of the LMEprecious General Clearing Member (where the Agreed Trade is a proprietary trade of the LMEprecious General Clearing Member falling within (i) above) or a client account of the LMEprecious General Clearing Member (in any other circumstance).

~~3.3.3~~ 3.3.4 In the event that a Cleared Contract is allocated by the Clearing House to an administrative account due to any determination by the Clearing House that the details of the Agreed Trade submitted by a Member have incorrectly identified the account at the Clearing House to which the Cleared Contract should be allocated, the Member must, within the Opening Hours on the Business Day following the agreement of the Agreed Trade, submit corrected instructions to LME Clear, specifying the correct account to which the Cleared Contract should be allocated.

### 3.4 **Matching**

3.4.1 For the purpose of matching Agreed Trades the Exchange shall divide each Business Day into "Matching Periods". The Administrative Procedures shall specify the application of the Matching Periods.

3.4.2 Any dispute or difference between Trading Members as to matching of any Agreed Trade or alleged Agreed Trade may be referred to arbitration in accordance with the Rules of the Exchange by either such Trading Member.

### 3.5 Deadlines

3.5.1 Each Member responsible for the input of an Agreed Trade and all relevant particulars of the Agreed Trade into the Matching System (and, in (c) below, any Member responsible for approving an Agreed Trade) must do so within the following timescales:

(a) where the Agreed Trade is made in LME Select, at the time of the input of the order for the Agreed Trade in LME Select;

(b) where the Agreed Trade is made in the inter-office market: (and has not been arranged by a Registered Intermediating Broker):

(i) (except where (ii) below applies) within 10 minutes of the Contingent Agreement to Trade in respect of the Agreed Trade having been agreed; or

(ii) where the Contingent Agreement to Trade in respect of the Agreed Trade is agreed:

(1) during the last 10 minutes of the Opening Hours of the Matching System; or

(2) outside the Opening Hours of the Matching System,

within such timeframe as is specified by the Exchange from time to time; and

(c) where the Agreed Trade is made in the inter-office market and has been arranged by a Registered Intermediating Broker:

(i) (except where (ii) below applies) the Registered Intermediating Broker must input the particulars of the Agreed Trade into the Matching System for approval by the Clearing Members within 10 minutes of the particulars of the Agreed Trade having been agreed;

(ii) where the particulars of the Agreed Trade are agreed:

(1) during the last 10 minutes of the Opening Hours of the Matching System; or

(2) outside the Opening Hours of the Matching System,

the Registered Intermediating Broker must input the particulars of the Agreed Trade into the Matching System through the Matching System RIB Trade Entry Screen for approval by the Clearing Members within such timeframe as is specified by the Exchange from time to time; and

(iii) the Clearing Member must approve or reject such Agreed Trade within the Matching System, within 10 minutes of the input of such particulars into the Matching System; and

~~(e)~~(d) where the Agreed Trade is made in the Ring, within 10 minutes of the close of the Ring trading-period in which the Agreed Trade was Executed.

Any failure by a Member to comply with this Regulation 3.5 shall be an act of misconduct for the purposes of Regulation 14 of the Membership Regulations, and may result in disciplinary action against the Member by the Exchange.

3.5.2 Where an Agreed Trade is made in the inter-office market and its particulars are not entered into the Matching System:

(a) (except where ~~(b)~~ or (c) below applies) by the close of the Opening Hours for the Business Day on which (as applicable):

(i) the Contingent Agreement to Trade in respect of the Agreed Trade has been agreed; or

~~(b)~~(ii) the particulars of an Agreed Trade arranged by a Registered Intermediating Broker have been agreed; or

(b) where the Contingent Agreement to Trade in respect of the Agreed Trade is agreed outside the Opening Hours, by the next following close of the Opening Hours; or

~~(b)~~(c) where the particulars of an Agreed Trade arranged by a Registered Intermediating Broker are agreed outside the Opening Hours, by the next following close of the Opening Hours,

the Matching System will not accept the Agreed Trade.

### 3.6 **Presentation of Particulars**

3.6.1 Only Agreed Trades which have been agreed in accordance with these Rules, and which satisfy the Acceptance Criteria of the Clearing House, may give rise to Contracts.

3.6.2 Particulars of an Agreed Trade presented to the Clearing House by the Matching System shall be deemed to be presented by the Clearing Members in whose names it is presented and accordingly, under the Clearing House Rules, presentation of the particulars by the Matching System shall constitute confirmation of the Agreed Trade by those Clearing Members.

3.6.3 Upon such presentation of particulars the Clearing House shall, subject as provided in the Clearing House Rules, send to each Clearing Member in whose name they are confirmed a member-registration statement showing the date and other particulars of each accepted Agreed Trade and the resulting Cleared Contract or a summary thereof. If the Clearing House does not accept an Agreed Trade particulars of which have been presented to it, it shall notify the contracting parties within a reasonable time. This provision is without prejudice to, and subject to, the rights and obligations of the Clearing House under the Clearing House Rules.

### 3.7 **Maintenance of Records**

3.7.1 Every Trading Member and Registered Intermediating Broker shall keep such records, with such content and in such form, as may be required to demonstrate compliance by the Member with the Rules.

In particular, ~~such~~ Trading Members shall keep records of all Agreed Trades and resulting Contracts in such form as the Exchange may approve and such records shall include the following details:-

- (a) name of the other party;
- (b) whether the Member has bought or sold or, in the case of a Traded Option, granted or taken;
- (c) the metal or Precious Metal or Index or ~~Ferrous~~ Cash-Settled Future Index;
- (d) whether the Contract is an LMEmini Contract;
- (e) Prompt Date (if applicable) and, in the case of a Traded Option, maturity or declaration month, Strike Price, and whether the Traded Option is a put or a call,
- (f) whether the Contract is a Monthly Average Future and, if so (i) the tradeable month which is to be used to calculate the Monthly Average Settlement Price; and (ii) the fixed price agreed between the buyer and the seller in the Contract;
- (g) whether the Contract is a Premium Contract;
- (h) in relation to any Premium Contract:
  - (i) the Premium Warrant Jurisdiction; and
  - (ii) the Premium Contract Price; and
  - (iii) any other details specified in the Premium Contract Regulations;
- (i) whether the Contract is an LMEprecious Contract;
- (j) quantity;
- (k) transaction price or, in the case of a Traded Option, premium; and
- (l) date and time of transaction; and
- (m) in relation to any Cleared Contract, the account of the Clearing House to which the Cleared Contract has been allocated by the Clearing Member, which may include for the avoidance of doubt, the Clearing Member's "house" or "proprietary" account, or a relevant "client" account, being either segregated on an "omnibus" basis or an "individual" basis with respect to the Clearing Member's Clients and, where relevant, Indirect Clients of the Clearing Member.

Registered Intermediating Brokers shall keep records of all Agreed Trades that they have arranged, in such form as the Exchange may approve, and such records shall include the following details:-

- (i) the names of the parties to the Agreed Trade (including whether such parties are Members);
- (ii) the identities of the Clearing Member(s) that are responsible for clearing the Contracts resulting from Execution of the Agreed Trade; and

(iii) the details specified in paragraphs (b) to (m) above (subject that where any such paragraph refers to a Member, the RIB shall record the details relating to each counterparty to the Agreed Trade).

3.7.2 The time of a transaction effected by open outcry in the Ring shall be recorded by denoting the Ring-trading period in which the transaction is effected, using the appropriate abbreviation from below, as detailed further in the Matching Rules:-

"R1" for the first Ring of the first session;

"R2" for the second Ring of the first session;

"K1" ~~to "K6"~~ for the ensuing kerb;

"R3" for the first Ring of the second session;

"R4" for the second Ring of the second session;

~~"K7" to "K9"~~ K2 for the ensuing kerb.

### 3.8 **Post-Compression Contracts**

3.8.1 For the avoidance of doubt, nothing in this Regulation 3 shall require a Post-Compression Client Contract to be separately input into the Matching System as a consequence of its creation pursuant to Compression. The input of the original trade that gave rise to the Contract that was subject to Compression is sufficient to ensure that such trade (and any Contracts and Post-Compression Contracts resulting therefrom) is recorded in the Matching System.

### 3.9 **Pre-Requisites to Contract Formation**

3.9.1 Upon entry into the Matching System of the particulars of any Agreed Trade, each Member that is party to the Agreed Trade ~~must~~ (or, in the case of a Registered Intermediating Broker, that has inputted the particulars of the Agreed Trade into the Matching System) must:

- (a) specify the Clearing Member that is responsible for the clearing of the Agreed Trade for such Member;
- (b) specify the relevant account of such Clearing Member at the Clearing House to which the Cleared Contract(s) that will result from the Execution of the Agreed Trade must be allocated;
- (c) have ensured that such Clearing Member has agreed to clear the Agreed Trade and to the allocation of the Cleared Contract(s) in accordance with (b) above;
- (d) have ensured that such Agreed Trade is not agreed or entered into the Matching System unless any prior requirements specified by the Clearing House in accordance with the Clearing House Rules have been satisfied;
- (e) where any Client is to be party to any Client Contract to be formed pursuant to these Rules upon Execution of the Agreed Trade, and such Client is not a Member, have agreed terms of business with such Client providing for:



- (i) the agreement of such Client that the formation and performance of such Client Contract shall be subject to and in accordance with these Rules, as if such Rules were incorporated into such terms of business; and
- (ii) where any such Agreed Trade is made in the inter-office market, the formation of a Contingent Agreement to Trade between the Member and the Client, having the terms described in Trading Regulation 2.10 above.

3.9.2 Each Member must ~~ensure that it has~~ have in place systems and controls ~~in place~~ to ensure that, before it enters into an Agreed Trade: \_

- (a) where the Member is a Clearing Member, it can; or
- (b) where the Member is not a Clearing Member, its Clearing Member can

at all times comply with any requirements imposed by, and systems operated by, the Exchange or the Clearing House regarding the verification that the Clearing Member has sufficient collateral.

### 3.10 **Corrections**

3.10.1 In the event that the Matching System determines that an Agreed Trade made in LME Select or the inter-office market has failed to satisfy any Pre-Execution Checks on the basis of the checks (any such failed check being a "**Failed Check**") applied to any Member that is party to the Agreed Trade or that would be party to any Cleared Contract resulting from the Execution of such Agreed Trade, the Member shall comply with the requirements of the Administrative Procedures regarding the correction of such Failed Checks.

3.10.2 Where, as a consequence of a Member having submitted incorrect information to the Matching System in respect of an Agreed Trade, the resulting Cleared Contract(s) are allocated by the Clearing House to the incorrect account of the Clearing Member, the Member must promptly submit corrected information to the Matching System. \_

### 3.11 **Failure to Input Ring Trade**

3.11.1 In the event that:

- (a) a Member has Executed an Agreed Trade in the Ring;
- (b) the Member subsequently becomes a Defaulter; and
- (c) prior to becoming a Defaulter, the Member has failed to input the particulars of the Agreed Trade into the Matching System, or has input particulars that are incorrect in any respect,

then the Exchange may, where it has evidence of the particulars of the Agreed Trade, input such particulars into the matching system on behalf of the Member in order to ensure that such particulars are recorded within the systems of the Exchange and the Clearing House, and to enable the Clearing House to identify the Cleared Contract(s) that have come into effect from the Execution Time. The Exchange may use such information as it has available to it to determine the relevant particulars, including any information available from recordings of the dealings in the Ring.

### 3.12 **Agreed Trades as Gross Transactions**

Each Member shall ensure that the details of each Agreed Trade arranged in the inter-office market that is input by or on behalf of the Member into the Matching System shall constitute the details of a single, distinct transaction, without the application of any netting, compression or aggregation by the Member of multiple transactions or Agreed Trades, except where:

- (a) the Member has aggregated Agreed Trades representing either multiple buy or multiple sell transactions (being transactions in the same direction); and/or
- (b) where Agreed Trades representing multiple buy or multiple sell transactions (being transactions in the same direction) have their Prompt Date adjusted to another date in accordance with the Rules.

For the avoidance of doubt, this provision is without prejudice to the ability of a Member to participate in the OTC Backloading Service in accordance with the Matching Rules and the Clearing House Rules.

### **3.13 Administrative Procedures**

3.13.1 Administrative Procedures shall apply to determine how Members shall effect certain trading operations using the facilities of the Exchange. The Administrative Procedures containing the "Matching Rules" shall be supplemental to these Trading Regulations.

3.13.2 In the event of any conflict between these Rules and the Administrative Procedures, these Rules shall prevail.

## **4. PRICE INFORMATION**

4.1 For the purpose of disseminating information as to prices obtaining at any time during business hours of any Business Day:-

4.1.1.1 the Exchange shall, during Ring and kerb trading, input current prices for all types of contract traded in the Ring to the Exchange's price-reporting service;

4.1.1.2 the Exchange shall, during LME Select trading hours, input the current best bid and best offer prices shown on LME Select and the aggregated volumes for each, together with the price and volume of each trade transacted, to the Exchange's price-reporting service;

4.2 Representatives of the Exchange shall be in attendance during Ring and kerb trading on each Business Day for the purpose of maintaining a record of trends in prices bid, offered and traded for all Contracts and, in respect of Carries, of price spreads.

4.3 Members shall not supply the aforementioned pricing-information in the form of a video- or data-feed directly or indirectly to any financial information service provider other than the Exchange or any of its authorised agents without prior written consent of the Exchange.

## **5. SETTLEMENT PRICES AND OTHER OFFICIAL PRICES**

5.1.1 At the close of the morning Ring trading session for each metal (for which there is a Ring trading session) and before commencement of kerb trading the Quotations Committee shall determine and post in the Exchange as soon as possible thereafter Official Prices for that metal in its Major Currency. Such prices shall be at the levels which the Quotations Committee determines to have been the last bid and offered prices in the second Ring or, where it determines there were not such prices, at such other level as it may in its discretion decide for Cash, three months and:-

- (a) fifteen months forward in the case of Steel Billet, Cobalt, Molybdenum and Tin;
- (b) the third Wednesday in December of the following calendar year in the case of Aluminium Alloy and North American Special Aluminium Alloy; and
- (c) the third Wednesday in December of each of the following three calendar years in the case of all other metals.

5.1.2 At the close of the morning Ring trading session for Premium Contracts and before commencement of kerb trading the Quotations Committee shall determine and post in the Exchange as soon as possible thereafter the Official Prices for Premium Contracts. Such prices shall be at the levels which the Quotations Committee determines to have been the last bid and offered prices in the second Ring or, where it determines there were not such prices, at such other level as it may in its discretion decide for the third Wednesday in the first, fourth and fifteenth months forward for each type of Premium Contract.

5.2 The Official Prices so determined shall immediately be reported by the Exchange to the Clearing House.

5.3 If the second succeeding Business Day is a Prompt Date:

- (a) the Official Prices for metals as determined under Regulation 5.1.1 above shall be the Settlement Prices for the relevant metal for that Prompt Date; and
- (b) the Official Prices for Premium Contracts as determined under Regulation 5.1.2 above shall be the Settlement Prices for the relevant Premium Contract for that Prompt Date.

5.4 At the same time as the Quotations Committee determines official Settlement Prices, it shall in addition determine Official Prices for all metals in their respective Major Currencies for the Prompt Dates three months and:-

- (a) fifteen months forward in the case of Steel Billet, Cobalt, Molybdenum and Tin;
- (b) the third Wednesday in the December of the following calendar year in the case of Aluminium Alloy and North American Special Aluminium Alloy;
- (c) the third Wednesday in December of each of the following three calendar years in the case of all other metals.

The said prices shall be determined on the basis of trading during the second of that morning's Ring trading-sessions or on such other basis as the Quotations Committee shall, in its discretion, decide.

5.5 At the close of the afternoon Ring trading-session the Quotations Committee shall determine prices for metals in the same manner as provided in Regulation 5.1.1 and 5.1.2 but on the basis of trading in the fourth Ring. Such prices shall be known as "Unofficial Closing Prices" and shall be posted in the Exchange.

5.6 After the close of the afternoon Ring-trading session on the Prompt Date of each Index Contract, the Quotations Committee shall determine and publish the level of the Index based upon the Closing Prices of the Constituent Metals determined and published for that day in accordance with Regulation 6.1 of these Trading Regulations. The level of the Index so determined shall immediately be reported by the Company to the Clearing House

and shall be the Settlement Price for the Index for such Index Contracts and for Cleared Contracts that have come into effect pursuant to the registration of Index Contracts by the Clearing House.

5.7 **Settlement Prices for ~~Ferrous~~Cash-Settled Futures and LMEprecious Futures and Closing Prices for Specified Metals**

5.7.1 ~~The Ferrous~~Each Cash-Settled Futures Daily Settlement Price and the LMEprecious Daily Settlement Price shall be calculated using a volume weighted average price ("VWAP") from transactions on LME Select between such periods as shall be specified by way of Notice.

The Exchange may specify a minimum volume threshold with respect to each Contract that is subject to this daily Settlement Price process, which shall be advised to the market from time to time by way of Notice.

5.7.2 In the event that the minimum volume threshold requirement is not reached, then the ~~Ferrous~~relevant Cash-Settled Futures Daily Settlement Price or LMEprecious Daily Settlement Price (as applicable) shall be determined as follows:

- (a) it shall be the last traded price within the bid/offer on the close of the pricing period, unless any of the following apply;
- (b) if the last traded price is outside of the bid/offer on the close of the pricing period, then the closest price to the last trade that falls within the bid/offer will be used;
- (c) if no trades have occurred during the pricing period, then the mid-point of the bid/offer on the close of the pricing period will be used;
- (d) if no trades have occurred during the pricing period and no bid/offer exists on the close of the pricing period, then the last traded price may be used but there is no obligation on the Exchange to determine that ~~Ferrous~~Cash-Settled Futures Daily Settlement Price or LMEprecious Daily Settlement Price (as applicable) at that level;
- (e) if no trades have occurred during that day and no bid/offer exists, then the ~~Ferrous~~Cash-Settled Futures Daily Settlement Price or LMEprecious Daily Settlement Price (as applicable) will be determined with reference to market activity in related Prompt Dates and/or market activity during the pricing period on the previous Business Day; and
- (f) where no such pricing information exists, then the ~~Ferrous~~Cash-Settled Futures Daily Settlement Price or LMEprecious Daily Settlement Price (as applicable) will be determined by the Exchange in its absolute discretion.

5.7.3 ~~The Ferrous~~Each Cash-Settled Futures Final Settlement Price shall be determined with reference to the ~~Monthly Ferrous~~corresponding Cash-Settled Future Index.

5.7.4 Errors in the ~~Ferrous~~Cash-Settled Future Index

Unless specified otherwise in the relevant Special Contract Rules for Cash-Settled Futures the following shall apply:

- (a) If, not later than 30 minutes after the ~~Ferrous~~Cash-Settled Futures Final Settlement Price has been published by the Exchange, any Member of the Exchange notifies the Exchange of, or it otherwise comes to the attention of the Exchange that there is an alleged or apparent error in the ~~Ferrous~~Cash-Settled Future Index, then the Exchange shall promptly request the index provider investigate such alleged or apparent error. If in the index provider's opinion an error has been made, the index provider shall correct any ~~Ferrous~~Cash-Settled Future Index value affected thereby and the Exchange shall as soon as reasonably practicable publish a correction to the ~~Ferrous~~Cash-Settled Futures Final Settlement Price, as required.
- (b) No correction to the ~~Ferrous~~Cash-Settled Future Index shall be made other than may be allowed for in Regulation 5.7.4(a).
- (c) Without prejudice to the generality of Regulation 19 (*Liability*) of these Trading Regulations, neither the Exchange nor its officers, employees, agents or representatives shall have any liability whatsoever in respect of any decision as to whether or not to correct the ~~Ferrous~~Cash-Settled Future Index, or as to whether or not to re-determine the ~~Ferrous~~Cash-Settled Futures Final Settlement Price.

5.7.5 The LMEprecious Final Settlement Price shall be the last LMEprecious Daily Settlement Price calculated for the relevant Prompt Date that is specified by way of Notice as being determinative of such LMEprecious Final Settlement Price. This price will be established on the Business Day prior to the relevant Prompt Date.

5.7.6 Any reference in these Rules to an LMEprecious Final Settlement Price determined for, pertaining to, or in respect of, a Prompt Date means the last LMEprecious Final Settlement Price determined prior to such Prompt Date in accordance with Regulation 5.7.5 above.

5.7.7 The Exchange may, from time to time in accordance with Regulations 6.1 and subject to Regulation 6.4, specify that the Closing Prices for certain metals may be calculated using a VWAP from transactions on LME Select between such periods as shall be specified by way of Notice. Any minimum volume threshold and the process for determining such Closing Prices if such threshold is not reached, shall be set out by way of Notice.

5.8 **The Daily Settlement Price for Metal Options, Traded Average Price Options~~-and~~, Index Options and LMEprecious Options**

5.8.1 The daily Settlement Price for Metal Options, Traded Average Price Options~~-and~~, Index Options and LMEprecious Options shall be determined in accordance with the following, with the Clearing House having overall responsibility for the determination of the daily Settlement Price for Metal Options and LMEprecious Options, and the Exchange having day-to-day responsibility for the determination of such daily Settlement Price on a delegated basis.

5.8.2 For Traded Average Price Options, the Exchange shall input to the screen information service and display thereon the daily Settlement Price, Moving Monthly Average Settlement Price and Monthly Average Settlement Price for the relevant metal during the relevant tradeable month according to the currency in which the Traded Average Price Option is denominated.

5.8.3 For the purpose of enabling the Clearing House to determine Metal Option, Traded Average Price Option, ~~and~~-Index Option and LMEprecious Option daily Settlement Prices pursuant to the Clearing House Rules, the Exchange shall, on each Business Day, use such

options valuation methodology as may be agreed between the Exchange and the Clearing House from time to time for the purposes of its valuations. Without prejudice to the generality of the foregoing, the Exchange may determine the volatilities prevailing in the Market at or around 17:15 hours, (or such other time as may be prescribed by Notice), for the Strike Price nearest the Closing Price and for such other Strike Prices as may be required by the Exchange in agreement with the Clearing House, of the relevant Metal Option, Traded Average Price Option, ~~and~~ Index Option and LMEprecious Option Contract and each relevant month in which the relevant Metal Option, Traded Average Price Option, ~~and~~ Index Option and LMEprecious Option is traded, and communicate the above to the Clearing House at or around 18:30 hours. The determination of the Closing Prices will take into account contributions from Members, voluntary contributions from Members and/or Clients ~~and~~, trading activity throughout the day ~~-, and/or any such other input data, including data from third party providers, as the Exchange may consider appropriate from time to time.~~

5.8.4 If a Member is active in a particular Metal Option, Traded Average Price Option, Index Option and/or ~~Index~~ LMEprecious Option at any particular time as determined by the Exchange, it shall be obliged to submit closing volatilities to the Exchange (in consultation, where appropriate, with the Clearing House), for the purpose of the Clearing House valuations if requested by the Exchange, unless the Exchange expressly states in its request that such contribution would be voluntary. The Exchange may specify by Notice that any Member that is active in LMEprecious Options must submit closing volatilities to the Exchange. If a Member fails to comply with such a request or requirement, or provides inaccurate or unreflective submissions, such Member may be subject to Exchange disciplinary procedures.

5.8.5 If a Client (who is not also a Member) is active in a particular Metal Option, Traded Average Price Option, Index Option and/or ~~Index~~ LMEprecious Option at any particular time, such Client may choose to submit closing volatilities to the Exchange on a daily basis for the purpose of the Clearing House valuations. The Exchange (in consultation with the Clearing House) will have absolute discretion to stop using voluntary submissions from any particular Client if they are deemed to be inaccurate or unreflective of volatilities prevailing in the market. Neither Clients nor Members shall be liable for any inaccurate or unreflective submissions made under this Rule 5.8.5.

5.8.6 For the avoidance of doubt, the daily Settlement Price for LMEprecious Options may be used for the purpose of margin calculations, but shall not be the price by reference to which the contract shall be exercised or abandoned on the Expiry Day (which price shall be the Settlement Price comprising the Exercise Reference Price, as determined in accordance with the LMEprecious Option Regulations).

## 6. CLOSING PRICES AND MARGIN

6.1 After the close of the afternoon Ring-trading session on each Business Day the Quotations Committee shall determine and publish Closing Prices in the Major Currency for each metal (for which there is a Ring trading session) for each Prompt Date, and the Index Futures Closing Price for each month forward, and the Premium Contract Closing Prices and the Company shall communicate the same to the Clearing House within a reasonable time after close of kerb trading. The Quotations Committee shall at the same time advise the Clearing House of such quoted values of Metal Contracts and Premium Contracts for such other Prompt Dates as may be necessary to enable current prices for all Prompt Dates to be calculated. The Exchange may determine the methodologies and data that will be

used by the Quotations Committee to determine Closing Prices, including by specifying the use of electronically-based methodologies and/or sources of data, where deemed to be appropriate. Regulation 6.4 below shall apply to any such methodology or change of methodology from time to time.

6.2 For the purposes of Initial and Variation Margin, Carries shall comprise two or more separately identifiable Contracts each with a different Prompt Date.

6.3 Where in any documentation issued by the Exchange in relation to LMEprecious Futures refers to the "Closing Price" of such Contract(s), such reference shall be construed to mean the LMEprecious Daily Settlement Price.

#### 6.4 The Exchange:

(a) shall inform Members by Notice of the methodologies or sources of data to be applied by the Quotation Committee to determine Closing Prices;

(b) subject to consultation where appropriate in the circumstances, may determine that the methodology and/or source of data to be used by the Quotations Committee for determining the Closing Prices of any metal or tenor shall be changed, either on a time-limited or on a permanent basis. In the event that the Exchange proposes to make such a change, the Exchange shall, by Notice, provide Members with advance prior notice of the change and the basis on which such Closing Prices shall be determined. The Exchange shall provide such notice as it considers reasonable in the context of the proposed change and any operational impact on Members.

### 7. **PAYMENT SYSTEM**

Every Clearing Member shall make such arrangements as may be requisite for his participation in the payment system administered by the Clearing House.

### 8. **PROMPT DATES**

8.1 Metal Futures may have any of the following Prompt Dates (but subject, where relevant, to sub-paragraph 8.2 and 8.4 of this Regulation):-

- (a) Cash Today;
- (b) Cash;
- (c) each other day forward from Cash to the day which is three months forward from the date upon which the Contract is made (the "three-months date");
- (d) each Wednesday falling after the three-months date until and including the last Wednesday in the sixth calendar month after the calendar month in which the Contract is made;
- (e) each third Wednesday in each calendar month from and including the seventh calendar month to and including the fifteenth calendar month in the case of Contracts for Cobalt, Molybdenum, Steel Billet and Tin, or the twenty-seventh month in the case of Contracts for Aluminium Alloy and North American Special Aluminium Alloy, or the sixty-third month in the case of Lead, Primary Nickel and Special High Grade Zinc, or the one hundred and twenty-third month in the case of

High Grade Primary Aluminium and Copper – Grade A, after the calendar month in which the Contract is made; or

- (f) the second Business Day of each calendar month from and including the fourth calendar month to and including:
  - (i) the twenty fourth calendar month after the calendar month in which the Contract is made, in the case of Contracts for Aluminium Alloy, North American Special Aluminium Alloy, High Grade Primary Aluminium, Copper – Grade A, Primary Nickel and Special High Grade Zinc; or
  - (ii) the fifteenth calendar month after the calendar month in which the Contract is made, in the case of Lead and Tin.

8.2 Index Contracts may have as their Prompt Dates (but subject, where relevant, to subparagraph 8.4 of these Trading Regulations) the second Wednesday in each permitted expiry month.

8.3 No Metal Contract in which the price is denominated in a currency other than sterling, US dollars or euro may be made for Cash Today or with a Prompt Date falling on a day which the Exchange shall have declared to be a day on which commercial banks in the principal financial centre for the currency concerned will not be open for the transaction of foreign exchange business. No Metal Option Contract may be made which, on declaration, would result in a Futures Contract with such a Prompt Date.

8.4.1 Except in relation to Monthly Average Futures, if any Prompt Date would fall on a day which is not a Settlement Business Day it shall instead fall on the next succeeding day which is a Settlement Business Day except:-

- (a) if the Prompt Date would fall on a Saturday and the preceding Friday is a Settlement Business Day;
- (b) if the Prompt Date would fall on Good Friday;
- (c) if the Prompt Date would fall on Christmas Day (and Christmas Day is on a Tuesday, Wednesday, Thursday or Friday); or
- (d) if the Prompt Date would fall on any other day which the Directors have specially declared is not a Business Day.

In the case of (a), (b) and (c) above, the Prompt Date shall instead fall on the preceding Settlement Business Day. In the case of (d) above the Prompt Date shall instead fall on such day as the Exchange in its absolute discretion shall determine.

8.4.2 If any Prompt Date falling within Trading Regulation 8.1(c) would, in spite of or by reason of the provisions of Trading Regulation 8.4.1, fall in the fourth calendar month after the calendar month in which the contract was made, it shall instead fall on the last Settlement Business Day in the third such calendar month.

8.4.3 The Chief Executive or the Head of Market Operations shall be empowered to declare, by way of Administrative Procedure given on such notice as is reasonably practicable, that a particular date shall not be a Prompt Date, for the purposes of facilitating the migration to an alternative Clearing House or for any other reason. In such cases, where trading has already taken place for a Prompt Date which is subsequently declared not to be a Prompt



Date, then any open positions will be rolled to the next available Prompt Date or such other date as the Exchange may determine in its absolute discretion.

8.5 LMEmini Futures may have the following Prompt Dates:

- (a) if, in any calendar month, the Contract is made on or before the LMEmini Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of that calendar month and on the third Wednesday of each calendar month thereafter for eleven months, subject, where relevant, to Trading Regulation 8.4.1; or
- (b) if, in any calendar month, the Contract is made after the LMEmini Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of the next eleven calendar months thereafter, subject, where relevant, to Trading Regulation 8.4.1.

8.6 Monthly Average Futures may have the following Prompt Dates:

- (a) two Business Days following the last Business Day in the tradeable month which is to be used to calculate the Monthly Average Settlement Price; or
- (b) where (a) is not a Settlement Business Day, the next Business Day which is a Settlement Business Day.

8.7 ~~Ferrous~~Cash-Settled Futures Contracts may have the Prompt Dates specified in the [relevant](#) Special Contract Rules for ~~Ferrous~~Cash-Settled Futures.

8.8 Premium Contracts may have the following Prompt Dates:

- (a) if, in any calendar month, the Contract is made on or before the Premium Contract Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of that calendar month and on the third Wednesday of each calendar month thereafter for fifteen months, subject, where relevant, to Trading Regulation 8.4.1; or
- (b) if, in any calendar month, the Contract is made after the Premium Contract Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of the next fifteen calendar months thereafter, subject, where relevant, to Trading Regulation 8.4.1.

8.9 LMEprecious Futures may have the Prompt Dates specified in the LMEprecious [Future](#) Regulations.

[8.10 LMEprecious Options may have the Prompt Dates specified in the LMEprecious Option Regulations.](#)

~~8.10~~[8.11](#) Except as otherwise provided in these Trading Regulations, the Contract Regulations, the Traded Options Regulations and the Default Regulations each Contract shall be settled on its Prompt Date and, except as aforesaid, Metal Contracts and Premium Contracts shall not be settled earlier notwithstanding that an offsetting Contract for the same tonnage and Prompt Date may have been made. For the avoidance of doubt, this Trading Regulation 8.11 is subject to, and shall be construed in accordance with Regulation 4.4 of the Contract Regulations.

~~8.11~~8.12 This Trading Regulation 8 is subject to Regulation 3.4.3 of the Default Regulations.

## 9. SETTLEMENT OF CONTRACTS

### 9.1 Cleared Contracts - General:

- 9.1.1 In Trading Regulations 9.1 to 9.4, references to "Cleared Contracts", "Cleared Metal Contracts", "Cleared LMEmini Contracts", "Cleared Index Futures", "Index Options", "Monthly Average Futures", "Cleared Monthly Average Futures", "Cleared ~~Ferrous~~Cash-Settled Futures", "Cleared Premium Contracts", "Cleared LMEprecious Options" and "Cleared LMEprecious Futures" shall be construed to include any Cleared Contract that arises pursuant to the Clearing House Rules upon the Execution of any Agreed Trade pursuant to these Rules and the Clearing House Rules.
- 9.1.2 Settlement of all Cleared Metal Contracts whether by offset or by delivery and settlement of differences shall be made on the relevant Prompt Date by reference to the Settlement Price determined for that Prompt Date in the currency of the relevant Cleared Metal Contract. Where the currency of the Cleared Metal Contract is not the Major Currency of the relevant metal, settlement shall be made by reference to the Settlement Price translated into the currency of the Cleared Metal Contract at the rate determined by the Company. Settlement of accrued rent and weight differences shall be made by reference to the Settlement Price applicable for that Prompt Date and in the Major Currency of the contract concerned.
- 9.1.3 Settlement of all Cleared LMEmini Contracts shall be made in cash on the relevant Prompt Date by reference to the Settlement Price determined for that Prompt Date for the relevant underlying metal, provided that only the difference between the Settlement Price of the underlying metal on the Prompt Date and the price of the underlying metal agreed in the Contract shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract size.
- 9.1.4 In addition to their settlement on the Prompt Date, all Cleared LMEmini Contracts shall be subject to settlement to market in accordance with the Clearing House Rules.
- 9.1.5 Settlement of all Cleared Index Futures shall be made in cash on the Settlement Business Day following the Prompt Date. Settlement shall be made by reference to the Settlement Price of the Index, determined as provided in Trading Regulation 5.6, provided that only the difference between the Settlement Price of the Index and the Contract price shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract size.
- 9.1.6 In addition to their settlement on the Settlement Business Day following the Prompt Date, all Cleared Index Futures shall be subject to settlement to market in accordance with the Clearing House Rules.
- 9.1.7 Settlement of Index Options exercised in accordance with the Index Options Regulations shall be made in cash on the Settlement Business Day following the Prompt Date. The Granter shall pay to the Taker an amount in cash equal to the difference between the Settlement Price of the Index and the Strike Price multiplied by the Contract size.
- 9.1.8 Settlement of all Monthly Average Futures shall be made in cash on the relevant Prompt Date. Settlement shall be made by reference to the Monthly Average Settlement Price for the relevant tradeable month for the relevant underlying metal, provided that only the difference between the Monthly Average Settlement Price for the relevant tradeable month

for the relevant underlying metal and the fixed price agreed by the buyer and seller in the relevant Contract shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract Size.

9.1.9 In addition to their settlement on the Prompt Date, all Cleared Monthly Average Futures shall be subject to daily marking to market in accordance with the Clearing House Rules.

9.1.10 Settlement of all Cleared ~~Ferrous~~Cash-Settled Futures shall be made in cash on the relevant Settlement Business Day ~~following the Prompt Date, specified in the Special Contract Rules for Cash-Settled Futures.~~ Settlement shall be made by reference to the ~~Ferrous~~Cash-Settled Futures Final Settlement Price, determined in accordance with the process specified in the relevant Special Contract Rules for ~~Ferrous~~Cash-Settled Futures.

9.1.11 In addition to their settlement on the relevant Settlement Business Day ~~following~~specified in the ~~Prompt Date~~Special Contract Rules for Cash-Settled Futures, all Cleared ~~Ferrous~~Client-Settled Futures shall be subject to daily settlement to market in accordance with the Clearing House Rules.

9.1.12 Cleared ~~Ferrous~~Cash-Settled Futures shall settle in accordance with the relevant Special Contract Rules for ~~Ferrous~~Cash-Settled Futures.

9.1.13 Cleared Premium Contracts shall settle in accordance with the Premium Contract Regulations.

9.1.14 Settlement of Cleared LMEprecious Options exercised in accordance with the LMEprecious Option Regulations shall be made on the Prompt Date by the coming into effect of an LMEprecious Future, in accordance with the LMEprecious Option Regulations and the Clearing House Rules.

**9.1A Cleared LMEprecious Futures – Settlement by Delivery**

9.1A.1 Settlement of all Cleared LMEprecious Futures shall be made by delivery of the relevant Lots of Precious Metal on the relevant Prompt Date in exchange for payment in US Dollars, calculated by reference to the LMEprecious Final Settlement Price determined for that Prompt Date and in accordance with the Clearing House Rules.

9.1A.2 In addition to their settlement on the Prompt Date, all Cleared LMEprecious Futures shall be subject to daily settlement to market in accordance with the Clearing House Rules.

9.1A.3 If a Clearing Member fails duly to deliver any amount of Precious Metal due to be delivered to the Clearing House:

- (a) the Clearing House may take such action as may be specified under the Clearing House Rules;
- (b) such failure shall constitute an act of misconduct for the purposes of Regulation 14 of the Membership Regulations; and
- (c) notwithstanding any application of the disciplinary process in Regulation 14 of the Membership Regulations, the Exchange shall co-ordinate with the Clearing House to determine the level of any fine or other penalty to be levied on the Clearing Member and the basis on which such fine or penalty may be imposed. For the avoidance of doubt, any failure by the Exchange to levy a fine or other penalty on the Clearing Member in respect of any failure to deliver Precious Metal shall not

prevent the Clearing House from levying any fine or other penalty on the Clearing Member in accordance with the Clearing House Rules (and vice versa).

**9.2 Cleared Metal Contracts - Settlement of Differences:**

Differences shall be established on the relevant Prompt Date, in respect of all Cleared Metal Contracts, between the contract price and the Settlement Price determined for that Prompt Date. The Clearing House shall account to Clearing Members for differences thus established by placing the same to their credit or debit as the case may require in accordance with the Clearing House Rules.

**9.3 Cleared Metal Contracts - Closing by Offset:**

Bought and sold Cleared Metal Contracts of a Clearing Member for the same metal and Prompt Date and in the same currency shall, to the extent that they match each other, be closed on their Prompt Date by offsetting.

**9.4 Cleared Metal Contracts - Settlement by Delivery:**

9.4.1 The net Lots covered by Cleared Metal Contracts remaining following offset under Trading Regulation 9.3 shall be settled on their Prompt Date by payment subject to the Clearing House Rules.

9.4.2 The Clearing House shall raise invoices or credit notes for the contract weight of the net Lots covered by such Cleared Metal Contracts at the Settlement Price and in the currency of the relevant Cleared Metal Contract and shall deliver the same to the relevant Clearing Members. Such invoices and credit notes shall be for the contract weight without allowance for storage rent accrued and differences between contract weight and Warrant weight.

9.4.3 Payments and receipts in respect of the invoices and credit notes raised by the Clearing House under Trading Regulation 9.4.2 shall be effected through the payment system or, in the case of payments to sellers, in such other form as shall be specified by the Clearing House.

9.4.4 The net Lots covered by Cleared Metal Contracts following offset under Trading Regulation 9.3 which match as to metal and tonnage but not as to currency, shall be offset for the purposes of establishing the nett number of Warrants to be settled by delivery subject to the Clearing House Rules. Subject to Trading Regulation 17.8, such delivery of Warrants shall, from the date prescribed by the Exchange for the relevant metal, be effected pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures and the Clearing House Rules.

9.4.5 On the Business Day following the Prompt Date the Clearing House shall call on seller or buyer as requisite in order that allowances for accrued storage rent, and any difference between Warrant weight and contract weight be accounted for in respect of Warrants transferred to the buyer in accordance with the Clearing House Rules.

9.4.6 If a Clearing Member fails duly to deliver a Warrant due to be delivered to the Clearing House, the Clearing House may, without prejudice to its rights under the Clearing House Rules:

9.4.6.1 without prejudice to the accrued rights for damages of the Clearing House and the affected buying Clearing Member(s), direct the Warrant be delivered to and by the Clearing Member on the Business Day next following the Prompt Date, that the Contract terms be adjusted accordingly and the parties' payment obligations and entitlements thereunder be adjusted to give such rate of compensation to the buyer as the Exchange may from time to time direct; or

9.4.6.2 Invoice Back the metal due to be delivered in accordance with Trading Regulation 10.4.

This Trading Regulation 9.4.6 shall apply subject to any directions of the Exchange made under Trading Regulation 17.1 or 17.2 below. The Exchange may prescribe such penalties for non-delivery of Warrants as it may from time to time deem fit in the Operating Procedures or by Notice.

9.4.7 The Exchange may prescribe dates in advance of the dates prescribed under Trading Regulation 9.4.4, following which Clearing Members may deliver only Warrants issued utilising LMEsword and bearing an LMEsword generated barcode.

## 9.5 **Client Contracts – General**

The provisions of this Trading Regulation 9.5 apply to the settlement of Client Contracts as between the Member and its Client. Any Cleared Contract that arises between a Clearing Member and the Clearing House pursuant to the Clearing House Rules that corresponds to a Client Contract, shall be settled in accordance with (i) Trading Regulations 9.1 to 9.4 above and (ii) the provisions of the Clearing House Rules.

## 9.6 **Client Metal Contracts**

9.6.1 Client Metal Contracts shall settle by offset or delivery.

### **Client Metal Contracts - by Offset:**

9.6.2 Offsetting bought and sold Client Metal Contracts with the same Prompt Date and currency shall be settled on contract (round) weights, buyer and seller paying or receiving as the case may be any difference between the Contract prices of the Contracts so offset.

### **Client Metal Contracts - by Delivery:**

9.6.3 Delivery of Warrants and settlement in respect of unmatched Client Metal Contracts shall be effected in accordance with the terms of the Client Metal Contract between the parties and the Contract Regulations. Such terms must require Warrants to be delivered by no later than 09.00 hours on the Prompt Date when a Category 4 Member or non-Member is the seller and transferor, and no later than 13.30 hours (so far as enabled by the seller's best endeavours) when a Clearing Member is the seller and transferor of the Warrants. Delivery shall be effected either pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers or (until further notice) by delivery of the physical Warrant. The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the seller's option.

## 9.7 **Daily Settling Client Contracts**

9.7.1 This Regulation 9.7 of the Trading Regulations shall apply to:

(a) Client Index Futures;

- (b) Client LMEmini Futures;
- (c) Client ~~Ferrous~~Cash-Settled Futures;
- (d) Client LMEprecious Futures

(each being a type of "**Daily Settling Client Contract**").

9.7.2 The Daily Settling Client Contracts listed in Regulation 9.7.1 above shall settle on the following basis:

- (a) Client Index Futures shall settle in cash on the Settlement Business Day following the Prompt Date in the same way as Cleared Index Futures as described in Trading Regulation 9.1.5.
- (b) Client LMEmini Futures shall settle in cash on the Prompt Date in the same way as Cleared LMEmini Futures as described in Trading Regulation 9.1.3.
- (c) Client ~~Ferrous~~Cash-Settled Futures shall settle in cash on the relevant Settlement Business Day ~~following the Prompt Date~~specified in the Special Contract Rules for Cash-Settled Futures in the same way as Cleared ~~Ferrous~~Cash-Settled Futures as described in Trading Regulation 9.1.10.
- (d) Client LMEprecious Futures shall settle by the delivery of Precious Metal from the Seller to the Buyer on the Prompt Date.
- (e) Such Daily Settling Client Contracts shall also be subject to daily settlement to market or daily marking to market as agreed between the Member and its Client on the basis set out below.

9.7.3 As agreed between the Member and its Client, the Member shall effect the daily settlement to market of all open Daily Settling Client Contracts of each type. Regulations 9.7.4 to 9.7.6 below shall be subject to the application of Regulations 9.7.7 and 9.7.8, where applicable.

#### **Calculation of Daily Settlement Amounts**

9.7.4 In order to create a daily settlement amount, the Member shall, in respect of each open Daily Settling Client Contract of each type, effect between it and its Client a settlement contract, being a book-entry Contract on the same terms (except as to price) as the open Contract, save that where the Client is a buyer under the terms of the Contract, the Client shall be a seller under the terms of the settlement contract and vice versa, at the relevant price, being:

- (a) in respect of Client Index Futures, the Index Futures Closing Price;
- (b) in respect of LMEmini Futures, the LMEmini Futures Closing Price;
- (c) in respect of ~~Ferrous~~Cash-Settled Futures, the ~~Ferrous~~Cash-Settled Future Daily Settlement Price;
- (d) in respect of LMEprecious Futures, the LMEprecious Daily Settlement Price,

(each being the "**Relevant Daily Settlement Price**").

For the avoidance of doubt, the settlement contract shall not be registered in the Matching System.

- 9.7.5 The Member shall, upon completion of the procedure in Trading Regulation 9.7.4 above, calculate the daily settlement amounts and the Member and its Client shall (unless otherwise agreed) settle any daily settlement amounts arising.

#### **Daily Settlement to Market and Marking to Market**

- 9.7.6 Subject to the application of Regulation 9.7.7, where applicable, the Member shall, upon completion of the calculation of daily settlement amounts pursuant to Trading Regulation 9.7.5 above:

- (a) In respect of those open Contracts in a Client's name which have been settled pursuant to Trading Regulation 9.7.4 and which are subject to daily settlement to market, enter into and record in its books at the Relevant Daily Settlement Price referred to in Trading Regulation 9.7.4 above, book-entry Contracts in the Client's name as open Contracts on the same terms (except as to price) as the settled open Contracts, save that the Member shall not enter into and record in its books Contracts in the name of the Client if to do so would result in the Client being the purchaser under one type of Daily Settling Client Contract and the seller under another Daily Settling Client Contract of the same type, each such Daily Settling Client Contract having the same maturity month. For the avoidance of doubt, these book-entry Contracts shall not be registered in the Matching System.
- (b) In respect of those open Contracts in a Client's name which have been settled pursuant to Trading Regulation 9.7.4 above and which are subject to daily marking to market enter into and record in its books at the Relevant Daily Settlement Price referred to in Trading Regulation 9.7.4 above, new book-entry Contracts in the Client's name as open Contracts on the same terms (except as to price) as the settled open Contracts. For the avoidance of doubt, these book-entry Contracts shall not be registered in the Matching System.

#### **Position Management where netting, aggregation or close out is applied to Client-Related Cleared Contracts**

- 9.7.7 In the event that any Client-Related Cleared Contracts that are allocated to a client account of a Clearing Member at the Clearing House are subject to Position Netting at the Clearing House, and the corresponding Underlying Client Contracts are Daily Settling Client Contracts, such Underlying Client Contracts shall also be automatically and simultaneously subject to Position Netting under the Exchange Rules, on the following basis:

- (a) the Clearing Member and the Client (each acting as principal) shall be released from further obligations towards one another under such Underlying Client Contracts and their respective rights against one another under such Contracts shall be cancelled; and
- (b) simultaneously, new Client Contracts shall, by operation of this Regulation, come into full force and effect between the Clearing Member and the Client, such that the Clearing Member and the Client (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another under such new Client Contracts; and

- (c) such new Client Contracts shall represent back-to-back Contracts to each post-netting Cleared Contract that is in effect following the Position Netting at the Clearing House, such that:
  - (i) for each post-netting Cleared Contract, there shall be a corresponding new Client Contract, having:
    - (1) the same direction; and
    - (2) the same commercial terms, including in relation to the amount of underlying metal and prices; and
  - (ii) the Variation Margin applicable to such a new Client Contract shall be ~~the~~ the Variation Margin amounts applicable to the post-netting Cleared Contracts or such larger sum as may be agreed between the parties,

save that Position Netting at the Exchange shall not affect any terms or contractual rights or obligations between the Clearing Member and the Client that were not comprised in the terms of any Underlying Client Contract that was subject to Position Netting under the Exchange Rules; and

- (d) where Position Netting results in the close out by netting of Client-Related Cleared Contracts, the Underlying Client Contracts corresponding to such Client-Related Cleared Contracts shall also be automatically and simultaneously closed out by netting.

9.7.8 Each Clearing Member that, under the Clearing House Rules, maintains Client-Related Cleared Contracts allocated to any of its client accounts at the Clearing House on the basis of the application of Position Netting at the Clearing House must:

- (a) have ensured that, prior to the implementation of any Position Netting at the Clearing House, its terms of business or other contractual arrangements with the relevant Clients contain provisions that operate in a manner that is consistent with Regulation 9.7.7 and this Regulation 9.7.8, and do not contain provisions which would conflict with or frustrate the Position Netting of any Underlying Client Contract in accordance with Regulation 9.7.7 and this Regulation 9.7.8;
- (b) ensure that any Client that is party to an Underlying Client Contract that is or may be subject to Position Netting under the Exchange Rules:
  - (i) is notified of the fact that such Position Netting may occur, and when such Position Netting will take effect; and
  - (ii) upon Position Netting under the Exchange Rules, is promptly notified of the effect of Position Netting, such that the Client is at all times on notice of the Client Contracts (including the post-netting Client Contracts) that are in force between the Clearing Member and the Client;
- (c) ensure that its books and records relating to the Client Contracts and Cleared Contracts to which it is a party are at all times reconciled and up to date, such that it is at all times possible to identify which Cleared Contract (including a post-netting Client Contract) represents the clearing of which Client Contract (including a post-netting Cleared Contract); and



- (d) promptly upon request by the Exchange or Clearing House provide a copy of such books and records described in (c) above, in such a format that would easily enable reconciliation of the Client Contracts with the corresponding Cleared Contracts (including the post-netting Cleared Contracts).

## 9.8 Client LMEprecious ~~Client~~Future Contracts - Delivery

Delivery of Precious Metal and settlement in respect of Client LMEprecious Futures shall be effected in accordance with the terms of the Client LMEprecious Future between the parties and the Contract Regulations. Such terms must require Precious Metal to be delivered by no later than:

- (a) no later than 16:00 hours on the Prompt Date when an LMEprecious Non-Clearing Member or non-Member is the Seller and transferor of the Precious Metal, and
- (b) no later than 16:00 hours (so far as enabled by the Seller's best endeavours) when an LMEprecious Clearing Member is the Seller and transferor of the Precious Metal,

or such other time as the Clearing House may prescribe from time to time.

Delivery shall be effected by delivery of the unallocated Precious Metal to the Buyer's account at a Precious Metal Clearer or by such other means as the parties may agree. The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the Seller's option.

## 9.9 Client LMEprecious Option Contracts

In the Money Client LMEprecious Option Contracts and At the Money Call Options on Client LMEprecious Option Contracts shall be subject to automatic exercise and settlement in the same way as Cleared LMEprecious Option Contracts, in accordance with the LMEprecious Option Regulations.

### ~~9.9~~9.10 Client Index Options

In the Money Client Index Options shall be subject to automatic exercise and settlement in the same way as In the Money Cleared Index Options.

### ~~9.10~~9.11 Client Premium Contracts

Client Premium Contract shall settle in accordance with the Premium Contract Regulations.

### ~~9.11~~9.12 Settlement Facility

Members may designate an alternative settlement facility to the Clearing House for the settlement of a Contract provided that:

- (a) such links and arrangements exist between the designated settlement facility and any other settlement facility as are necessary to ensure the efficient and economic settlement of the Contract; and
- (b) the Exchange is satisfied that the smooth and orderly functioning of the financial markets will be maintained.

### ~~9.13~~ 9.13 **Compression**

This Regulation 9 of the Trading Regulations shall be read and construed in accordance with Regulation 4.4 of the Contract Regulations.

### ~~9.13~~ 9.14 **Client Clearing and Indirect Clearing Arrangements**

~~9.13.1~~ 9.14.1 It shall be the responsibility of a Member, and not the Exchange, to ensure that any client clearing or indirect client clearing arrangement established by a Member is compliant with the Member's obligations under MiFID II, MiFIR and/or EMIR and/or any other applicable law or regulation.

~~9.13.2~~ 9.14.2 Without prejudice to the specific requirements in Trading Regulations 2.6 and 3.9.1, a Member must not cause or facilitate any Agreed Trade to be made with or for a Client of such Member unless such Member is satisfied that such Client has established appropriate direct and/or indirect clearing arrangements to become counterparty to the cleared transaction resulting from the Execution of such Agreed Trade.

## **10. DELIVERY - GENERAL**

10.1 Acceptance and delivery of documents including Warrants or Premium Warrants under the foregoing procedure shall be without prejudice to any question or dispute relating thereto being referred to arbitration. If any Clearing Member shall have any complaint whatsoever in respect of delivery or acceptance of delivery under a Cleared Contract with the Clearing House, he shall give written notice and particulars of his complaint to the Clearing House in conformity to the Clearing House Rules.

10.2 If there appears to the Clearing House to be a default by either party to a Cleared Contract with the Clearing House in respect of or arising out of a delivery, the Clearing House shall as soon as practicable take such steps as it deems appropriate to achieve an amicable settlement of the issue between the parties. If it appears to the Clearing House that such steps have not led and are not likely to lead to a settlement within a reasonable time, the Clearing House shall refer the dispute to the Directors.

10.3 If upon reference made to them by the Clearing House the Directors are of the opinion that the default is of minor significance, they may thereupon determine the issue upon such evidence before them as they may deem relevant and convey their determination to the parties. All parties shall forthwith accept such determination and shall implement its terms without question, provided that such acceptance and implementation shall be without prejudice to the right of any party to refer the dispute or any related dispute to arbitration under the Rules.

10.4 Where the Clearing House determines to Invoice Back metal in accordance with Trading Regulation 9.4.6.2 or (in the case of a Premium Contract) Premium Contract Regulation 3.9(f) or otherwise in accordance with the Clearing House Rules, it shall Invoice Back the metal in question to the seller at the price fixed by the Exchange. The Exchange may fix such a price as an applicable daily rate generally for the purposes of the Invoicing Back of the metal in question or for the specific case, at their absolute discretion, and such prices or rates may take account of any compensation that the Exchange consider should be paid by either party to the other. This Trading Regulation 10.4 shall apply subject to any directions issued in accordance with Trading Regulation 17.1 or 17.2 below.

- 10.5 An Invoicing Back price fixed under these Trading Regulations shall be binding on the parties. No dispute as to the price may be referred to arbitration but the completion of Invoicing Back shall be without prejudice to the right of any party to refer any other issue to arbitration under the Rules.
- 10.6 References in the Rules to the delivery of Warrants or Premium Warrants shall include a delivery of Warrants or Premium Warrants by way of a transfer within LMEsword in accordance with the LMEsword Regulations and Operating Procedures.
- 10.7 Where, as a consequence of a failure by a Member to deliver Precious Metal in respect of any Cleared Contract that is an LMEprecious Future, the Clearing House determines that it shall postpone its own delivery obligation in respect of such Precious Metal under any Client-Related Cleared Contract that is an LMEprecious Future, the Prompt Date in respect of the Underlying Client Contract that corresponds to such Client-Related Cleared Contract shall be postponed to the same date as revised date for delivery by the Clearing House under the Client-Related Cleared Contract.

## **11. DEALINGS IN THE RING**

- 11.1 Business in the Ring shall be by open outcry and shall be confined within the times laid down for dealings in individual metals and Contract-types and for kerb dealings. Each Category 1 Member must ensure they have a Dealer in each Ring. Dealings shall be for Prompt Dates in accordance with Trading Regulation 8.1 subject to the provisions of any applicable administrative procedures. Those present in the Exchange during Ring and kerb dealings shall at all times conduct themselves in an orderly manner.
- 11.2 The following rules of Ring procedure shall at all times be observed:-
- 11.2.1 Dealings must cease as soon as the bell commences to ring.
- 11.2.2 Offers and bids must be addressed to the Ring at large and not to individuals, and must be clearly audible to the Ring as a whole.
- 11.2.3 There must be no discrimination either in favour of or against any Dealer or the Ring Member for whom he is dealing.
- 11.2.4 Any bid or offer remains valid at the price unless or until there has been a change in price or the bid or offer has been expressly withdrawn. In accordance with this Trading Regulation:
- 11.2.4.1 a change in price occurs when the price that is offered trades and is then bid, or vice versa, or when the price is bid higher or offered lower in conformity with the requirements of Trading Regulation 11.2; and
- 11.2.4.2 if a Dealer who is bidding at a price wishes to offer at a lower price to his current bid, he must withdraw his current bid and immediately offer that same price before quoting a different price, unless a different price is quoted by another Dealer between the withdrawal by the Dealer and the new offer by that Dealer; and
- 11.2.4.3 if a Dealer who is offering at a price wishes to bid at a higher price to his current offer, he must withdraw his current offer and immediately bid that same price before quoting a different price, unless a different price is quoted by another Dealer between the withdrawal by the Dealer and the new bid by that Dealer; and

- 11.2.4.4 if a Dealer wishes to offer a price that is lower than the current bid price, he must sell all the Lots available at the bid price. He must then immediately offer that same price before quoting a different price, unless a different price is quoted by another Dealer between the trade at the bid price and the new offer by that Dealer; and
- 11.2.4.5 if a Dealer wishes to bid a price that is higher than the current offered price, he must buy all the Lots available at the offered price. He must then immediately bid that same price before quoting a different price unless a different price is quoted by another Dealer between the trade at the offered price and the new bid by that Dealer; and
- 11.2.4.6 any Dealer who is trading by open outcry will be deemed to have withdrawn his bid and/or offer should he leave the Ring.
- 11.2.5 Minimum price fluctuations shall be at such levels as the Exchange may from time to time prescribe.
- 11.2.6 Dealers should avoid using such terms as "I will sell only...." or "I will buy only...." if on acceptance they increase the number of Lots so specified, at the same price.
- 11.2.7 The Dealer who says "Yes" must be prepared to deal 50 Lots. Any unfilled balance up to this limit must be sold to or taken from other Dealers if immediately bid or offered. A response to "Yes" must be quantified by tonnage.
- 11.2.8 Bids or offers deemed by the Ring Disciplinary Committee to be frivolous are prohibited and may be deemed to be a prohibited practice pursuant to Trading Regulation 14.
- 11.2.9 The Dealer who is the first to bid or offer at a price must be given priority and is entitled to buy or sell all the Lots available at the price until his requirements are satisfied.
- 11.2.10 A Dealer who simultaneously offers to buy and to sell must be prepared to deal either way.
- 11.2.11 A Dealer must not:
  - 11.2.11.1 bid at or more than the offered price nor offer at or below the bid price at the time of his offer or bid;
  - 11.2.11.2 bid below the bid price nor offer above the offered price at the time of his offer or bid.
- 11.2.12 During each Ring and kerb all opening bids and/or offers for Cash and 3 months in the case of all Contracts must be all the digits of the full price that is quoted.
- 11.2.13 The term "0", when it is in the last digit of the full price, must not be used.
- 11.2.14 During all Ring and kerb trading Dealers must ensure that:-
  - 11.2.14.1 in the case of Copper - Grade A, High Grade Primary Aluminium, Special High Grade Zinc, Lead, North American Special Aluminium Alloy, Steel Billet and Aluminium Alloy the last two digits of the full price are quoted;
  - 11.2.14.2 in the case of Cobalt, Molybdenum, Primary Nickel, Tin and Index Futures the last three digits of the full price are quoted; and
  - 11.2.14.3 in the case of Premium Contracts, the last three digits of the full price is quoted.

- 11.2.15 Dealers must act with due skill, care and diligence at all times whilst dealing by open outcry.
- 11.2.16.1 The Dealer who discloses the tonnage or Lots he is prepared to buy or sell is obliged to trade the full tonnage or Lots unless expressly withdrawn; and
- 11.2.16.2 the Dealer who is bidding and/or offering at a price for Cash or three months for Copper, High Grade Primary Aluminium, Special High Grade Zinc, Lead, Nickel, North American Special Aluminium Alloy and Aluminium Alloy during the second Ring must be prepared to deal 20 lots unless the tonnage is stated. In the case of Tin the Dealer must be prepared to deal 5 lots unless the tonnage is stated. Any unfilled balance up to these limits must be sold or taken from other dealers who immediately respond to the bid or offer.
- 11.2.17 Dealers must ensure that trades are completed in a timely and orderly manner. This applies in particular (but without prejudice to its general application) to business transacted towards the close of any Ring.
- 11.2.18.1 Dealers must not bid or offer at a price which is unknown at the time the bid or offer is made; and
- 11.2.18.2 during the second Ring for each metal and, in respect of each metal, during the last five minutes of kerb trading before that metal ceases to trade, Dealers may not trade behind the Ring at an unknown price for any Prompt Date other than for Carries.
- 11.2.19 Dealers must remain seated at all times whilst dealing by open-outcry in the Ring.
- 11.2.20 It is the duty of sellers or lenders to check their deals not later than 10 minutes after the close of the respective Ring trading session for each metal. kerb deals are to be checked before leaving the Exchange. It is the duty of buyers or borrowers to co-operate.
- 11.2.21 During kerb trading no Dealer may stand behind the Ring in order to trade by open-outcry if there are no Dealers from the same Member seated in the Ring unless the express permission of an employee of the Exchange who is properly authorised by the Chief Executive is obtained. During the last five minutes of kerb trading for the close of each metal:
  - 11.2.21.1 only the Dealer from a Member seated in the Ring may trade that metal; and
  - 11.2.21.2 the Dealer who is bidding and/or offering at a price for a Carry between any two Prompt Dates must be prepared to deal 50 lots unless the tonnage for the Carry is stated. The Dealer who is bidding and/or offering at a price for Cash or three months for Copper, High Grade Primary Aluminium, Special High Grade Zinc, Lead, Nickel, North American Special Aluminium Alloy and Aluminium Alloy must be prepared to deal 20 lots unless the tonnage is stated. In the case of Tin the Dealer must be prepared to deal 5 lots unless the tonnage is stated. Any unfilled balance up to these limits must be sold to or taken from other Dealers who immediately respond to the bid or offer.
- 11.2.22 A dealer must not commit any other act of misconduct of a kind which two or more members of the Ring Disciplinary Committee deem to be a dealing offence.
- 11.2.23 Any breach of Trading Regulation 11.2 will be deemed to be a dealing offence.
- 11.3.1 The Chief Executive and in the event of a fire or similar emergency any two employees of the Executive authorised by the Chief Executive, shall have the power to suspend or

interrupt Ring dealings during any session if in their discretion they consider that such action is in the best interests of the Exchange.

- 11.3.2 An employee of the Executive who is properly authorised by the Chief Executive may take other action relating to discipline on the premises of the Exchange with the approval of any two members of the Ring Disciplinary Committee if in his view it is necessary to prevent a breach of any rule and to ensure the proper running of the market. Similarly, such action may be taken by any member of the Ring Discipline Supervisory Panel or the Chief Executive without the requirement for approval by two members of the Ring Disciplinary Committee.
- 11.4.1 Breaches by Dealers or other persons of the provisions of the Trading Regulations may be categorised by the Ring Disciplinary Committee as minor offences, dealing offences or serious offences.
- 11.4.2 The Ring Disciplinary Committee may refer to the Exchange's video and audio surveillance system of the Ring in determining if any offence has been committed.
- 11.4.3 Where the Ring Disciplinary Committee considers that a Dealer or other person may have committed an offence:
  - 11.4.3.1 the Ring Disciplinary Committee shall notify such person in writing;
  - 11.4.3.2 not later than close of business on the Business Day following receipt of written notice in accordance with Trading Regulation 11.4.3.1, such person and/or their nominated representative shall, on request to the Ring Disciplinary Committee, be entitled to inspect at the Exchange during business hours any relevant video or audio surveillance footage which is available, and the Ring Discipline Committee shall comply with such request.
- 11.4.4 Where, following expiration of the inspection period referred to in Trading Regulation 11.4.3.2, the Ring Disciplinary Committee has determined that a Dealer or other person has committed an offence:
  - 11.4.4.1 the Ring Disciplinary Committee shall notify such person in writing;
  - 11.4.4.2 not later than close of business on the Business Day following receipt of written notice in accordance with Trading Regulation 11.4.4.1, such person and/or their nominated representative shall, on request to the Ring Disciplinary Committee and if they have not already done so in accordance with Trading Regulation 11.4.3.2, be entitled to inspect at the Exchange during business hours any relevant video or audio surveillance footage which is available, and the Ring Disciplinary Committee shall comply with such request; and
  - 11.4.4.3 Where no appeal is lodged by such person in accordance with 11.10.1, the Ring Disciplinary Committee shall notify in writing all Category 1 Members to the nature and circumstances of the offence and any penalty imposed.
- 11.5 Any member of the Ring Disciplinary Committee may impose a penalty for minor offences in accordance with the tables of fines and penalty points listed below:-
  - 11.5.1 Conduct of an unprofessional nature:-

Fine

Penalty Points

|             |       |       |     |
|-------------|-------|-------|-----|
| 1st offence | up to | £500  | 20  |
| 2nd offence | up to | £1000 | 40  |
| 3rd offence | up to | £2000 | 80  |
| 4th offence | up to | £4000 | 160 |

Examples of such acts of misconduct are:-

- (a) Failure to observe the Exchange Dress Code;
- (b) Failure to observe the Exchange Food/Beverages Code;
- (c) Chewing whilst dealing by open-outcry;
- (d) The sale and/or display of non-LME products in the Dealing Area;
- (e) The use of foul and abusive language;
- (f) Reading newspapers or magazines etc. in the Dealing Area;
- (g) Unacceptable behaviour such as slovenly behaviour, overzealous behaviour and drunken behaviour;
- (h) Sitting down in the Dealing Area (other than when dealing in the Ring or using the seat provided in each member's booth);
- (i) Smoking on Exchange premises at any time;
- (j) The use of mobile telephones in the Dealing Area (the use of mobile telephones is prohibited at all times in the Dealing Area);
- (k) Excessive noise from behind the Ring whilst dealings are in progress or the Official Prices are being announced;
- (l) Any other act of misconduct of which the Exchange may, from time to time, notify to Members through Notices.

11.5.2 Conduct likely to interfere with trading activity or to cause disorder or offence or damage on Exchange premises:-

|             |       | Fine  | Penalty Points |
|-------------|-------|-------|----------------|
| 1st offence | up to | £1000 | 20             |
| 2nd offence | up to | £2000 | 40             |
| 3rd offence | up to | £4000 | 80             |
| 4th offence | up to | £8000 | 160            |

Examples of such acts of misconduct are:-

- (a) Failure to comply with the Exchange security procedures or misuse of LME Identity Badges;
- (b) Abuse of the Visiting Regulations;
- (c) The throwing of projectiles;
- (d) The harassment of Exchange staff;
- (e) Any other act of misconduct of which the Exchange may, from time to time, notify to Members through Notices.

11.6 Any two or more members of the Ring Disciplinary Committee may impose a penalty for dealing offences in accordance with the table of fines and penalty points listed below:

|             |       | Fine   | Penalty Points |
|-------------|-------|--------|----------------|
| 1st offence | up to | £5000  | 20             |
| 2nd offence | up to | £10000 | 40             |
| 3rd offence | up to | £20000 | 80             |
| 4th offence | up to | £50000 | 160            |

11.7.1 After a period of six calendar months has elapsed from the time of an offence the number of points accumulated for that offence for that individual will be cancelled.

11.7.2 Any person who accumulates 100 or more penalty points within a period of three calendar months or 180 or more penalty points within a period of six calendar months will be reported to two or more members of the Ring Discipline Supervisory Panel.

11.7.3 Any person who accumulates 60 or more penalty points within a period of three calendar months or 140 or more penalty points within a period of six calendar months shall automatically be suspended from trading in the Ring for two Business Days. In such case, the Ring Disciplinary Committee shall inform the person of the fact of his suspension and the date it shall commence by notice in writing.

11.8.1 Where a serious offence is alleged to have been committed the Ring Disciplinary Committee shall be obliged to refer the matter to two or more members of the Ring Discipline Supervisory Panel.

11.8.2 Examples of such acts of misconduct are:-

- (a) Violent conduct or conduct likely to cause injury to another person on Exchange premises;
- (b) The unauthorised removal of or damage to the Exchange structure or equipment;
- (c) Disobedience in failing to comply with the lawful instruction of a properly authorised employee of the Exchange or a Member of the Ring Disciplinary Committee;
- (d) The wilful disregard of the Rules;



- (e) Aggravated harassment of Exchange staff, including physical contact with Exchange staff or threatening Exchange staff;
  - (f) Preventing Exchange staff from carrying out their duties;
  - (g) Any other act of misconduct of a kind which the Ring Disciplinary Committee deems to fall into this category.
- 11.8.3 Any member of the Ring Disciplinary Committee who believes in good faith in his absolute discretion that a serious offence has been committed by any person may request that such person immediately leave the Exchange premises for the remainder of the trading day, and such person shall comply with any such request.
- 11.9.1 Any two or more members of the Ring Discipline Supervisory Panel may impose a fine of up to £100,000 and suspension of up to twenty Business Days on a person referred to them and/or on the Member which employs him. The provisions of Regulation ~~14~~14 of the Membership Regulations shall apply *mutatis mutandis* to the procedure of the Ring Discipline Supervisory Panel (save that for the avoidance of doubt, any appeal shall be in accordance with Trading Regulations 11.10.2 and 11.10.3 below, rather than Regulations 14.27 to 14.35 of the Membership Regulations).
- 11.9.2 Any such matter referred to two or more members of the Ring Discipline Supervisory Panel may, at their discretion, be referred to the Enforcement Committee for consideration for disciplinary action pursuant to Regulation ~~14~~14 of the Membership Regulations.
- 11.9.3 Where two or more members of the Ring Discipline Supervisory Panel find that there has been an act of misconduct, notification of such findings and of any sanction shall be made (once the same have become conclusive and binding after any appeal in accordance with ~~Trading Regulations 11.10.2 and 11.10.3 below~~procedures in Regulation 14 of the Membership Regulations) by means of a notice sent by the Secretary to:
- 11.9.3.1 the person found to have committed the act of misconduct;
  - 11.9.3.2 any other person to whom in the Ring Discipline Supervisory Panel's opinion in the circumstances such copy should be sent; and
  - 11.9.3.3 all Members and appropriate regulatory or other authorities.
- 11.9.4 Where the Ring Discipline Supervisory Panel (or, as the case may be an Appeal Committee) find that any allegation of misconduct has not been substantiated, notification of such finding shall be made by means of a notice sent by the Secretary to the persons alleged to have committed the act of misconduct and the persons specified in 11.~~10~~9.3.2 above and shall, if the Defendant so requests (but not otherwise), be sent to Members and appropriate regulatory or other authorities.
- 11.10.1 Any person who is subject to a finding by the Ring Disciplinary Committee and who is dissatisfied with that finding or with any penalty imposed may, by the close of the Business Day following the day of receiving notice thereof, lodge an appeal in writing with the Chairman of the Enforcement Committee, who shall refer the same to the Ring Discipline Supervisory Panel. Pending determination of any such appeal, the decision of and any sanction imposed by the Ring Disciplinary Committee shall be suspended. The Ring Discipline Supervisory Panel may at its discretion and in the event it determines the

findings of the Ring Disciplinary Committee be upheld, review the penalty imposed and award the costs of the appeal to the unsuccessful appellant.

11.10.2 Any person who is subject to a finding by the Ring Discipline Supervisory Panel and who is dissatisfied with that finding or with any penalty imposed may, by the close of the Business Day following the day of receiving notice thereof, lodge an appeal in writing with the Chairman of the Enforcement Committee, who shall refer the same to a Disciplinary Committee constituted and acting in accordance with Regulation ~~11~~14 of Part 2. Pending determination of any such appeal, the decision and any sanction imposed by the Ring Discipline Supervisory Panel shall be suspended.

11.10.3 In the event that the Ring Disciplinary Committee is dissatisfied with a finding or with any penalty imposed by the Ring Discipline Supervisory Panel it may, by the close of the Business Day following the day of receiving notice thereof, lodge an appeal in writing with the Chairman of the Enforcement Committee, who shall refer the same to a Disciplinary Committee constituted in accordance with Regulation ~~11~~14 of Part 2. Pending determination of any such appeal, the decision and any sanction imposed by the Ring Discipline Supervisory Panel shall be suspended.

## 12. **DEALINGS ON LME SELECT**

12.1 Business for LME Select shall be in accordance with the Rules.

12.2 Only LME Select Participants may have direct access to LME Select and such LME Select Participants must have entered into relevant contractual agreement as stipulated by the Exchange from time to time.

12.3 LME Select Participants are required to maintain adequate internal procedures and controls to maintain the confidentiality and anonymity of LME Select trading activity, and to ensure that only internally authorised personnel are able to access data relating to the identity of trading counterparties.

12.4 LME Select Participants must advise the Exchange in writing if any Dealer leaves the employment of an LME Select Participant. Until such time as a Dealer's access to LME Select has been revoked, the relevant LME Select Participant shall remain responsible for all activity undertaken by such Dealer.

12.5 The Exchange reserves the right, acting reasonably and in its absolute discretion, to suspend or revoke ~~access to LME Select for any Dealer or LME Select Participant as it~~the access of a Dealer and/or a Member and, where applicable, its Clients, to LME Select and/or to any other systems and facilities (including any successor systems or facilities) of the Exchange, as the Exchange deems necessary.

12.6 LME Select Participants must ensure that appropriate and adequate training has been provided to all staff that has access to LME Select. All relevant staff should be regularly reviewed, and additional training provided if required or if the Exchange notifies the LME Select Participant that further training of a particular staff member is required.

12.7 LME Select Participants and Clients may not distribute, disseminate or share LME Select price, volume, trade and/or any other data, unless they have entered into the appropriate licence agreement with the Exchange to do so.

- 12.8 The following rules of trading procedure shall apply at all times when the central order book is open for order matching:-
- 12.8.1 bids or offers deemed by the Executive to be frivolous are prohibited and may be deemed to be a prohibited practice pursuant to Trading Regulation 14;
- 12.8.2 orders will be matched on a price/time priority basis or such other method as otherwise advised or defined by a Notice issued by the Exchange;
- 12.8.3 an order entered into the central order book will lose priority if the tonnage against any bid or offer is increased or the price is changed;
- 12.8.4 an order entered into the central order book will not lose priority if the tonnage against any bid or offer is reduced and the price remains unchanged;
- 12.8.5 orders entered into LME Select must be in multiples of Lots and with minimum price fluctuations as shall be prescribed by the Exchange from time to time;
- 12.8.6 dealers must act with due skill care and diligence at all times whilst dealing on LME Select; and
- 12.8.7 permitted orders shall be in accordance with those prescribed by the Exchange from time to time.

**Order routing services (Direct Electronic Access)**

- 12.9 LME Select Participants may offer order-routing facilities (also known as direct electronic access under MiFID II) to a Client, but in such cases the LME Select Participant retains responsibility for, and remains liable for, all trading activity conducted by such Client, including all orders submitted and trades executed using the order-routing facility.
- 12.10 LME Select Participants must have in place appropriate pre-trade risk controls and procedures for all orders submitted to LME Select. LME Select Participants offering order-routing facilities to Clients must ensure that all orders submitted by Clients are subject to appropriate pre-trade risk controls and procedures that have been implemented by the LME Select Participant concerned. LME Select Participants may not rely upon any pre-trade risk controls or procedures that Clients may have implemented themselves to satisfy this Regulation.
- 12.11 LME Select Participants offering order-routing facilities to Clients must:
- (a) comply with the relevant requirements under MiFID II regarding the provision of Direct Electronic Access services;
  - (b) ensure that Clients using their order-routing services comply with MiFID II and all relevant Rules; and
  - (c) meet all of the requirements prescribed by the Exchange for providing order-routing services, including conditions established by Notice, as amended by the Exchange from time to time.
- 12.12 Any LME Select Participant offering order-routing facilities to its Clients must monitor such Clients' use of such facilities and any transactions executed through such facilities in order to identify infringements of the requirements in MiFID II and/or the Rules. In the

event that an LME Select Participant identifies any such infringement, it must notify the Exchange.

12.13 The Exchange will monitor trading activity carried on via order-routing facilities and may, in the event of (i) an infringement of MiFID II, the Rules, or the requirements prescribed by the Exchange for order-routing services or (ii) any other situation where the Exchange may deem it necessary, acting reasonably and at its absolute discretion:

- (a) stop orders or trading by a person using order-routing services; and/or
- (b) suspend or terminate the provision of order-routing services by the relevant LME Select Participant.

12.14 Trading Regulations 12.10, 12.11 and 12.12 shall apply with effect from 3 January 2018.

#### **LME Select API Client Trades**

12.15 Trading Regulation 2.7 shall apply in the event that:

- (a) a Member makes available to a Client the order-routing facility of the LME Select API; and
- (b) due to any use by a Client of the order-routing facility of the LME Select API, one or more Cleared Contracts come into effect between the Clearing House and a Clearing Member.

#### **Identification of Clearing House Accounts**

12.16 LME Select Participants must, when submitting orders into LME Select, correctly identify the appropriate account of the Clearing Member for the resulting Agreed Trade at the Clearing House.

12.17 Any failure by:

- (a) an LME Select Participant to comply with Trading Regulation 12.16 above; or
- (b) a Clearing Member to comply with its obligation to correct an incorrectly allocated Cleared Contract in accordance with the Administrative Procedures,

shall be an act of misconduct for the purposes of Regulation 14 of the Membership Regulations, and may result in disciplinary action against the Member by the Exchange.

#### **Transparent Reporting of Orders to LME Select**

12.18 Where any LME Select Participant:

- (a) submits its own orders into LME Select; or
- (b) offers Direct Electronic Access services to enable Clients to submit orders into LME Select,

such LME Select Participant must ensure that:

- (i) all such orders are submitted into LME Select without delay; and

- (ii) no such order is withheld from submission into LME Select for the purpose of offsetting such order against any other order or orders that would ordinarily be submitted into LME Select, including but not limited to offsetting one Client order against another Client order.

#### **Use of LME Information through LME Select API**

12.19 The Exchange hereby consents, subject to Regulation 12.20 and 12.21 below, to allow a Member to:

- (a) transmit LME Information to Member API Clients;
- (b) permit Member API Clients to transmit LME Information to their Member API Member API Sub-Clients;
- (c) use LME Information for Non-Display Usage by such Member; and
- (d) transmit LME Information to Member API Clients for use by the Member API Clients and/or Member API Sub-Clients for Non-Display Usage by such Member API Client and/or Member API Sub-Client.

12.20 It is prohibited for any Member, Member API Client or Member API Sub-Client to:

- (a) store, manipulate or use for Non-Display Usage any LME Information for commercial purposes; and
- (b) to transmit LME Information to, or otherwise permit access to LME Information by, a Non-LME Multi-Dealer Trading System (without the express prior consent of the Exchange),

and the Member shall be:

- (i) responsible for procuring compliance by any Member API Client or Member API Sub-Client with such prohibitions; and
- (ii) liable to the Exchange for any breach of such prohibitions by any Member API Client or Member API Sub-Client as if such breach had been committed by the Member itself;

12.21 The consent given pursuant to Regulation 12.19 above is given subject to the following conditions (and the Member shall comply, and be responsible for procuring compliance, with such requirements):

- (a) no Member may transmit LME Information to any Member API Client or permit any Member API Client to transmit LME Information to any Member API Sub-Client unless the following conditions are satisfied:
  - (i) Member API Clients to which LME Information is transmitted by a Member must have entered into a formal client engagement agreement with the Member, reflecting the requirements, conditions and limitations set out in Regulations 12.19 to 12.21 (including, for the avoidance of doubt, the requirement to comply with Regulation 12.21(a)(ii) below); and

- (ii) Member API Sub-Clients to which LME Information is transmitted must have entered into a formal client engagement agreement with a Member API Client reflecting the requirements, conditions and limitations set out in Regulation 12.21 (including, without limitation, the prohibitions specified in Regulation 12.20 above);
- (b) without limitation to (a) above, the Member shall procure that each Member API Client that has access to LME Information via the LME Select API shall have entered into an agreement with the Member (to be produced to the Exchange on request) whereby the Member API Client:
  - (i) agrees:
    - (1) to treat such LME Information as confidential information of the Exchange; and
    - (2) that it shall not distribute LME Information to any other person (except as expressly permitted under these Regulations 12.19 to 12.21 or as required by applicable law or regulation);
  - (ii) agrees to comply with the Financial OTC Booking Fee Policy as:
    - (1) an Affiliate of the Member (where such Member API Client is an Affiliate of the Member); or
    - (2) as a Licensee, as such term is defined in the Financial OTC Booking Fee Policy (where such Member API Client is not an Affiliate of the Member);
  - (iii) agrees and confirms that, where the Member API Client intends to transmit LME Information to any Member API Sub-Client, it has in place agreements with such Member API Sub-Client (a “Member API Sub-Client Agreement”):
    - (1) under which the Member API Sub-Client agrees to treat such LME Information as confidential information of the Exchange; and
    - (2) that prohibits such Member API Sub-Client from re-distributing LME Information to any other person (except as required by applicable law or regulation);
  - (iv) agrees to include in every Member API Sub-Client Agreement, an agreement by the Member API Sub-Client to comply with the Financial OTC Booking Fee Policy as:
    - (1) an Affiliate of the Member (where such Member API Sub-Client is an Affiliate of the Member); or
    - (2) as a Licensee, as such term is defined in the Financial OTC Booking Fee Policy (where such Member API Sub-Client is not an Affiliate of the Member);
  - (v) acknowledges that only Category 1 Members and Category 4 Members may issue a Client Contract that is an LME Base Contract;

- (vi) acknowledges that only LMEprecious General Clearing Members and LMEprecious Non-Clearing Members may issue a Client Contract that is an LMEprecious Contract;
- (vii) confirms that, if the Member API Client trades with Member API Sub-Clients, those Member API Sub-Clients have been made to understand that they do not receive Client Contracts;
- (c) the Member shall pay to the Exchange such fees in respect of the access permitted pursuant to Regulation 12.19 as the Exchange shall specify by Notice (as may be amended or updated by the Exchange from time to time);
- (d) the Member shall send to the Exchange such reports, in respect of the access and use of LME Information by the Member and any Member API Clients and/or Member API Sub-Clients, as the Exchange may specify by Notice, in accordance with such requirements as may be specified in such Notice;
- (e) the Member shall comply with the requirements of the Exchange in relation to the identification of Member API Clients and Member API Sub-Clients as notified by the Exchange to the Member from time-to-time;
- (f) (without prejudice to the prohibitions specified in Regulation 12.19, and the Member's liability for any breach by a Member API Client or Member API Sub-Client of any such prohibition) the Member shall use its reasonable endeavours to ensure that each Member API Client and Member API Sub-Client who has access to LME Information does not copy, distribute or transmit it without the prior consent of the Exchange or except as explicitly permitted by these Regulations 12.19 – 12.21, and the Member shall cease to make available LME Information to any Member API Client whom it knows or has reasonable cause to suspect is copying, distributing, transmitting or permitting to be made available LME Information without the consent of the Exchange or except as explicitly permitted by this Regulations 12.19– 12.21;
- (g) the Member shall retain all documents, books and records relevant to the making available of LME Information to Member API Clients as contemplated by these Regulations 12.19 – 12.21 (including a list of the names and address of each Member API Client to whom LME Information is available and the number of Terminals, Users and Applications of that Member API Client, a list of identities of end users and access identifications and such other information as may be required by the LME from time to time) during the currency of the Member's Membership and for a period of six (6) years following the termination of the Member's Membership;
- (h) for the purposes of ensuring compliance by the Member with the terms of these Regulations 12.19 – 12.21, the Member shall permit the Exchange and its representatives to have access on reasonable notice to such of the Member's documents, books and records (including those referred to in paragraph (g)) and personnel as it may reasonably require for audit purposes. This is without prejudice to any other rights of the Exchange, contained elsewhere in the Rules, to inspect documents, books and records of Members;

- (i) the Member undertakes that it will at all times be in compliance with all local, legal and regulatory requirements regarding the arrangements that it has with each Member API Client that the Member permits to transmit LME Information to Member API Sub-Clients;
- (j) subject to paragraph (k) below, the consent granted under Regulation 12.19 shall be automatically withdrawn upon termination of the Member's Membership; and
- (k) the Exchange may withdraw its consent under Regulation 12.19, in whole or in part (including in respect of individual Member API Clients and/or Member API Sub-Clients), on 7 days' written notice to the Member.

### **13. TRADE INVALIDATION AND CANCELLATION**

- 13.1 The Exchange may, in certain circumstances, invalidate transactions in accordance with the relevant procedures established by Notice.
- 13.2 Where an LME Select Participant has made an error in the execution of a transaction undertaken on LME Select, such LME Select Participant may request that the Exchange contact the counterparty(ies) to determine whether such counterparty(ies) would agree to the transaction being cancelled. In the event that the counterparty(ies) do not agree to the request, then the transaction will not be cancelled.
- 13.3 Notwithstanding Trading Regulation 13.2, the Exchange may in its absolute discretion review any transaction undertaken on LME Select and invalidate or adjust the price of any trade in accordance with any policy that the Exchange issues from time to time on erroneous trades.

### **14. PROHIBITED PRACTICES**

- 14.1 No person shall manipulate or attempt to manipulate or otherwise abuse or attempt to abuse the market or create or attempt to create an artificial market.
- 14.2 No person shall enter into or attempt to enter into a transaction or series of transactions designed to create an artificial market whereby prices and turnover do not truly reflect the business transacted.
- 14.3 No person shall undertake or attempt to undertake wash or bogus transactions.
- 14.4 No person shall demonstrate or attempt to demonstrate that a trade has taken place when it has not in fact occurred nor shall any person mislead or attempt to mislead Exchange staff as to the nature of any transaction.
- 14.5 No person shall, either intentionally or unintentionally, create or attempt to create a disorderly market.
- 14.6 No person shall trade, place orders to trade or encourage any other person to trade in the same direction (purchase or sale) as a Client order with a view to realising a profit or avoiding a loss, pursuant to any price movement brought about by such Client order.
- 14.7 No person shall mislead or attempt to mislead Exchange staff as to the nature of any orders or transactions.



14.8 No person shall manipulate or attempt to manipulate any prices or indices set or published by the Exchange.

14.9 No person shall undertake, attempt to undertake, procure that another person undertakes or attempts to procure that another person undertakes any behaviour that is contrary to applicable law or regulation preventing market abuse.

**15. WHEN THE CLEARING HOUSE MAY FIX PRICES**

15.1 If the Quotations Committee fails at any time to determine or announce to the Clearing House a Closing Price or a Settlement Price in accordance with the Trading Regulations, the Clearing House may fix a Closing Price or Settlement Price as the case may require, of such amount as it may in its absolute discretion determine, and may apply the same in accordance with the Trading Regulations and the Clearing House Rules as if it had been determined by the Quotations Committee.

15.2 If the Exchange fails to fix an Invoicing Back price under Trading Regulation 10.4 or Trading Regulation 17.7, then the Closing Price (or, where bid and offered prices are fixed as the Closing Price, the mean of the two) or Settlement Price last fixed under these Trading Regulations (whichever was fixed the later) shall be the Invoicing Back price and such Invoicing Back price shall be deemed to have been fixed by the Exchange.

15.3 A Closing Price, or a Settlement Price or an Invoicing Back price fixed under Trading Regulation 15.1 or 15.2 above shall be binding on the parties to a Contract. No dispute as to such price may be referred to arbitration but, in the case of an Invoicing Back price, the completion of Invoicing Back shall be without prejudice to the right of either party to refer an issue between them to arbitration under the Rules.

**16. WHO MAY TRADE IN THE RING OR ON LME SELECT**

16.1 Every Category 1 Member shall nominate one or more Dealers to trade in the Ring on its behalf, and shall at all times be bound by the actions of such Dealer.

16.2 Names and particulars of proposed Dealers shall be submitted in writing to the Exchange which shall have the right to approve or refuse every such application after such consultation with the Ring Committee as it thinks fit.

16.3 A list of Dealers together with the names of the Category 1 Members whom they represent shall be posted in the Exchange together with names of any Dealers authorised since compilation of such list.

16.4.1 There shall be two categories of Dealer, viz Authorised Dealers and Probationary Dealers. Unless the express permission is obtained from the Executive no Probationary Dealer may trade in the Ring save under the supervision of an Authorised Dealer from the same Member as the Probationary Dealer who has been authorised for a period of not less than one year.

16.4.2 A Probationary Dealer cannot apply for full authorisation until he has dealt in the ring for a period of not less than six months.

16.4.3 If a Probationary Dealer has not gained full authorisation to deal after a period of eighteen months he will be re-registered as a Registered Clerk subject to the discretion of the Ring Committee.

- 16.5 Qualification requirements for Authorised and Probationary Dealers shall be as prescribed by the Exchange after consultation with the Ring Committee and shall be available on application to the Secretary.
- 16.6 The names of proposed Authorised and Probationary Dealers shall be posted in the Exchange not less than 10 Business Days before each application for authorisation is due for consideration by the Exchange, and during this period any Category 1 Member having any objection to the nominee may communicate the same to the Exchange stating the reasons therefor.
- 16.7 Any withdrawal of, or withdrawal of authority from, a nominated Dealer of a Category 1 Member shall likewise be communicated immediately to the Exchange, which shall forthwith advise all other Category 1 Members.
- 16.8 No more than one Authorised Dealer representing a Category 1 Member may trade in the Ring at any one time during official Ring trading sessions.
- 16.9 No person other than a Dealer or other representative of a Category 1 Member shall be admitted to the Ring or the area adjacent thereto for the purposes of or incidental to trading during Ring or kerb trading sessions unless expressly authorised by, or under the authority of, the Chief Executive.
- 16.10 Every LME Select Participant shall nominate one or more Dealers to trade on LME Select on its behalf, and at all times shall be bound by the actions of such Dealers.
- 16.11 The Exchange will grant each Dealer access to LME Select provided such Dealer has met all the requirements for LME Select access that are set out in the Rules.
- 16.12 Applications for Dealer authorisation to trade on LME Select shall be submitted by the relevant LME Select Participant, in writing, to the LME who shall have the right to approve or refuse every such application after such due diligence as it deems appropriate.
- 16.13 Any withdrawal of, or withdrawal of authority from, a nominated Dealer shall likewise be communicated immediately to the Exchange.

## 17. **EMERGENCIES**

- 17.1 In the event of the Special Committee or the Clearing House having cause to suspect the existence or to anticipate the development or likely development of a corner or undesirable situation or undesirable or improper trading practice which in their opinion has affected or is likely to affect the market, the Special Committee after consultation with the Clearing House may take such steps as in their absolute discretion they deem necessary to contain or rectify the situation and they may give directions to Members accordingly. Such directions to a Member may include, but are not limited to:-
- (a) trading out Client Contract positions with one or more particular Clients;
  - (b) trading out Cleared Contract positions or positions otherwise related to Cleared Contracts; and
  - (c) reducing its net trading position.
- 17.2 Without prejudice to the generality of this Trading Regulation, such steps may include the suspension or curtailment of trading for such period or for such Prompt Dates in such

metals or Contracts as may be specified or the direction that trading be limited to the liquidation of open Contracts and deferral of settlement of some or all Contracts with Prompt Dates in the current month or in the two succeeding months thereafter, subject to such compensation (if any) as the Special Committee may determine being paid to sellers or buyers.

- 17.3 Any decision of the Special Committee pursuant to this Trading Regulation shall be effective on the posting of an appropriate Notice in the Exchange and it shall thereafter be incumbent upon the Exchange to ensure that all steps are taken to ensure that normal trading is resumed with the least delay.
- 17.4 Any Member contravening or failing to comply with any direction or instruction issued under the provisions of Trading Regulations 17.1 to 17.3 above shall be liable to the same sanctions as if a breach of the Rules had been committed by him.
- 17.5 The Exchange may at its absolute discretion suspend or remove a Contract from trading, including where the Exchange has determined that the Contract no longer complies with the Rules or for any other reason.
- 17.6 Upon the occurrence of any event outside the Exchange which is outside the control of the Exchange, including the commencement of a state of war, revolution, political or economic disturbance or the enactment of legislation or the commencement, suspension or determination of any international agreement, such as may in the opinion of the Directors prevent free trading in any Contract or so distort the same or the price of any metal (including any Precious Metal), Monthly Average Future, Premium Contract, Warrant, ~~Ferrous~~Cash-Settled Future or ~~Ferrous~~Cash-Settled Future Index or the level of the Index as no longer to be truly representative of conditions in the international market in any metal, the Directors shall have the authority to order a complete cessation of trading in such metal, LMEmini Contract, Monthly Average Future, Premium Contract, Warrant, ~~Ferrous~~Cash-Settled Future, LMEprecious Future or Index Contract until such time as they in their absolute discretion deem it appropriate to resume, or to take any of the steps set out in Trading Regulations 17.1 to 17.3 above as they deem necessary at the time. The Directors shall not take such action as aforesaid without first consulting the Clearing House.
- 17.7 In the event that a cessation or suspension or limitation of trading in any metal, LMEmini Contract, Monthly Average Future, Premium Contract, Warrant, ~~Ferrous~~Cash-Settled Future, LMEprecious Future or Index Contract imposed by the Directors in accordance with Trading Regulations 17.1 to 17.3 or 17.5 above be such as to prevent delivery of the said metal (including any Precious Metal) or settlement of the said LMEmini Contract, Monthly Average Future, Premium Contract, Warrant, ~~Ferrous~~Cash-Settled Future, LMEprecious Future or Index Contract or to prevent the closing of an open position, any open Contracts so affected shall be closed by Invoicing Back to the seller at special settlement prices to be determined by the Directors on the date of announcement of cessation or suspension or limitation of trading.
- 17.8 Where for any reason the Directors determine that the use of LMEsword for delivery of Warrants is not practicable or appropriate in part or in whole, the Directors shall by Notice specify such other means of performing delivery of Warrants as they deem appropriate having first consulted with the Clearing House.
- 17.9 Notwithstanding anything set out in Trading Regulations 17.1 to 17.7 above:

- (a) neither the Directors nor the Special Committee shall be required to exercise their power to suspend or remove from trading any Contract which no longer complies with the Rules, where in their judgment such step would be likely to cause significant damage to the interests of investors or the orderly functioning of the financial markets; and
- (b) the Directors shall suspend or remove from trading a Contract when required to do so by the FCA.

17.10 The Exchange may notify the FCA of:

- (a) any Notice of the suspension or removal from trading of a Contract which no longer complies with the Rules or which is suspended or removed from trading; and
- (b) any lifting of a suspension or readmission to trading of a Contract that was previously suspended or removed from trading by the Exchange.

17.11 In the event that a Regulator intervenes to prohibit or restrict:

- (a) the marketing, distribution or sale of a specific financial instrument or a type of financial instrument with specific features; or
- (b) a type of financial activity or practice,

the Exchange may be required to halt trading activity, whether on a temporary or indefinite basis, in any Contract that is within the scope of the prohibition or restriction. Nothing set out in these Trading Regulations shall restrict the Exchange from complying with any such requirement.

## 18. **LENDING RULES**

18.1 Members shall comply with the Lending Rules and shall co-operate with the Exchange to ensure that each of their Clients shall comply with the Lending Rules.

18.2 Where the Exchange has reasonable cause to suspect that a Client has failed or is likely to fail to comply with the Lending Rules, the Exchange may give directions to one or more Members with whom that Client has Client Contracts to take action designed to make the same number of Lots available for borrowing in the market as would have been the case if the Client were prepared to abide by the Lending Rules. Such directions to a Member may include but are not limited to:-

- (a) lending or offering to lend, at no more than a level premium, the number of Cleared Contract positions equal to or less than the Client's long position holding of 90% or more as calculated by the Exchange in accordance with the Lending Rules; and/or
- (b) lending or offering to lend, at no more than a premium of 0.25% of the previous day's Cash price, the number of Cleared Contract positions equal to or less than the Client's long position holding of 80% or more but less than 90% as calculated by the Exchange in accordance with the Lending Rules; and/or
- (c) lending or offering to lend, at no more than a premium of 0.50% of the previous day's Cash price, the number of Cleared Contract positions equal to or less than the

Client's long position holding of 50% or more but less than 80% as calculated by the Exchange in accordance with the Lending Rules; and/or

- (d) trading out of sufficient Client Contract positions with that Client to reduce that Member's (or, if two or more Members are directed, those Members') net exposure to that Client in line with the action taken in compliance with the directions under (a) to (c) above.

18.3 Compliance with the Lending Rules is subject to the power of the Special Committee to take steps or give directions under Trading Regulations 17.1 to 17.3 above. Without prejudice to the generality of Trading Regulations 17.1 to 17.3 above, such steps or directions may include suspending, amending or supplementing the Lending Rules for such period or in respect of such metals as the Special Committee in its absolute discretion deems necessary.

## 19. **LIABILITY**

Neither the Company nor any of its directors or other officers nor any of its employees nor any member of any committee shall, except in the case of fraud or wilful default, be under any liability whatsoever in contract, in tort (including but not limited to negligence), or under any other theory of law to any Member or other person in respect of the matters set out in Trading Regulations 19.1 ~~and 19.2~~, 19.2 and 19.3 below:

19.1 Any act or omission taken or omitted to be taken pursuant to duties, powers and/or authorities contained in the Articles or the Rules including in relation to the following:-

- (a) the input of prices into the price reporting service or the setting and dissemination of Closing Prices, Settlement Prices or other prices pursuant to the Rules;
- (b) the creation, calculation, publication or variation of the Index from time to time, including any variation to Weighting or of its Constituent Metals;
- (c) the approval or listing of any warehouse or the maintenance of any such listing;
- (d) the listing or delisting of any producer or brand of metal or the maintenance of any such listing;
- (e) the collection of information and publication of reports in relation to levels of metal stocks represented by Warrants;
- (f) the initiation or enforcement of disciplinary or emergency procedures or the exercise of any right to suspend access to any systems or facilities of the Exchange;
- (g) any other events not set out in (a) to (f) above.

19.2 Any failure, malfunction, delay or other defect in or affecting any computer system, including LME Select, screens, equipment, telephones or other communications media or facilities used by the Exchange, ~~its~~ Members or others, whether at the Exchange or otherwise.

19.3 Any Agreed Trade that is input into the Matching System by a Registered Intermediating Broker and which is, for any reason, either (i) rejected; or (ii) not approved and/or Executed, including (but not limited to) any circumstance falling within Regulation 19.2 above.

20. **POSITION LIMITS**

- 20.1 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.
- 20.2 Compliance with the Position Limits is subject to the power of the Special Committee to take steps or give directions under Trading Regulations 17.1 to 17.3 above. Without prejudice to the generality of Trading Regulations 17.1 to 17.3 above, such steps or directions may include suspending, amending or supplementing the Position Limits for such period or in respect of such metals as the Special Committee in its absolute discretion deems necessary.
- 20.3 With effect from 3 January 2018, Members shall provide a daily position report to the Exchange in accordance with the format required by the Exchange and other requirements as specified in the relevant Notice from time to time.
- 20.4 In accordance with their powers of position management under MiFID II, a Regulator may:
- (a) request information from a Member or a Client of the Member regarding the size or purpose of a position or exposure under a Contract;
  - (b) require the Member or Client to reduce the size of, or eliminate, its position or exposure under that Contract; and/or
  - (c) limit the ability of a Member or Client to enter into commodity derivatives,
- and any Member shall comply with any such requests, requirements, or limitations. To the extent that a Member is informed of any exercise of position management powers by a Regulator in relation to its Client, it shall procure that its Client complies with any such requests, requirements, or limitations.
- 20.5 If a Member becomes aware that it or its Client is the subject of a notice issued by ESMA in the exercise of its position management powers, the Member must alert the Exchange immediately. The Member shall co-operate with the Exchange to take such action as may be appropriate on the basis of the notice issued by ESMA, and which may require the Member to reduce the size of, or eliminate, a trading position.

21. **CONFORMANCE TESTING,~~—~~ ALGORITHMIC TRADING AND MARKET MAKING**

- 21.1 Prior to any deployment or substantial update of (a) LME Select or (b) a Member's trading system, trading algorithm, or trading strategy, each Member must carry out conformance testing, including the appropriate testing of algorithms, in accordance with the conditions established by Notice from time to time.
- 21.2 Members must flag orders generated by Algorithmic Trading to the Exchange, identifying:
- (a) the different algorithms used for the creation of orders; and
  - (b) the persons initiating those orders,

such flagging of orders being made in accordance with the relevant requirements established by Notice.

21.3 Where any Member, or any Client of a Member engages in Algorithmic Trading, to pursue a Market Making Strategy:

- (a) the Member shall provide, and shall ensure that any such Client provides, market making continuously during the opening hours of the Exchange, with the result of providing liquidity on a regular and predictable basis;
- (b) the Member shall, and shall procure that any such Client shall, enter into a market making agreement with the Exchange where required to do so by Regulation 21.4 regarding its obligations in (a) in relation to the Contracts in which it or, where appropriate, its Client, pursues a Market Making Strategy;
- (c) the Member must have in place, and ensure that any such Client has in place, the systems and controls required to ensure it performs its obligations under the market making agreement specified in (b); and
- (d) the Member shall comply with any additional requirements that the Exchange may specify by Administrative Procedure.

21.4 A Member shall, and shall procure that a Client shall, enter into a market making agreement with the Exchange:

- (a) if it or such Client, during half of the trading days over a one-month period, in execution of such Market Making Strategy:
  - (1) posts Firm Quotes that are simultaneous two-way quotes of comparable size and competitive prices; and
  - (2) Deals On Own Account in at least one Contract on the Exchange for at least 50 per cent of the daily trading hours of continuous trading at the Exchange, or
- (b) where otherwise required to do so pursuant to MiFID II or any law or regulations made pursuant thereto.

21.5 For the purposes of Regulation 21.4:

- (a) Firm Quotes shall be deemed to be simultaneous two-way quotes if they are posted in such a way that both the bid and the ask-price are present in the order book at the same time;
- (b) two Firm Quotes shall be deemed of comparable size when their sizes do not diverge by more than 50 per cent from each other; and
- (c) Firm Quotes shall be deemed to have competitive prices where they are posted within the maximum bid-ask range for the relevant Contract, as specified by the Exchange from time to time by Notice.

21.6 A Member shall not be required to comply with Regulation 21.3(a) if it or, where appropriate, its Client, is unable to provide liquidity on a regular and predictable basis due

to the exceptional circumstances listed in Article 3 of Commission Delegated Regulation (EU) 2017/578.

- 21.7 Where a Member considers that it or, where appropriate, its Client, is unable to comply with its obligation to provide liquidity on a regular and predictable basis due to the exceptional circumstances specified in Article 3(d) of Commission Delegated Regulation (EU) 2017/578 (circumstances preventing prudent risk management practices), it must provide to the Exchange, upon request, evidence satisfactory to the Exchange of such circumstances and how the condition in Article 3(d) is satisfied.
- 21.8 In order to assist Members to identify such exceptional circumstances, the Exchange will endeavour to determine in its absolute discretion and make public the occurrence of exceptional circumstances falling within Article 3(a), (b), (c), or (e) of Commission Delegated Regulation (EU) 2017/578. In the event of such an occurrence, the Exchange may issue a Notice to Members. The Exchange shall not extend the declaration of such exceptional circumstance beyond the close of the ~~Opening Hours on for~~[opening hours of](#) the relevant Execution Venue on the Business Day on which the exceptional circumstance(s) occurred unless, in the determination of the Exchange, this is necessary in the circumstances set out in Article 3(b), (c) or (e) of Commission Delegated Regulation (EU) 2017/578.
- 21.9 Following the ending of any such exceptional circumstances, the Exchange may announce the resumption of normal trading in accordance with its standard procedures.

21.10 This Trading Regulation 21 shall apply with effect from 3 January 2018.

## 22. **ORDER CANCELLATION AND CONTROLS**

- 22.1 The Exchange may temporarily halt or constrain trading in accordance with the relevant procedures established by Notice if there is a significant price movement during a short period in a financial instrument on the Exchange or a related trading venue (as such term is defined in Article 4(1)(24) of the MiFID II Directive). Where the Exchange considers it appropriate, the Exchange may cancel, vary or correct any Agreed Trade or Contract.

## 23. **TRANSACTION REPORTING**

- 23.1 The Exchange is required to report to the FCA details of transactions in financial instruments traded on its platform which are executed through its systems by a firm that is not subject to MiFID II. Members shall confirm to the Exchange if they are writing Client Contracts for Clients that are not firms subject to MiFID II and provide details of all Agreed Trades and Contracts in respect of such Clients at the time of submission of the details of the Agreed Trade into the Matching System in accordance with the timescales set out in Trading Regulation 3.5.
- 23.2 Any Member that is not a firm subject to MiFID II shall:
- (a) provide the Exchange with a validated, issued and duly renewed ISO 17442 legal entity identifier code; and
  - (b) obtain from each of its Clients that is not a firm subject to MiFID II a validated, issued and duly renewed ISO 17442 legal entity identifier code, which the Member shall provide to the Exchange.



- 23.3 It shall be the responsibility of such a Member to ensure that the reference data related to its legal entity identifier is renewed in accordance with the terms of any of the accredited local operating units of the Global Legal Entity Identifier System, and also to ensure that each of its Clients renews such data.

This Trading Regulation 23 shall apply with effect from 3 January 2018.

**PART 4**  
**CONTRACT REGULATIONS**

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**CONTENTS**

| <b>Section</b> |   | <b>Page</b> |
|----------------|---|-------------|
| 1              | Relationship with Rules and Regulations   | 4-1         |
| 2              | Status of Parties   | 4-2         |
| 3              | Margin Client Contracts   | 4-2         |
| 4              | Settlement  | 4-2         |
| 5              | Delivery  | 4-3         |
| 6              | Special Contract Rules for Metals, LMEmini Contracts,<br><del>Ferrous</del> <a href="#">Cash-Settled</a> Futures and for the Construction of the<br>Index and the LMEprecious Regulations | 4-4         |
| 7              | Warrants  | 4-5         |
| 8              | Delivery Points   | 4-5         |
| 9              | Default   | 4-6         |
| 10             | Disputes  | 4-6         |
| 11             | General   | 4-6         |
| 12             | Transitional Provision for Non-Segregated Client Contracts  | 4-7         |
| 13             | Porting of Underlying Client Contracts in the Absence of<br>Default   | 4-7         |
| 14             | Compression   | 4-8         |



## PART 4: CONTRACT REGULATIONS

### 1. RELATIONSHIP WITH RULES AND REGULATIONS

- 1.1 These Contract Regulations shall apply to Contracts made subject to the Rules of the Exchange, whether between a Clearing Member and the Clearing House or between a Clearing Member and a Member who is not a Clearing Member or between a Member and any other person.
- 1.2 Contracts shall in addition be subject to the Trading Regulations and, in case of discrepancy, the Trading Regulations shall prevail over these Contract Regulations. Contracts for Traded Options shall, in addition, be governed by the Traded Options Regulations. Contracts for Monthly Average Futures shall, in addition, be governed by the Monthly Average Future Regulations. Premium Contracts shall, in addition, be governed by the Premium Contract Regulations. LMEprecious ~~Futures~~Contracts shall, in addition, be governed by the LMEprecious Regulations.
- 1.3 Any provision of, or any provision incorporated into, any Contract (other than a provision incorporated by virtue of the Clearing House Rules) which purports to exclude or is otherwise in conflict with the Rules shall be void.
- 1.4 All Agreed Trades must be entered into the Matching System in order to provide evidence to the Clearing House of the Contracts formed pursuant to the Execution of such Agreed Trades. Any dispute as to failure to enter or the reason for non-entry of such Agreed Trades may be referred to arbitration in accordance with the Arbitration Regulations.
- 1.5 A Member may not enter into a contract expressed to be "subject to the Rules and Regulations of the Exchange" or similar expression unless it is a Contract. Written confirmation of a Client Contract must state clearly and in bold capitals the phrase **"THIS IS AN LME REGISTERED CLIENT CONTRACT"**. Written confirmation of an over-the-counter contract in respect of LME-deliverable metal must state clearly and in bold capitals **"THIS IS NOT AN LME REGISTERED CLIENT CONTRACT"**.
- 1.6 Upon Execution of an Agreed Trade, Cleared Contracts shall come into effect in accordance with the Clearing House Rules between the Clearing House and each Clearing Member that was a party to, or responsible for clearing, the Agreed Trade.
- 1.7 Upon Execution of an Agreed Trade between a Client and a Member, one or more Client Contracts shall automatically and immediately come into effect:
- (a) between the Clearing Member responsible for clearing the Agreed Trade and its Client that is party to the Agreed Trade; and
  - (b) where the Agreed Trade is between a Category 4 Member or LMEprecious Non-Clearing Member and its own Client, between such Member and its Client.
- 1.8 All Cleared Contracts shall be performed and settled in accordance with the Trading Regulations and the Clearing House Rules. Accordingly, in this Part 4, all references to any category of Contract shall, where that Contract has been registered at the Clearing House, be construed to include any Cleared Contract that has arisen pursuant to the Clearing House Rules, such that:

- (a) references to any type of "Cleared Contract" shall include the Cleared Contracts that have arisen pursuant to the Execution of an Agreed Trade under the Clearing House Rules;
- (b) references to any type of "Client Contract" shall:
  - (i) include the Client Contract to the extent that such remains in force between the parties thereto; and
  - (ii) not include the Cleared Contracts that correspond to such Client Contract, the settlement and performance of which shall be in accordance with the provisions applying to Cleared Contracts.

## 2. **STATUS OF PARTIES**

- 2.1 All Contracts shall be between the parties acting as principals. Any percentage charged by one party to the other on the price shall, by whatever name called, be regarded as part of the price.
- 2.2 Any such percentage charged by a Member may be shared with any agent or other person introducing the business.

## 3. **MARGIN CLIENT CONTRACTS**

- 3.1 In the case of any Client Contract between a Clearing Member and a Member who is not a Clearing Member or between a Member and a non-Member, the Clearing Member or, as the case may be, the Member shall have the right at any time or times to require the other party to pay Variation Margin to him in cash and/or to deposit with him security in such other form as he may require in order to secure fulfilment by the other party of his obligations under the Contract. If the other party fails to perform this obligation, the Clearing Member or, as the case may be, the Member may immediately appropriate any Variation Margin held and/or realise any security lodged in addition to any other rights he may have under the Contract.
- 3.2 Variation Margin shall be due on demand and shall be without prejudice to payment of any other sum or provision of other security that may have been agreed between the parties.

## 4. **SETTLEMENT**

- 4.1 Settlement Basis for Different Types of Contracts
  - (a) Except as provided in the Traded Options Regulations and the Default Regulations, Metal Contracts shall be settled by offset or delivery on their Prompt Dates.
  - (b) Index Futures shall be cash settled on the Settlement Business Day following their Prompt Dates and also daily settled in accordance with the Trading Regulations and, in the case of Cleared Index Futures, the Clearing House Rules.
  - (c) Index Options shall be cash settled on the Settlement Business Day following their Prompt Date. LMEmini Futures shall be cash settled on their Prompt Date and also daily settled in accordance with the Trading Regulations and the Clearing House Rules.

- (d) Monthly Average Futures shall be cash settled on their prompt date and also daily marked to market in accordance with the Trading Regulations and the Clearing House Rules.
- (e) ~~Ferrous~~Cash-Settled Futures shall be cash settled on the Settlement Business Day ~~following their Prompt Dates~~specified in the Special Contract Rules for Cash-Settled Futures and also daily settled in accordance with the Trading Regulations and, in the case of Cleared ~~Ferrous~~Cash-Settled Futures, the Clearing House Rules.
- (f) Premium Contracts shall be settled in accordance with the Premium Contract Regulations and the Clearing House Rules.
- (g) LMEprecious Futures shall be settled by delivery on their Prompt Dates and also daily settled in accordance with Trading Regulation 9 and, in the case of Cleared LMEprecious Futures, the Clearing House Rules.
- (h) LMEprecious Options shall be settled by automatic exercise into LMEprecious Futures on their Prompt Date.

4.2 Settlement of Cleared Contracts shall be in accordance with the Trading Regulations and the Clearing House Rules.

4.3.1 Offsetting Client Metal Contracts for the same number of Lots of the same metal and in the same currency and with the same Prompt Date shall be settled in accordance with the Trading Regulations on the Prompt Date, buyer and seller paying or receiving (as the case may be) any difference between the Contract prices in the currency of the Contracts. Non-offsetting Client Metal Contracts shall be performed by delivery.

4.3.2 Premium Contracts shall be subject to offsetting in accordance with the Premium Contract Regulations.

4.4 The application of Regulations 8.7 and 9 of the Trading Regulations and Regulations 4.1, 4.2 and 4.3 above shall not be construed so as to frustrate the application of Regulation 14 of the Contract Regulations and:

- (i) a Contract may be subject to Compression notwithstanding that it would otherwise not be settled until the time specified in Regulations 8.7 and 9 of the Trading Regulations and Regulations 4.1, 4.2 or 4.3 above; and
- (ii) any reference to the settlement of a Contract shall be construed to mean the settlement of any Post-Compression Client Contract that arises upon Compression of such Contract.

## 5. DELIVERY

5.1 Delivery due under Cleared Metal Contracts shall be effected in accordance with the Trading Regulations.

5.2 Delivery due under a Client Metal Contract shall be effected on the Prompt Date by delivery of Warrants. Warrants shall be delivered either by way of a transfer pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers or (until further notice) by delivery of a physical Warrant.

The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the seller's option.

- 5.3 Subject to the Special Contract Rules pertaining to the relevant metal, Warrants shall be for one Lot each.
- 5.4 In relation to Client Metal Contracts, Warrants shall be invoiced and paid for at the Contract weight and at the Settlement Price pertaining to the Prompt Date, buyer and seller paying and receiving (as the case may be) any difference between Settlement Price and Contract price in the currency of the Contract. If the currency of the Contract is not the Major Currency for the relevant metal the Settlement Price may be translated into the currency of the Contract at such rate as the parties may determine.
- 5.5 In relation to Client Metal Contracts weight differences (between Contract weight and actual Warrant weight) shall be settled at the Settlement Price in the Major Currency of the relevant metal. Warehouse rental accruals (where relevant) shall be allowed on the invoice and shall be accounted for in the Major Currency of the relevant metal.
- 5.6 Delivery of Warrants pursuant to Client Metal Contracts shall be effected no later than 09.00 hours where the buyer is a Clearing Member and no later than 13.30 hours where the seller is a Clearing Member (so far as enabled by the Clearing Member's best endeavours). In all other cases delivery under Client Metal Contracts shall be effected at such time on or before the Prompt Date as the parties may agree.
- 5.7 Warrant weights in all cases shall be accepted as between buyer and seller.
- 5.8 Delivery due under a Premium Contract shall be effected in accordance with the Premium Contract Regulations.
- 5.9 Delivery due under Cleared LMEprecious Futures shall be effected in accordance with the Trading Regulations and the Clearing House Rules.
- 5.10 Delivery due under Client LMEprecious Futures shall be effected on the Prompt Date by the delivery of unallocated Precious Metal corresponding to the number of Lots represented by the Contracts to be settled. The manner of delivery shall be as agreed by the parties or, in the absence of agreement at the seller's option. Precious Metal shall be paid for at the Contract weight and at the LMEprecious Final Settlement Price pertaining to the Prompt Date.
- 5.11 Delivery of unallocated Precious Metal pursuant to Client LMEprecious Futures shall be effected no later than 16:00 hours where the buyer is an LMEprecious General Clearing Member and no later than 16:00 hours where the seller is an LMEprecious General Clearing Member (so far as enabled by the LMEprecious General Clearing Member's best endeavours). In all other cases delivery under Client LMEprecious Futures shall be effected at such time on or before the Prompt Date as the parties may agree.
- 5.12 Upon the exercise of an LMEprecious Option (including any Cleared LMEprecious Option and any Client LMEprecious Option), the Option Contract shall expire and shall be replaced by an LMEprecious Future, in accordance with the LMEprecious Option Regulations. Delivery under such an LMEprecious Future shall be due and made in accordance with Regulations 5.9 to 5.11 above.

6. **SPECIAL CONTRACT RULES FOR METAL, LMEMINI CONTRACTS, ~~FERROUS~~CASH-SETTLED FUTURES AND FOR THE CONSTRUCTION OF THE INDEX**

6.1 Quality and other matters dealt with in the Special Contract Rules for the relevant metal shall be as prescribed therein at the time of delivery.

6.2 With effect from 1 February 1992, the Exchange may make additions to, deletions from or modifications to the Special Contract Rules for any metal, such additions, deletions or modifications to take effect from such date as the Exchange may prescribe which shall be not less than three months after announcement thereof.

6.3 The terms of Index Futures, including details of the Constituent Metals and the method of calculating the Index, shall be as described in the Special Contract Rules for the Construction of the Index.

6.4 The terms of the Index Options shall be as prescribed in the Index Options Regulations or as otherwise specified by the Exchange.

6.5 The composition and calculation of the Index as provided for in the Special Contract Rules for the Construction of the Index shall be as described therein at the time of settlement of an Index Contract.

6.6 The Exchange may amend the Special Contract Rules for the Construction of the Index, or any other Rules relevant to the calculation of the Index or settlement of an Index Contract, such amendment to take effect from such date as the Exchange may prescribe.

6.7 The terms of LMEmini Futures shall be as prescribed in the Special Contract Rules for LMEmini Contracts or as otherwise specified by the Exchange.

6.8 The Exchange may amend the Special Contract Rules for the LMEmini Contracts, or any other Rules relevant to the trading and/or settlement of an LMEmini Contract, such amendment to take effect from such date as the Exchange may prescribe.

6.9 The terms of ~~Ferrous~~Cash-Settled Futures shall be as prescribed in the relevant Special Contract Rules for ~~Ferrous~~Cash-Settled Futures or as otherwise specified by the Exchange.

6.10 The Exchange may amend the Special Contract Rules for ~~Ferrous~~Cash-Settled Futures, or any other Rules relevant to the trading and/or settlement of a ~~Ferrous~~Cash-Settled Future Contract, such amendment to take effect from such date as the Exchange may prescribe.

6.11 The provisions of Regulations 6.1, 6.2, 6.5, and 6.6 to 6.10 above are without prejudice to the powers of the Directors to make and alter Rules generally.

6.12 In addition to Regulation 6.2, 6.6, 6.8 and 6.10 above, Regulation 15 shall apply to any non-material modifications to the terms of any Contract.

7. **WARRANTS**

Warrants must be issued by a warehouse listed by the Exchange and have the characteristics prescribed by the Special Contract Rules for the relevant metal.



8. **DELIVERY POINTS**

8.1 With effect from 19 April 1989, the Exchange may introduce any new Delivery Point with effect from at least three months after announcement of approval of such Delivery Point.

8.2.1 Warrants issued by any listed warehouse shall constitute a good delivery with effect from such time as the Exchange may decide after announcement by the Exchange of approval and listing of the said warehouse.

8.2.2 Warrants shall not constitute good delivery where they are marked as "not valid" in the LMEsword System as provided for in the LMEsword Regulations and Operating Procedures. The Exchange shall in addition give notice to Members on any Warrant being marked "not valid" (or ceasing to be marked "not valid") by publishing a Notice to all Members to that effect.

9. **DEFAULT**

9.1 The Default Regulations forming Part 9 of the Rules shall apply to all Contracts.

9.2 Upon the happening of an Event of Default in relation to any person (the "**defaulting party**"), including a non-member, who is not

(a) a Category 1, 2 or 4 Member; or

(b) an LMEprecious General Clearing Member or an LMEprecious Non-Clearing Member,

any Category 1, 2 or 4 Member, LMEprecious General Clearing Member or LMEprecious Non-Clearing Member who has open with the defaulting party any Client Contract shall have the right at any time thereafter to close-out the same by selling out or buying in against the defaulting party at the prevailing market price. In the event that this right is invoked, the obligations arising under the Client Contract may, if so provided for in any agreement between the Member and the defaulting party, be terminated upon entering into the closing Contract, except for any settlement payment due from one party to the other in respect of the closed out Contracts.

10. **DISPUTES**

10.1 Subject as provided in Regulation 10.2, any dispute as to the existence, completion or validity of or arising out of any Contract shall be referred to arbitration in accordance with the Rules.

10.2 Any dispute arising from or in relation to any Cleared Contract shall, unless resolved between the Clearing House and the Clearing Member concerned, be referred to arbitration under the Rules. In that event the provisions of the Clearing House Rules shall apply to such arbitration as if incorporated into Part 8 of the Rules.

10.3 Any dispute arising from or in relation to any Contingent Agreement to Trade shall, unless resolved between the parties, be referred to arbitration under the Rules.

## 11. GENERAL

11.1 Time shall be of the essence of every Contract, but failure by any party to exercise or enforce any rights shall not be deemed to be a waiver thereof.

~~11.2 Contracts shall be governed by and construed in accordance with English law.~~

11.2 The Rules (which term shall for the purposes of this Regulation 11.2 include all Administrative Procedures and Regulations, as the context may require) and all Agreed Trades, Contingent Agreements to Trade and Contracts, and any non-contractual obligations of any kind arising out of or in relation to the Rules and any Agreed Trades, Contingent Agreements to Trade and Contracts, are governed by, and shall be interpreted and construed in accordance with, English law.

11.3 The courts of England shall have exclusive jurisdiction to settle any dispute arising out of or in connection with these Rules, save for any matter that is dealt with by way of arbitration pursuant to Regulation 10. Each Member irrevocably submits to that jurisdiction for the exclusive benefit of the Exchange and waives any objection on the grounds of venue or forum *non conveniens* or any similar grounds.

11.4 Any Member that is not incorporated or registered in England and Wales shall at all times appoint and maintain an agent for service of process in England and Wales ("Service Agent"). Any such Member shall not revoke the authority of a Service Agent unless it has first notified the Exchange of its replacement Service Agent. If a Service Agent ceases to be able to act as such or ceases to have an address within the jurisdiction of the English courts, the Member shall promptly appoint another Service Agent (with an address for service within the jurisdiction of the English courts). Nothing in the Rules, any Administrative Procedure, any Agreed Trade, any Contingent Agreement to Trade or any Contract shall affect the right of the Exchange to serve process in any other manner permitted by law. Any Member that has appointed a Service Agent pursuant to this Regulation 11.4 shall ensure that the Exchange is at all times in receipt of the full name and address of such Service Agent.

~~11.3~~ 11.5 The provisions of (1) the "Uniform Law on the Formation of Contracts for the International Sale of Goods" and the Convention relating thereto, (2) the "Uniform Law on the International Sale of Goods 1964" and the Convention relating thereto, and (3) the "United Nations Convention on Contracts for the International Sale of Goods of 1980" shall not apply to any Contract.

~~11.4~~ 11.6 Entry into any Contract shall constitute a waiver by both parties thereto of any immunity from suit or arbitral process or execution of any judgement or award on the ground of sovereignty, nationality, domicile, residence or otherwise.

## 12. TRANSITIONAL PROVISION FOR NON-SEGREGATED CLIENT CONTRACTS

12.1 This provision shall apply to any Client Contract entered into, prior to the date on which this Regulation 12 came into force in its current form (the "EMIR Amendment Date"), as a "Non-Segregated Client Contract", and/or which was treated, in accordance with the Rules in force prior to the EMIR Amendment Date as a "Non-Segregated Client Contract".

12.2 From the EMIR Amendment Date, no "Non-Segregated Client Contract" shall be a Contract for the purpose of, or governed by, these Rules.

12.3 In order for any Non-Segregated Client Contract to be treated as a Contract pursuant to these Rules:

- (a) a Counterparty to that Non-Segregated Client Contract must have ensured that a Clearing Member shall have entered such contract into the Matching System as a Client Contract (other than a Non-Segregated Client Contract) on or before EMIR Amendment Date, in accordance with Regulation 3.5 of the Trading Regulations, and including all information required by the Clearing House to allocate such Contract (or the Cleared Contracts arising upon registration of such Client Contract) to either an "omnibus" segregated client account or an "individual client" segregated client account of the Clearing Member; and
- (b) the contract must have been accepted by, and registered by, the Clearing House, in accordance with the Clearing House Rules, no later than the EMIR Amendment Date.

12.4 The performance and settlement of any Non-Segregated Client Contract that has ceased to be a Contract under these Rules, in accordance with Regulation 12.2 shall be a matter for the Counterparties thereto and the Exchange shall have no powers, obligations or other responsibilities in respect of such Non-Segregated Client Contracts.

### 13. **PORTING OF UNDERLYING CLIENT CONTRACTS IN THE ABSENCE OF DEFAULT**

Where and to the extent that the Clearing House Rules permit the transfer of Client-Related Cleared Contracts either:

- (a) between Clearing Members; or
- (b) between accounts maintained by a Clearing Member in respect of different Clients,

and such transfers are permitted in circumstances where the Clearing Member that is the party to such Client-Related Cleared Contracts is not a Defaulter, then Regulation 7 of the Default Rules shall apply in respect of the corresponding Underlying Client Contracts and any associated transfer of Warrants, notwithstanding that no party to any such Underlying Client Contract may be a Defaulter.

### 14. **COMPRESSION**

14.1 This Regulation 14 shall apply in respect of:

- (a) any Clearing Member that has opted, under the Clearing House Rules, to apply Compression to any Client Related Cleared Contracts allocated to any of its client accounts at the Clearing House; and
- (b) any Client that is a counterparty to any Client Contract with any such Clearing Member; and

(c) any Client Contract that is an Underlying Client Contract in respect of any Client-Related Cleared Contract that is:

(i) allocated to a client account of the Clearing Member at the Clearing House; and

(ii) subject to Compression at the Clearing House.

14.2 For the avoidance of doubt, this Regulation 14 shall not apply to any Compression at the Clearing House of any Cleared Contract that is allocated to a house account of a Clearing Member at the Clearing House.

14.3 In the event that any Client-Related Cleared Contracts that are allocated to a client account of a Clearing Member at the Clearing House are subject to Compression at the Clearing House, the Underlying Client Contracts shall also be automatically and simultaneously subject to Compression under the Exchange Rules, on the following basis:

(a) the Clearing Member and the Client (each acting as principal) shall be released from further obligations towards one another under such Underlying Client Contracts and their respective rights against one another under such Contracts shall be cancelled; and

(b) simultaneously, new Post-Compression Client Contracts shall, by operation of this Regulation, come into full force and effect between the Clearing Member and the Client, such that the Clearing Member and the Client (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another under the Post-Compression Client Contracts; and

(c) such Post-Compression Client Contracts shall represent back-to-back Contracts to each Post-Compression Cleared Contract that is in effect following the Compression at the Clearing House, such that:

(i) for each Post-Compression Cleared Contract, there shall be a corresponding Post-Compression Client Contract, having:

(1) the same direction; and

(2) the same commercial terms, including in relation to the amount of underlying metal and prices; and

(ii) the Variation Margin applicable to a Post-Compression Client Contract shall be the net of the Variation Margin amounts applicable to the Underlying Client Contracts immediately prior to Compression under the Exchange Rules,

save that Compression at the Exchange shall not affect any terms or contractual rights or obligations between the Clearing Member and the Client that were not comprised in the terms of any Underlying Client Contract that was subject to Compression under the Exchange Rules.

14.4 Each Clearing Member that opts, under the Clearing House Rules, to apply Compression to any Client Related Cleared Contracts allocated to any of its client accounts at the Clearing House must:

- (a) have ensured that, prior to the implementation of any Compression at the Clearing House, its terms of business or other contractual arrangements with the relevant Clients contain provisions that operate in a manner that is consistent with this Regulation 14, and do not contain provisions which would conflict with or frustrate the Compression of any Underlying Client Contract in accordance with this Regulation 14;
- (b) ensure that any Client that is party to an Underlying Client Contract that is or may be subject to Compression under the Exchange Rules:
  - (i) is notified of the fact that such Compression may occur, and when such Compression will take effect; and
  - (ii) upon Compression under the Exchange Rules, is promptly notified of the effect of Compression, such that the Client is at all times on notice of the Client Contracts (including the Post-Compression Client Contracts) that are in force between the Clearing Member and the Client;
- (c) ensure that its books and records relating to the Client Contracts and Cleared Contracts to which it is a party are at all times reconciled and up to date, such that it is at all times possible to identify which Cleared Contract (including a Post-Compression Client Contract) represents the clearing of which Client Contract (including a Post-Compression Cleared Contract); and
- (d) promptly upon request by the Exchange or Clearing House provide a copy of such books and records described in (c) above, in such a format that would easily enable Compression Client Contracts) with the corresponding Cleared Contracts (including the Post-Compression Cleared Contracts).

## 15. NEW CONTRACTS AND NON-MATERIAL AMENDMENTS TO EXISTING CONTRACTS

15.1 The Exchange may introduce new types of Contract ("**New Contracts**"), or make non-material modifications to the specifications of existing Contracts ("**Non-Material Amendments**") from time to time, in accordance with the following process. This process shall not apply to any material modification of the features of any Contract that is, at the relevant time, already a Contract under the Rules.

15.2 The Exchange may introduce a New Contract or a Non-Material Amendment by providing, by way of Notice, the following information to Members:

- (a) the specifications of such New Contract or Non-Material Amendment;
- (b) the changes to these Rules that the Exchange proposes to apply in order to facilitate the introduction of such New Contract or Non-Material Amendment, including:

- (i) the addition of new "Special Contract Rules" for the New Contract in Part 6 to this Rulebook and/or the addition of a new Part or sub-section to any existing Part of these Rules to introduce new Regulations specific to the New Contract; or
    - (ii) the amendment of any Rule to reflect a Non-Material Amendment; and
    - (iii) any additional changes to these Rules to facilitate the introduction of the New Contract or Non-Material Amendment;
  - (c) any Administrative Procedures, or amendments to existing Administrative Procedures that the Exchange proposes to apply in order to facilitate the introduction of such New Contract or Non-Material Amendment;
  - (d) any additional requirements to be satisfied in order to enable a Member to trade or clear the New Contract or Non-Material Amendment (including, without limitation, and operational requirements and any fees specific to the New Contract or Non-Material Amendment); and
  - (e) the date from which the changes to the Rules and / or Administrative Procedures shall come into effect and, if different, the date from which the New Contract shall be available for trading. The Exchange may, by the provision of a subsequent Notice, postpone such dates, where the Exchange deems appropriate.
- 15.3 The Exchange shall provide Members with such advance notice of the dates specified pursuant to Rule 15.2(e) above as the Exchange considers reasonable and appropriate having regard to the circumstances.
- 15.4 Any changes to the Rules and / or Administrative Procedures shall come into effect from the date(s) specified pursuant to Rule 15.2(e).
- 15.5 The Exchange shall not consult with Members in advance of the introduction of any New Contract or Non-Material Amendment unless, and except to the extent that:
- (a) the Exchange considers that, in the context of the circumstances of the introduction of the New Contractor Non-Material Amendment, it would be required by law or regulation to do so (including the Recognition Requirements Regulations and REC); or
  - (b) the Exchange is required to do so by a Regulator;
  - (c) the Exchange, in its absolute discretion, considers it prudent or appropriate to do so.



**PART 5**  
**TRADED OPTIONS REGULATIONS**

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**CONTENTS**

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**PART 5A: METAL OPTIONS REGULATIONS**

| <b>Section</b> |                                       | <b>Page</b> |
|----------------|---------------------------------------|-------------|
| 1              | Relationship with Trading Regulations | 5-1         |
| 2              | Permitted Options                     | 5-1         |
| 3              | Declaration                           | 5-1         |
| 4              | Effect of Declaration                 | 5-2         |
| 5              | Premiums                              | 5-3         |

**PART 5B: TRADED AVERAGE PRICE OPTIONS REGULATIONS**

| <b>Section</b> |  | <b>Page</b> |
|----------------|--|-------------|
| 6              | Relationship with Trading Regulations  | 5-5         |
| 7              | Permitted Traded Average Price Options | 5-5         |
| 8              | Declaration                            | 5-5         |
| 9              | Effect of Declaration                  | 5-6         |
| 10             | Premiums                               | 5-7         |

**PART 5C: INDEX OPTIONS REGULATIONS**

| <b>Section</b> |                                       | <b>Page</b> |
|----------------|---------------------------------------|-------------|
| 11             | Relationship with Trading Regulations | 5-9         |
| 12             | Permitted Options                     | 5-9         |
| 13             | Automatic Exercise                    | 5-9         |
| 14             | Effect of Declaration                 | 5-10        |
| 15             | Premiums                              | 5-10        |





## **PART 5A: METAL OPTIONS REGULATIONS**

### **1. RELATIONSHIP WITH TRADING REGULATIONS**

- 1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Metal Options Regulations or unless the context otherwise requires, apply to Metal Options.
- 1.2 The Clearing House Rules shall apply to Cleared Contracts that arise pursuant to the registration of Cleared Metal Options or Client Option Contracts with the Clearing House.
- 1.3 References in this Part 5A to Metal Options or any "Contracts" relating to such Metal Options shall be construed to include any Cleared Contract that has arisen pursuant to the registration of the Metal Option at the Clearing House (provided that Cleared Contracts that arise pursuant to the registration of Metal Options that are Client Contracts shall be treated in the same way as Cleared Contracts that are pursuant to the registration of Cleared Metal Options).

### **2. PERMITTED OPTIONS**

- 2.1 Metal Options shall be available in respect of such metals and denominated in such currencies as may from time to time be prescribed by the Exchange. The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be posted in the Exchange.
- 2.2 Trading may be conducted, in respect of any Metal Option authorised by the Traded Options Committee, until the close of the business on the Last Trading Day for such Metal Option. A new month for the metal concerned will become available for trading at the opening of business on the Business Day following the Last Declaration Day.
- 2.3 The minimum permitted spread between buyers' and sellers' premiums bid or offered in respect of Cleared Metal Options, and the minimum fluctuation in such premiums, shall be at such levels as the Exchange may from time to time prescribe according to the currency in which the Metal Option is denominated.
- 2.4 All Metal Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

### **3. DECLARATION**

- 3.1 Subject where relevant to Regulation 8 of the Trading Regulations, Prompt Dates for futures Contracts resulting from declarations under Metal Options shall be the third Wednesday in the relevant month or, if that day is not a Business Day, the next succeeding day which is a Business Day.
- 3.2 Declaration of a Cleared Metal Option may only be made on the Clearing House by a Clearing Member Taker if it forms part of that Member's open registered position as at the close of business on the preceding Business Day. Declaration shall be made in such manner as may be prescribed or accepted by the Clearing House no earlier than 07.30 hours and no later than 11.15 hours on any Business Day up to and including the Last Declaration Day for the relevant Metal Option.

- 3.3 Upon receipt of declaration of a Cleared Metal Option or Options by a Clearing Member Taker or Takers, the Clearing House shall declare a like Cleared Metal Option or Options on any Clearing Member Granter or Granters selected by it who had corresponding open registered positions as at the close of business on the preceding Business Day. The Clearing House shall use its best endeavours to notify the relevant Granter no later than 11.30 hours on the day upon which the Cleared Metal Option is declared on the Clearing House, provided however that Granters shall be obliged to accept later declarations if made in accordance with the Clearing House Rules.
- 3.4.1 Takers of Client Metal Options from Clearing Member Granters shall declare Metal Options on their Clearing Member Granters in such manner as has been agreed between them, no later than 11.10 hours on any Business Day up to and including the Last Declaration Day for the relevant Metal Option.
- 3.4.2 Trading-Only Member Takers or non-Member Takers of Client Metal Options from Trading-Only Member Granters shall declare Metal Options on such Trading-Only Member Granters in such manner as has been agreed between them no later than 11.10 hours on any Business Day up to and including the Last Declaration Day for the relevant Metal Option.
- 3.5.1 Clearing Member Takers of Client Metal Options shall declare the same on their Granters no later than 11.40 hours on any Business Day up to and including the Last Declaration Day, in such manner as has been agreed between them, provided that if the Clearing House declares on the Clearing Member later than 11.30 hours pursuant to Regulation 3.3 the Granter shall be obliged to accept a correspondingly later declaration from the Clearing Member Taker.
- 3.5.2 Trading-Only Member Takers of Client Metal Options from non-Members shall declare the same on their Granters in such manner as has been agreed between them no later than 11.40 hours on any Business Day up to and including the Last Declaration Day for the relevant option.
- 3.6 Any Metal Option described in Regulations 3.2 to 3.5 above not declared as above prescribed shall be deemed to have been abandoned.

#### 4. **EFFECT OF DECLARATION**

##### 4.1 [Metal Options are American-style options.](#)

~~4.1~~ 4.2 On the declaration of a Metal Option a futures Contract shall arise between Granter and Taker of the declared Metal Option, the price of such futures Contract being the Strike Price in the Metal Options Contract.

~~4.2~~ 4.3 Metal Futures Contracts which arise on declaration of a Metal Option shall be settled in accordance with the Trading Regulations.

~~4.3~~ 4.4 Offsetting Cleared Metal Option Contracts of a Clearing Member for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically by the Clearing House in accordance with the Clearing House Rules, and all rights and obligations attaching to or arising from those Cleared Metal Option Contracts will terminate. The provision of this Regulation 4.4 shall be applied separately to each relevant account of the relevant Clearing Member at the Clearing House (which may, for the avoidance of doubt,

include a "house" or "proprietary" account and a "client" account that is either segregated on an "omnibus" basis or an "individual client" basis).

~~4.4.1~~4.5.1 On the declaration of a Client Metal Option where either the Granter or the Taker is a Clearing Member, the Clearing Member must record a Cross in relation to the futures Contract resulting from the said declaration.

~~4.4.24~~5.2 On the declaration of a Client Metal Option where neither party is a Clearing Member then each Trading-Only Member must arrange for a Clearing Member to record a Cross in relation to that declaration.

~~4.5~~4.6 Offsetting Client Metal Option Contracts for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically unless otherwise agreed between the Granter and the Taker as the Taker otherwise requests at or before the time when the offsetting Metal Option is granted.

## 5. **PREMIUMS**

5.1 The amount of the premium payable on opening every Metal Option Contract shall be the premium input into the Matching System, as determined ~~between~~ via LME Select or by the Granter and ~~the~~ Taker in the inter-office market.

5.2.1 Payment of the premium by the Taker of a Cleared Metal Option to the Granter shall be effected through the payment system, in accordance with the Clearing House Rules, prior to 12.00 hours on the next Business Day following the day on which the Metal Option is traded.

5.2.2 Payment of the premium by the Taker of a Client Metal Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the Metal Option is traded.

5.3 The Taker of a Cleared Metal Option may apply the value of such Metal Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open ~~Exchange Options granted by the said Taker and/or open~~ Cleared Contracts of the said Taker, subject to, and in accordance with the Clearing House Rules.

5.4 The Taker of a Cleared Metal Option or Client Metal Option shall not be permitted to receive cash payment in respect of any positive value of such Metal Option nor apply any credit arising therefrom to the purchase of another Option Contract.



## **PART 5B: TRADED AVERAGE PRICE OPTIONS REGULATIONS**

### **6. RELATIONSHIP WITH TRADING REGULATIONS**

- 6.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Traded Average Price Options Regulations or unless the context otherwise requires, apply to Traded Average Price Option Contracts.
- 6.2 The Clearing House Rules shall apply to Cleared Contracts that arise pursuant to the registration of Exchange Traded Average Price Options or Client Traded Average Price Options with the Clearing House.
- 6.3 References in this Part 5B to Traded Average Price Options or any "Contracts" relating to such Traded Average Price Options shall be construed to include any Cleared Contract that has arisen pursuant to the registration of the Traded Average Price Option at the Clearing House (provided that Cleared Contracts that arise pursuant to the registration of Client Traded Average Price Options shall be treated in the same way as Cleared Contracts that arise pursuant to the registration of Exchange Traded Average Price Options).

### **7. PERMITTED TRADED AVERAGE PRICE OPTIONS**

- 7.1 Traded Average Price Option Contracts shall be available in respect of such metals and denominated in such currencies as may from time to time be prescribed by the Exchange. The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be posted in the Exchange.
- 7.2 Trading may be conducted, in respect of any Traded Average Price Option authorised by the Exchange in consultation with the Traded Options Committee, until the close of business on the Last Trading Day for such Traded Average Price Option. A new month for the metal concerned will become available for trading at the opening of business on the Business Day following the Declaration Day.
- 7.3 The minimum permitted spread between buyers' and sellers' premiums bid or offered in respect of Exchange Traded Average Price Options, and the minimum fluctuation in such premiums, shall be at such levels as the Exchange may from time to time prescribe according to the currency in which the Traded Average Price Option is denominated.
- 7.4 All Traded Average Price Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

### **8. DECLARATION**

- 8.1 Subject where relevant to Regulation 8 of the Trading Regulations, Prompt Dates for futures Contracts resulting from declarations under Traded Average Price Option Contracts shall be the second Business Day following the Declaration Day for the relevant tradeable month.
- 8.2 The declaration of an Exchange Traded Average Price Option shall be deemed to have been made on the Clearing House by a Clearing Member Taker at 15.00 hours on the Declaration Day for the relevant Traded Average Price Option if it is In The Money and

forms part of that Member's open registered position as at the close of business on the preceding Business Day. The declaration shall be accepted and made by the Clearing House no later than 15.00 hours on the Declaration Day for the relevant Traded Average Price Option and it shall use its best endeavours to notify the relevant Granter no later than 15.00 hours on the Declaration Day provided however that Granters shall be obliged to accept later declarations if made in accordance with the Clearing House Rules.

8.3 The declaration of a Client Traded Average Price Option shall be deemed to have been made on the Granter by the Taker at 15.00 hours on the Declaration Day for the relevant Traded Average Price Option if it is In The Money and notification of the said declaration shall be made in such manner as has been agreed between them.

8.4 Any Traded Average Price Option described in Regulations 8.2 and 8.3 above not declared as above prescribed shall be deemed to have been abandoned.

## 9. EFFECT OF DECLARATION

9.1 Traded Average Price Options are European-style options.

~~9.1~~9.2 On the declaration of a Traded Average Price Option two futures Contracts each for the full tonnage of the Contract shall arise between Granter and Taker of the declared Traded Average Price Option:-

~~9.1~~9.2.1 in the case of a declared Average Price Call Option, the Taker will buy from the Granter at the Strike Price in the Traded Average Price Options Contract and sell to the Granter at the Monthly Average Settlement Price for the relevant month;

~~9.1~~9.2.2 in the case of a declared Average Price Put Option, the Taker will sell to the Granter at the Strike Price in the Traded Average Price Options Contract and buy from the Granter at the Monthly Average Settlement Price for the relevant month.

~~9.2~~9.3 Futures Contracts which arise on declaration of a Traded Average Price Option shall be settled in accordance with the Trading Regulations.

~~9.3~~9.4 Offsetting Exchange Traded Average Price Option Contracts of a Clearing Member for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically by the Clearing House in accordance with the Clearing House Rules, and all rights and obligations attaching to or arising from those Exchange Traded Average Price Options Contracts will terminate. The provision of this Regulation ~~9.3~~9.4 shall be applied separately to the each relevant account of the relevant Clearing Member at the Clearing House (which may, for the avoidance of doubt, include a "house" or "proprietary" account and a "client" account that is either segregated on an "omnibus" basis or on an "individual client" basis).

~~9.4~~9.5.1 On the declaration of a Client Traded Average Price Option where either the Granter or the Taker is a Clearing Member, the Clearing Member must record Crosses in relation to the futures Contracts resulting from the said declarations.

~~9.4~~9.5.2 On the declaration of a Client Traded Average Price Option where neither party is a Clearing Member then each relevant Trading-Only Member must arrange for a Clearing Member to record Crosses in relation to that declaration.

~~9.59.6~~ Offsetting Client Average Price Contracts for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically unless otherwise agreed between the Granter and the Taker as the Taker otherwise requests at or before the time when the offsetting Traded Average Price Option is granted.

## 10. PREMIUMS

10.1 The amount of the premium payable on opening every Traded Average Price Option ~~Contract~~ shall be the premium input into the Matching System, as determined ~~between~~via LME Select or by the Granter and the Taker in the inter-office market.

10.2.1 Payment of the premium by the Taker of an Exchange Traded Average Price Option to the Granter shall be effected through the payment system, in accordance with the Clearing House Rules, prior to 12.00 hours on the next Business Day following the day on which the Traded Average Price Option is traded.

10.2.2 Payment of the premium by the Taker of a Client Traded Average Price Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the Traded Average Price Option is traded.

10.3 The Taker of an Exchange Traded Average Price Option may apply the value of such Traded Average Price Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open ~~Exchange Traded Average Price Options granted by the said Taker and/or open~~ Cleared Contracts of the said Taker, subject to, and in accordance with the Clearing House Rules.

10.4 The Taker of an Exchange Traded Average Price Option or Client Traded Average Price Option shall not be permitted to receive cash payment in respect of any positive value of such Traded Average Price Option nor apply any credit arising therefrom to the purchase of another Traded Average Price Option.

10.5 For the avoidance of doubt, this Regulation 10 has no relevance to any premium (including any Premium Contract Price) under a Premium contract.





## **PART 5C: INDEX OPTIONS REGULATIONS**

### **11. RELATIONSHIP WITH TRADING REGULATIONS**

- 11.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Index Options Regulations or unless the context otherwise requires, apply to Index Options.
- 11.2 The Clearing House Rules shall apply to Cleared Contracts that arise pursuant to the registration of Cleared Index Options with the Clearing House.
- 11.3 References in this Part 5C to "Index Options" or any "Contracts" relating to such Index Options shall be construed to include any Cleared Contract that has arisen pursuant to the registration of the Index Option at the Clearing House (provided that Cleared Contracts that arise pursuant to the registration of Client Index Options shall be treated in the same way as Cleared Contracts that arise pursuant to the registration of Cleared Index Options).

### **12. PERMITTED OPTIONS**

- 12.1 Index Options shall be available in respect of such contract sizes as may from time to time be prescribed by the Exchange but shall be traded in US dollars only. The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price and any other specifications shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be posted in the Exchange.
- 12.2 Trading may be conducted, in respect of any Index Option authorised by the Traded Options Committee, until 16.35 hours on the Last Trading Day for such Index Option. A new month for the Index Option concerned will become available for trading at the opening of business on the Business Day following the Prompt Date.
- 12.3 The minimum permitted spread between buyers' and sellers' premiums bid or offered in respect of Cleared Index Options, and the minimum fluctuation in such premiums, shall be at such levels as the Exchange may from time to time prescribe.
- 12.4 All Index Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

### **13. AUTOMATIC EXERCISE**

#### 13.1 Index Options are European-style options.

~~13.1~~ 13.2 A Cleared Index Option shall be automatically exercised on its Granter at about 19.15 hours on the Prompt Date for the relevant Index Option if at that time it is In the Money and forms part of a Member's open registered position with the Clearing House.

~~13.2~~ 13.3 A Client Index Option shall automatically exercise on its Granter at about 19.15 hours on the Index Exercise Date for the relevant Index Option if at that time it is In The Money.

~~13.3~~ 13.4 Notification of automatic exercise of a Client Index Option shall be made in such manner as has been agreed between Granter and Taker.

~~13.4~~13.5 Any Index Option not exercised as prescribed shall be deemed after its Prompt Date to have been abandoned.

#### 14. **EFFECT OF AUTOMATIC EXERCISE**

14.1 On the automatic exercise of an Index Option on the Prompt Date it shall settle in cash as described in the Trading Regulations.

#### 15. **PREMIUMS**

15.1 The amount of the premium payable on opening every Index Option shall be the premium input into the Matching System, as determined between via LME Select or by the Granter and the Taker in the inter-office market.

15.2.1 Payment of the premium by the Taker of a Cleared Index Option to the Granter shall be effected through the payment system, in accordance with Clearing House Rules, prior to 12.00 hours on the next Business Day following the day on which the Index Option is traded.

15.2.2 Payment of the premium by the Taker of a Client Index Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the Index Option is traded.

15.3 The Taker of a Cleared Index Option may apply the value of such Index Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open ~~Exchange Options granted by the said Taker and/or open~~ Cleared Contracts of the said Taker, subject to, and in accordance with the Clearing House Rules.

15.4 The Taker of a Cleared Index Option or Client Index Option shall not be permitted to receive cash payment in respect of any positive value of such Option nor apply any credit arising therefrom to the purchase of another Index Option.

15.5 For the avoidance of doubt, this Regulation 15 has no relevance to any premium (including any Premium Contract Price) under a Premium Contract.

**PART 6**  
**SPECIAL CONTRACT RULES FOR METALS**

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**CONTENTS**

| <b>Contracts</b>   | <b>Page</b> |
|--|-------------|
| High Grade Primary Aluminium   | 6-1         |
| Aluminium Alloy  | 6-5         |
| Copper - Grade A   | 6-11        |
| Standard Lead  | 6-13        |
| Primary Nickel   | 6-15        |
| North American Special Aluminium Alloy                                 | 6-19        |
| Tin  | 6-25        |
| Special High Grade Zinc  | 6-27        |
| Steel Billet <a href="#"><i>[Contract not currently available]</i></a> | 6-29        |
| Cobalt   | 6-33        |
| Roasted Molybdenum Concentrate   | 6-35        |

**PART 6A**

**SPECIAL CONTRACT RULES FOR THE CONSTRUCTION**

**OF THE INDEX**

Special Contract Rules for the Construction of the Index

6A-1

**PART 6B**

**SPECIAL CONTRACT RULES FOR LME<sub>MINI</sub> CONTRACTS**

The LMEmini Futures Contract Specification

6B-1

**PART 6C**

**SPECIAL CONTRACT RULES FOR ~~FERROUS~~ CASH-SETTLED**

**FUTURES - FERROUS**

The Ferrous Futures Contract ~~Specification~~ Specifications

6C-1

**PART 6C**

**SPECIAL CONTRACT RULES FOR CASH-SETTLED FUTURES - NON-**

**FERROUS**



## **PART 6**

### **SPECIAL CONTRACT RULES FOR HIGH GRADE PRIMARY ALUMINIUM**

#### **1. QUALITY**

- (a) The aluminium delivered under this contract must be:
  - (i) Primary aluminium with impurities no greater than in the registered designation P1020A in the North American and International Registration Record entitled "International Designations and Chemical Composition Limits for Unalloyed Aluminum" (revised March 2007), or
  - (ii) Primary aluminium that conforms to the registered designation A199.70 in the GB/T 1196-2008 Standard entitled "Unalloyed aluminium ingots for remelting", or
  - (iii) For warrants created up to and including 31 December 2009 primary aluminium of minimum 99.70% purity with maximum permissible iron content 0.20% and maximum permissible silicon content 0.10%.
- (b) In the shape of ingots each weighing not less than 9 kilos and not more than 26 kilos and T-bars or sows weighing not more than 788 kilos.
- (c) Of brands listed in the LME approved list.

#### **2. SIZE OF LOT**

25 tonnes (2% either more or less).

#### **3. WARRANTS**

3.1 Warrants shall be for 25 tonnes (2% either more or less).

3.2 The aluminium in each Warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject, in the case of ingots, to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 2.0 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country [/region](#) of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
- (e) the weight;

- (f) the number of bundles of ingots or the number of T-bars or sows making up each lot.

3.4 Each Warrant must bear the following clause;

**WARNING:** the buyer is advised that this metal may contain crevices and hidden recesses holding entrapped moisture. The metal should be handled and processed with this possibility in mind. Entrapped moisture may cause an explosion if the metal is introduced into a melting furnace without proper drying.

3.5 Each Warrant must bear an LMEsword generated barcode.

#### 4. **ADDITIONAL REQUIREMENTS FOR ALUMINIUM WARRANTS**

4.1 The listed brand name and/or brand identifiable logo must be indelibly marked on each ingot within a bundle or on each T-bar or sow.

4.2 In the case of ingots, the production cast reference must be indelibly marked on each ingot within the bundle or on the surface of the bundle or on a durable bundle label. In the case of T-bars and sows, the production cast reference must be marked on each T-bar or sow either indelibly or by a durable bundle label.

4.3 Each delivery of aluminium for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production cast reference and shall determine the aluminium content within a minimum purity as defined in Special Contract Rule 1 (a). The producer's certificate of analysis must demonstrate compliance with one of the relevant Standards and grades listed in Special Contract Rule 1 (i), (ii) and (iii) by illustrating the detected level of impurity for each element.

Note that Warrants created after 31 December 2009 can only comply with Special Contract Rule 1 (i) or (ii). A Bulk analysis certificate or a copy thereof is acceptable.

4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.

4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.

4.6 All documentation for placing aluminium on Warrant must include the English language.

4.7 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strapping standards.

#### 5. **MAJOR CURRENCY**

US dollars



6. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are: -

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.



## SPECIAL CONTRACT RULES FOR ALUMINIUM ALLOY

### 1. QUALITY

The aluminium alloy delivered under this contract must be:

- (a) Aluminium alloy conforming to one of the specifications listed below:
- (1) **A380.1** produced in conformity with The Aluminum Association Inc. specification (2015);
- (2) **226** produced in conformity with LME 226 as described below:

| Elements                      | Composition, % (m/m) |
|-------------------------------|----------------------|
| Cu                            | 2.0 – 3.5            |
| Si                            | 8.0 –11.0            |
| Mg                            | 0.1 – 0.5            |
| Zn                            | 1.2 max              |
| Fe                            | 1.0 max              |
| Mn                            | 0.1 – 0.4            |
| Ni                            | 0.3 max              |
| Sn                            | 0.1 max              |
| Ti                            | 0.15 max             |
| Pb                            | 0.2 max              |
| Others                        | 0.05 max each        |
| Al                            | Remainder            |
| The sum of 'others' 0.15% max |                      |

- (3) **AD12.1** produced in conformity with JIS H2118-2006, Class 12: (Note: this specification to be read in conjunction with the provision that there be an allowance as follows: Others, total 0.50% max, Al remainder).
- (b) In the shape of ingot, small sows (four way entry sows), large sows (low profile sows) and T-bars.
- (c) Of brands listed in the LME-approved list of aluminium alloy brands.

### 2. SIZE OF LOT

20 tonnes (2% either more or less).

### 3. **WARRANTS**

- 3.1 Warrants shall be for 20 tonnes each (2% either more or less).
- 3.2 The aluminium alloy in each Warrant shall consist of one brand which is listed as being good delivery and of one shape and dimension.
- 3.3 Each lot shall contain aluminium alloy derived from no more than five production batches, and, in the case of ingots, each bundle shall contain aluminium alloy from only one production batch.
- 3.4 Each Warrant shall state:
- (a) the name of the brand;
  - (b) the country [/region](#) of origin;
  - (c) the shape;
  - (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
  - (e) the weight;
  - (f) the number of bundles of ingots, small sows, large sows or T-bars making up each lot;
  - (g) each Warrant must bear the following clause;

**WARNING:** the buyer is advised that this metal may contain crevices and hidden recesses holding entrapped moisture. The metal should be handled and processed with this possibility in mind. Entrapped moisture may cause an explosion if the metal is introduced into a melting furnace without proper drying.

- 3.5 Each Warrant must bear an LMEsword generated barcode.

### 4. **ADDITIONAL REQUIREMENTS FOR ALUMINIUM ALLOY WARRANTS**

- 4.1 The listed brand name must be indelibly marked on each ingot, sow and T-bar.
- 4.2 The production cast reference and alloy grade reference must be indelibly marked on each ingot within the bundle or on the top surface of the bundle or on a durable bundle label and on each sow and T-bar.
- 4.3 Each delivery of aluminium alloy for placing on Warrant shall be accompanied by a producer certificate of analysis for each production cast batch and stating the brand name.
- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.

- 4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All ingots and sows shall be produced by a single pouring process. “Multi-pour” or “capping” the surface with additional metal after the ingot or sow is formed is not permitted.
- 4.7 All ingots, T-bars and sows delivered under the contract shall be flat in order to permit safe stacking and handling using forklifts.
- 4.8 Metal surfaces shall be smooth and free of open shrinkage, porosity, layers and seams.
- 4.9 The metal must be free of the visible presence of foreign substances.
- 4.10 The edges and surfaces of metal shall be free of sharp edges, spurs and flashings that might present safety hazards in handling.
- 4.11 All documentation for placing aluminium alloy on Warrant must include the English language.
- 4.12 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strapping standards.

## 5. **SHAPES, WEIGHTS AND DIMENSIONS**

### (a) Ingots

Ingots shall weigh not less than 4 kilos and not more than 25 kilos. Each ingot in each bundle and lot shall be of the same weight and dimensions but not exceed 800mm in length; the only exception to be the cast feet for the purpose of bundle stability.

Bundles shall weigh not less than 500 kilos and not more than 1000 kilos of equal weight and dimension in each lot suitable for stacking. One makeweight bundle in any one lot is permissible. Bundles must be securely strapped for safe handling and transport without bundle distortion and breakage.

### (b) Small sows (four-way entry sows)

Small sows shall weigh not less than 408 kilos and not more than 590 kilos. Each small sow in each lot shall be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

|        |  |
|--------|--|
| Top    | Length and width shall be the same, between 837mm - 990mm.   |
| Bottom | Length and width shall be the same, between 406mm - 559mm.   |
| Height | Between 304mm – 432mm.   |
| Shape  | The tapering of all four sides should include an indentation to allow for the safe and easy handling by forklift trucks. |

(c) Large sows (low profile sows)

Large sows shall weigh not less than 300 kilos and not more than 726 kilos. Each large sow in each lot shall be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

|        |  |
|--------|--|
| Top    | Length shall be between 1015mm – 1320mm.<br>Width shall be between 812mm – 1142mm.                                       |
| Bottom | Length shall be between 900mm – 1320mm.<br>Width shall be between 406mm – 520mm.   |
| Height | Between 200mm – 305mm.   |
| Shape  | The tapering of the long sides should include an indentation to allow for the safe and easy handling by forklift trucks. |

(d) T-bars

T-bars shall weigh not less than 408 kilos and not more than 726 kilos. Each T-bar in each lot shall be of the same weight and dimensions.

|        |   |
|--------|---|
| Top    | Length shall be between 837mm – 1320mm.<br>Width shall be between 760mm – 1015mm.   |
| Bottom | Length shall be between 837mm – 1320mm.<br>Width shall be between 406mm – 634mm.  |
| Height | Overall between 254mm – 432mm.<br>To shoulder minimum 76mm.   |
| Shape  | The indentation of the shoulder on the long sides should be a minimum of 101mm (4 inches) on each side and allow for the safe and easy handling by forklift trucks. |

6. **MAJOR CURRENCY**

US dollars

7. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.





## **SPECIAL CONTRACT RULES FOR COPPER - GRADE A**

### **1. QUALITY**

- (a) The copper delivered under this contract must be electrolytic copper in the form of cathodes - Grade A.
- (b) All copper delivered must be of brands listed in the LME-approved list of Copper - Grade A brands and must conform to the chemical composition of one of the following Standards:
  - (i) BS EN 1978:1998 (cathode grade designation Cu-CATH-1)
  - (ii) GB/T 467-2010 (high purity Copper Cathode (Cu-CATH-1))
  - (iii) ASTM B115-10 (cathode Grade 1)

### **2. SHAPES AND WEIGHTS**

Each parcel of 25 tonnes of full plate cathodes shall lie at one warehouse and be of one brand, shape and size. Each parcel of copper cathodes placed on Warrant shall be delivered securely strapped in bundles not exceeding 4 tonnes. Each parcel of copper cathodes placed on Warrant shall be securely strapped for handling and transport in bundles to permit safe handling without bundle distortion and breakage.

### **3. SIZE OF LOT**

25 tonnes

### **4. WARRANTS**

4.1 Warrants shall be for 25 tonnes each (2% either more or less).

4.2 Each Warrant must state the total weight of the parcel, the brand, the country [/region](#) of origin and the number of bundles making up each parcel.

4.3 Each Warrant must be identified as Copper - Grade A.

4.4 Each Warrant must bear an LMEsword generated barcode.

### **5. MAJOR CURRENCY**

US dollars

### **6. TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LME approved Sampler and Assayer to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the Exchange's cost.

The conditions referred to above are: -

- (a) that there are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and
- (b) that there is a risk of disruption to the LME's market.

#### **SPECIAL RULES GOVERNING THE PLACING OF COPPER - GRADE A ON WARRANT**

1. Each parcel of copper cathodes placed on Warrant shall when delivered to the warehouse company, have the brand name indelibly marked on clips attached to the producer's bundle strapping or the brand name indelibly marked continuously on the producer's bundle strapping. Where it is necessary to break a bundle in order to obtain a warrant weight, this will be permitted provided that at least 80% of the bundles in the Warrant have the original producer clips or producers strapping showing the brand name. The remaining bundles in the Warrant must have an indelible label produced by the warehouse company attached to the strapping showing the brand name.

## **SPECIAL CONTRACT RULES FOR LEAD**

### **1. QUALITY**

The lead delivered under this contract must be:

- (a) Refined lead of a minimum 99.970% purity conforming to one of the following Standards and specific grades:
  - (i) BS EN 12659:1999 Standard entitled "Lead and Lead Alloys – Lead". Permitted grades: Material Numbers PB970R, PB985R and PB990R.
  - (ii) GB/T 469/2013 Standard entitled "Lead Ingots". Permitted Grades: 99.970%, 99.985%, 99.990% and 99.994%.
  - (iii) ASTM B29-03 (2014) Standard entitled "Standard Specification for Refined Lead". Permitted grades: 99.97% and 99.995%.
- (b) In the shape of ingots weighing not more than 55kgs.
- (c) Of brands listed in the LME approved list.

### **2. SIZE OF LOT**

25 tonnes (2% either more or less).

### **3. WARRANTS**

3.1 Warrants shall be for 25 tonnes (2% either more or less).

3.2 The lead in each Warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 1.5 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country / [region](#) of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
- (e) the weight;
- (f) the number of bundles making up each lot.

3.4 Each Warrant must bear an LMEsword generated barcode.

4. **ADDITIONAL REQUIREMENTS FOR LEAD WARRANTS**

- 4.1 The listed brand name must be indelibly marked on each ingot within a bundle.
- 4.2 The production cast reference must be indelibly marked on each ingot within the bundle or on the top surface of the bundle or on a durable label.
- 4.3 Each delivery of lead for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production cast reference and shall determine the lead content within the minimum purity as defined in Special Contract Rule 1 (a). The producer's certificate of analysis must demonstrate compliance with one of the relevant Standards and grades listed in Special Contract Rule 1 (i), (ii) and (iii) by illustrating the detected level of impurity for each element. A Bulk analysis certificate or a copy thereof is acceptable.
- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.
- 4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All documentation for placing lead on Warrant must include the English language.
- 4.7 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

5. **MAJOR CURRENCY**

US dollars

6. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and
- (b) There is a risk of disruption to the LME's market.

## SPECIAL CONTRACT RULES FOR PRIMARY NICKEL

### 1. QUALITY

The nickel delivered under this contract must be:

- (a) Primary Nickel that conforms to either the ASTM specification B39-79 (2013) – min 99.80% purity or the GB/T specification 6516-2010 – Ni9990 grade;
- (b) In the shape of cathodes (full plate or cut), briquettes or pellets; and
- (c) Of brands listed in the LME approved list.

### 2. SIZE OF LOT

6 tonnes (2% either more or less).

### 3. WARRANTS

3.1 Warrants shall be for 6 tonnes (2% more or less).

3.2 The nickel in each Warrant shall consist of one brand which is listed as being good delivery and of one shape and size.

3.3 Each Warrant shall state:-

- (a) the name of the brand;
- (b) the country / [region](#) of origin;
- (c) the shape;
- (d) the date(s) and identification reference of the certificates of analysis lodged with the Warehouse<sup>1</sup>;
- (e) the total gross and net weights; and
- (f) the number of steel drums or bags or bundles making up each lot.

3.4 Each Warrant for drummed and bagged nickel shall bear the following legend:

**'WARNING** The buyer is advised that steel drums or bags (as applicable) may contain water and nickel should be handled and processed with this possibility in mind. Water contained in steel drums or bags (as applicable) may cause an explosion if the nickel is introduced into a melting-furnace without proper procedures being followed'.

3.5 Each Warrant for full plate cathode nickel shall bear the following legend:

**'WARNING** The buyer is advised that full plate nickel cathode edges may pose a handling risk and proper procedures for handling should be following'.

3.6 Each Warrant shall bear an LMEsword generated barcode.

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<sup>1</sup> For full plate nickel cathodes placed on Warrant on or before 10 January 2011, a certificate of conformity in lieu of a certificate of analysis is permissible.

#### 4. **SHAPES AND WEIGHTS**

4.1 Nickel delivered under this contract shall be packed according to shape as follows:

- (a) Cut cathodes of either 100mm x 100mm (4" x 4"), 50mm x 50mm (2" x 2") or 25mm x 25mm (1" x 1"), shall be packed in sound steel drums of uniform size and even net weight (+/- 2% more or less) of 200kgs or 250kgs or 400kgs or 500kgs each with the production batch reference, gross and net weights and brand name indelibly marked on each individual steel drum. Part filled drums are not permitted.
- (b) Briquettes and pellets shall be packed in steel drums, sizes as 4.1 (a) above, or in 2000kgs (+/- 2% more or less) bags and marked in the same manner as cut cathodes in 4.1 (a) above. Part filled bags are not permitted.
- (c) Full plate cathodes up to 1000mm x 1400mm maximum with a thickness range of 2mm to 17mm, shall be packed in bundles not exceeding 2000kgs, strapped in two dimensions with corrosion resistant material to permit safe handling and transport without bundle distortion and breakage on steel or wooden skids (pallets not permitted) with a minimum ground clearance of 75mm with the production batch reference and gross and net weights indelibly marked on the top cathode of each bundle. The brand name must be marked indelibly either a) on clips attached to the bundle strapping, or b) on the producer strapping, or c) on each cathode within each bundle.

#### 5. **REQUIREMENTS FOR NICKEL WARRANTS**

5.1 Nickel may be placed on Warrant provided that:

- (a) Drummed nickel is in original sound producer steel drums with producer listed markings and with ring sealing and tamper proof producer seals intact.
- (b) For drummed nickel received in original but unsound producer steel drums with broken/damaged producer seals or damaged while stored in the warehouse from an unintended incident, the Warehouse must, without exception, open every such drum and inspect the contents for conformance with the producer listed product and weight before re-packing in sound steel drums of capacity of 200kgs or 250kgs or 400kgs or 500kgs using the sizing of drums initially supplied and with ring sealing system and with unique Warehouse tamper proof numbered seals. All replacement steel drums must be marked with the original producer batch reference, listed brand and Warehouse established gross and net weights.
- (c) Bagged nickel is in original sound producer bags with producer listed markings and with tamper proof seals intact.
- (d) For bagged nickel received in original but unsound producer bags with broken/damaged producer seals or damaged while stored in the warehouse from an unintended incident, the Warehouse must, without exception, open every such bag and inspect the contents for conformance with the producer listed product and weight before re-packing in replacement bags supplied by the producer or in new bags in compliance with ISO 21898:2004 (or National equivalent) with unique Warehouse tamper proof numbered seals. All replacement bags must be marked

with the original producer batch reference, listed brand and Warehouse established gross and net weight.

- (e) For both drummed and bagged nickel producer approved third party packaging is permitted provided sealing methods are as per 5.1 (a) and 5.1 (c) above, using unique tamper proof numbered seals. (f) For full plate bundled nickel received in original sound producer bundles with producer listed markings no opening of bundles is permitted except as follows:
  - a. Where it is necessary to break bundles in order to ensure nickel is placed on acceptable skids.
  - b. Where packaging is damaged such that it may cause a hazard in subsequent handling and storage.
  - c. Where to create a Warrant lot it is necessary to break one or more bundles from a single shipment quantity. Note that only two bundles in a lot may be constructed by a Warehouse, all other bundles must be original producer bundles. The Warehouse must indelibly mark each replacement strap with the brand name.

5.2 Straps replaced by a Warehouse must be of corrosion resistant material to permit safe handling and transport without bundle distortion and breakage and in compliance with LME strap Standards. The Warehouse must mark the top cathode of any new/reconstructed bundles with the producer production batch reference together with the gross and net weights.

## 6. **ADDITIONAL REQUIREMENTS FOR NICKEL WARRANTS**

6.1 All drummed nickel must be securely stored in warehouses on pallets.

6.2 The Warehouse must keep a record of all seals by number and date cross reference to each Warrant.

6.3 Drummed or bagged nickel previously on Warrant which has been supplied to another Warehouse may be placed back on Warrant provided that any drum or bag opened by the previous Warehouse is re-opened and their seal(s) replaced by the new Warehouse unique tamper proof seal(s). This rule does not apply to original sound producer drums or bags with producer listed markings and with tamper proof producer seals intact and to producer third party packaging where listed by the LME or for such packaging supported by an LME Listed Sampler and Assayer (LSA) certificate of analysis and having LSAs seals.

6.4 Drummed or bagged nickel previously on Warrant which has been returned to the same Warehouse may be placed back on Warrant without the need to open any packaging provided that all seals at the time of original warranting remain intact.

6.5 All markings on packaging and information on supporting documentation required for placing nickel on Warrant must include the English language.

6.6 (a) Each delivery of nickel for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production batch reference and

demonstrating quality is as per 1 (a) above. <sup>1</sup>The producer's certificate of analysis must report all individual elements of the ASTM specification B39-79 (2013) and/or GB/T specification 6516-2010 – Ni9990 grade. If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LSA who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates of analysis. In all cases, it must be possible to cross-reference the production batch reference on the drums/bags/bundles to identical numbers on the certificate of analysis and the LSA seal numbers in the case of drums and bags. LSA sampling of nickel in drums and bags must be carried out on the premises of the Warehouse issuing the Warrants.

- (a) On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.

7. **MAJOR CURRENCY**

US dollars

8. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are: -

- (a) that there are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and
- (b) that there is a risk of disruption to the LME's market.

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<sup>1</sup> For full plate cathodes placed on Warrant on or before 10 January 2011, a certificate of conformity in lieu of a certificate of analysis is permissible.



## **SPECIAL CONTRACT RULES FOR NORTH AMERICAN SPECIAL ALUMINIUM ALLOY**

### **1. QUALITY**

The aluminium alloy delivered under this contract must be:

- (a) Aluminium alloy conforming to the "LME NA380.1" specification (an LME modification of The Aluminum Association Inc. A380.1 specification (1989)), produced in conformity with the following specification:

| <u>Element</u>          | <u>Minimum</u> | <u>Maximum</u> |
|-------------------------|----------------|----------------|
| Copper                  | 3.00           | 3.50           |
| Silicon                 | 8.50           | 9.50           |
| Iron                    | 0.80           | 1.00           |
| Magnesium               | -              | 0.10           |
| Zinc                    | -              | 3.00           |
| Manganese               | -              | 0.45           |
| Nickel                  | -              | 0.50           |
| Tin                     | -              | 0.10           |
| Lead                    | -              | 0.10           |
| Titanium                | -              | 0.10           |
| Chrome (chromium)       | -              | 0.10           |
| Others – each           | -              | 0.10           |
| Others – total          | -              | 0.50           |
| Sludge = Fe + 2Mn + 3Cr |                | 1.80           |

Production must be filtered.

- (b) In the shape of ingots, small sows (four way entry sows), large sows (low profile sows) and T-bars.
- (c) Of brands listed in the LME-approved.

### **2. SIZE OF LOT**

20 tonnes (2% either more or less).

### **3. WARRANTIES**

- 3.1 Warrants must be for 20 tonnes (2% either more or less).

- 3.2 The aluminium alloy in each Warrant must consist of one brand which is listed as being good delivery and of one shape and dimension.
- 3.3 Each lot must contain aluminium alloy derived from no more than five production batches, and, in the case of ingots, each bundle must contain aluminium alloy from only one production batch.
- 3.4 Each Warrant must state:
- (a) the name of the brand;
  - (b) the country / [region](#) of origin;
  - (c) the shape;
  - (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
  - (e) the weight;
  - (f) the number of bundles of ingots, small sows, large sows or T-bars making up each lot.
- 3.5 Each Warrant must bear the following clause;
- WARNING:** The buyer is advised that this metal may contain crevices and hidden recesses holding entrapped moisture. The metal should be handled and processed with this possibility in mind. Entrapped moisture may cause an explosion if the metal is introduced into a melting-furnace without proper drying.
- 3.6 Each Warrant must bear an LMEsword generated barcode.

#### 4. **ADDITIONAL REQUIREMENTS FOR NASAAC WARRANTS**

- 4.1 The LME listed brand name must be indelibly marked on each ingot, sow and T-bar.
- 4.2 For ingots, the production cast reference and alloy grade reference must be indelibly marked on each ingot within a bundle or on the top surface of a bundle or on a durable label attached to the bundle. For sows and T-bars the production cast reference and alloy grade reference must be indelibly marked either directly on the surface or on a durable label attached to the metal.
- 4.3 Each delivery of aluminium alloy for placing on Warrant must be accompanied by a producer certificate of analysis stating the brand name and production cast reference.
- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.

- 4.5 On request the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All ingots and sows must be produced by a single pouring process. “Multi-pour” or “capping” the surface with additional metal after the ingot or sow is formed is not permitted.
- 4.7 All ingots, sows and T-bars delivered under this contract must be flat in order to permit safe stacking and handling using forklifts.
- 4.8 Metal surfaces must be smooth and free of open shrinkage, porosity, layers and seams.
- 4.9 The metal must be free of the visible presence of foreign substances.
- 4.10 The edges and surfaces of metal must be free of sharp edges, spurs and flashings that might present safety hazards in handling.
- 4.11 All documentation for placing aluminium alloy on Warrant must include the English language.
- 4.12 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

## 5. **SHAPES, WEIGHTS AND DIMENSIONS**

### (a) Ingots

Ingots must weigh not less than 4 kilos (9lbs) and not more than 17.3 kilos (38lbs). Each ingot in each bundle and lot must be of the same weight and dimensions but not exceed 800mm (35 inches) in length; the only exception to be the cast feet for the purpose of bundle stability.

Bundles must weigh not less than 500 kilos (1100lbs) and not more than 1000 kilos (2200lbs) of equal weight and dimension in each lot suitable for stacking. One makeweight bundle in any one lot will be permissible. Bundles must be securely strapped for safe handling and transport without bundle distortion and breakage.

### (b) Small sows (four-way entry sows)

Small sows must weigh not less than 408 kilos (900lbs) and not more than 590 kilos (1300lbs). Each small sow in each lot must be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

|        |  |
|--------|--|
| Top    | Length and width must be the same, between 837mm – 990mm (33 – 39 inches). |
| Bottom | Length and width must be the same, between 406mm – 559mm (16 – 22 inches). |
| Height | Between 304mm – 432mm (12 – 17 inches).                                    |

Shape The tapering of all four sides must include an indentation to allow for the safe and easy handling by forklift trucks.

(c) Large sows (low profile sows)

Large sows must weigh not less than 500 kilos (1100lbs) and not more than 726 kilos (1600lbs). Each large sow in each lot must be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top Length must be between 1015mm – 1320mm (40 – 52 inches).  
Width must be between 812mm – 1142mm (32 – 45 inches).

Bottom Length must be between 1015mm – 1320mm (40 – 52 inches).  
Width must be between 406mm – 533mm (16 – 21 inches).

Height Between 216mm – 305mm (8.5 – 12 inches).

Shape The tapering of the long sides should include an indentation to allow for the safe and easy handling by forklift trucks.

(d) T-bars

T-bars shall weight not less than 408 kilos (900lbs) and not more than 726 kilos (1600lbs). Each T-bar in each lot shall be one of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top Length must be between 837mm – 1320mm (33 – 52 inches).  
Width must be between 760mm – 1015mm (30 – 40 inches).

Bottom Length must be between 837mm – 1320mm (33 - 52 inches).  
Width must be between 406mm – 634mm (16 – 25 inches).

Height Overall between 254mm – 432mm (10 – 17 inches).  
To shoulder minimum 76mm (3 inches).

6. **MAJOR CURRENCY**

US dollars

7. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.



## **SPECIAL CONTRACT RULES FOR TIN**

### **1. QUALITY**

The tin delivered under this contract must be:

- (a) Refined tin of minimum 99.85% purity conforming to BS EN 610:1996.
- (b) In the shape of ingots each weighing not less than 12 kilos and not more than 30 kilos.
- (c) Of brands listed in the LME approved list.

### **2. SIZE OF LOT**

5 tonnes (2% either more or less).

### **3. WARRANTS**

3.1 Warrants shall be for 5 tonnes (2% either more or less).

3.2 The tin in each Warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 1.2 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country [/region](#) of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
- (e) the weight;
- (f) the number of bundles making up each lot.

3.4 Each Warrant must be made up of not more than two cast batches.

3.5 Each Warrant must bear an LMEsword generated barcode.

### **4. ADDITIONAL REQUIREMENTS FOR TIN WARRANTS**

4.1 The listed brand name must be indelibly marked on each ingot within a bundle.

4.2 The production cast reference must be indelibly marked on each ingot within the bundle.

4.3 Each delivery of tin for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production cast reference and shall determine the tin content within the minimum purity as described in Special Contract Rule 1 (a) by

illustrating the detected level of impurity for each element of the contract Standard. A bulk analysis certificate for no more than 30 tonnes or a copy thereof is acceptable.

- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.
- 4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All documentation for placing tin on Warrant must include the English language.
- 4.7 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

5. **MAJOR CURRENCY**

US dollars

6. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the Exchange's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.



## **SPECIAL CONTRACT RULES FOR SPECIAL HIGH GRADE ZINC**

### **1. QUALITY**

The zinc delivered under this contract must be:

- (a) Refined zinc of minimum 99.995% purity conforming to one of the following Standards and specific grades:
  - (i) BS EN 1179:2003 Standard entitled "Zinc and Zinc Alloys – Primary Zinc", 99.995% grade
  - (ii) ISO 752:2004 entitled "Zinc ingots", ZN-1 grade
  - (iii) ASTM B6-12 entitled "Standard Specification for Zinc", LME grade
  - (iv) GB/T 470-2008 entitled "Zinc ingots", Zn99.995 grade
- (b) In the shape of ingots weighing not more than 30 kilos.
- (c) Of brands in the LME approved list.

### **2. SIZE OF LOT**

25 tonnes (2% either more or less).

### **3. WARRANTS**

3.1 Warrants shall be for 25 tonnes (2% either more or less).

3.2 The zinc in each warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 1.5 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country [/region](#) of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
- (e) the weight;
- (f) the number of bundles making up each lot.

3.4 Each Warrant must bear an LMEsword generated barcode

### **4. ADDITIONAL REQUIREMENTS FOR ZINC WARRANTS**

4.1 The listed brand name must be indelibly marked on each ingot within a bundle.

- 4.2 The production cast reference must be indelibly marked on each ingot within a bundle or on the top surface of the bundle or on a durable label.<sup>2</sup>
- 4.3 Each delivery of zinc for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production cast reference and shall determine the zinc content within the minimum purity as defined in Special Contract Rule 1 (a). The producer's certificate of analysis must demonstrate compliance with one of the relevant Standards and grades listed in Special Contract Rule 1 (i), (ii), (iii) and (iv) by illustrating the detected level of impurity for each element. A Bulk analysis certificate or a copy thereof is acceptable.
- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.
- 4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All documentation for placing zinc on Warrant must include the English language.
- 4.7 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

5. **MAJOR CURRENCY**

US dollars

6. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.

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<sup>2</sup> For Zinc placed on Warrant on or before 1 August 2007 it is not necessary for the production cast reference to be shown on the metal

## SPECIAL CONTRACT RULES FOR STEEL BILLET

[\[CONTRACT NOT CURRENTLY AVAILABLE\]](#)

### 1. QUALITY

The steel billet deliverable under this contract shall be:

(a) steel billet conforming to one of the specifications listed below:

| LME Grade | C         | Si        | Mn        | S     | P     | Cu   | Ni   | Cr   | N       | CEV* | LME Grade |
|-----------|-----------|-----------|-----------|-------|-------|------|------|------|---------|------|-----------|
| 1         | 0.08-0.13 | 0.10-0.30 | 0.30-0.60 | 0.050 | 0.040 | 0.40 | 0.20 | 0.20 | 0.012   | -    | 1         |
| 2         | 0.10-0.15 | 0.15-0.30 | 0.50-0.80 | 0.045 | 0.045 | 0.40 | 0.20 | 0.20 | 0.009** | -    | 2         |
| 3         | 0.14-0.22 | 0.05-0.15 | 0.40-0.65 | 0.05  | 0.04  | 0.40 | 0.30 | 0.30 | 0.012   | -    | 3         |
| 4         | 0.14-0.22 | 0.15-0.30 | 0.40-0.65 | 0.05  | 0.04  | 0.40 | 0.30 | 0.30 | 0.012   | -    | 4         |
| 5         | 0.15-0.22 | 0.15-0.30 | 0.60-1.00 | 0.05  | 0.05  | 0.50 | 0.20 | 0.20 | 0.012   | 0.50 | 5         |
| 6         | 0.17-0.25 | 0.40-0.80 | 1.20-1.60 | 0.045 | 0.045 | 0.50 | 0.20 | 0.20 | -       | 0.52 | 6         |
| 7         | 0.28-0.37 | 0.05-0.15 | 0.50-0.80 | 0.05  | 0.04  | 0.40 | 0.30 | 0.30 | 0.012   | -    | 7         |
| 8         | 0.28-0.37 | 0.15-0.30 | 0.50-0.80 | 0.05  | 0.04  | 0.40 | 0.30 | 0.30 | 0.012   | -    | 8         |
| 9         | 0.36-0.42 | 0.15-0.30 | 1.00-1.40 | 0.05  | 0.05  | 0.50 | 0.20 | 0.20 | -       | -    | 9         |

All limits are max unless otherwise indicated.

\*  $CEV = \%C + \%Mn/6 + (\%Cr + \%Mo + \%V)/5 + (\%Cu + \%Ni)/15$

\*\* %N max may increase by 0.001% for every 0.005% reduction in %P

An allowable tolerance of analysis taken on products made from the above casting grades is permitted as follows:-

C, +0.02%; Cr, +0.05%; Cu, +0.05%; Mn, +/- 0.10%; N, +0.002%; Ni, +0.05%; S, 0.005%; Si, +/- 0.02%; P, 0.005%; CEV + 0.02%.

(b) of brands listed in the LME-approved list of steel billet brands.

## 2. DIMENSIONS

Steel delivered must be in the form of billets and conform to one of the following dimensions:-

| Length                | Metric      | Imperial    |
|-----------------------|-------------|-------------|
| <b>100 S or 100 L</b> | 100 x 100mm | 4" x 4"     |
| <b>120 S or 120 L</b> | 120 x 120mm | 4¾ " x 4¾ " |
| <b>125 S or 125 L</b> | 125 x 125mm | 5" x 5"     |
| <b>130 S or 130 L</b> | 130 x 130mm | 5¼ " x 5¼ " |
| <b>140 S or 140 L</b> | 140 x 140mm | 5½ " x 5½ " |
| <b>150 S or 150 L</b> | 150 x 150mm | 6" x 6"     |

All metric section dimensions are subject to a +/- 3mm tolerance.

All imperial section dimensions are subject to +/- one-eighth of an inch tolerance.

All metric S lengths are to be nominally 5,800 – 6000mm in 100mm increments. Each nominal length is subject to a +/- 100mm tolerance.

All imperial S lengths are 19' 8" with a tolerance of +/- 4".

All metric L lengths are to be nominally 11,700mm – 12,000mm in 100mm increments. Each nominal length is subject to a +/- 100mm tolerance.

All imperial L lengths are 39' 4" with a tolerance of +/- 4".

## 3. SIZE OF LOT

65 tonnes

## 4. WARRANTS

- 4.1 Warrants shall be for 65 tonnes each (3.5% either more or less).
- 4.2 Each parcel particularised in each warrant shall lie at one facility, be of one brand and shall consist of billets of one dimension and one specification.
- 4.3 Each Warrant must bear an LMEsword generated barcode.

## 5. MAJOR CURRENCY

US dollars

## 6. TESTING OF WARRANTED METAL

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LME approved Sampler and Assayer to undertake such tests as are necessary to form a reasonable opinion

on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the Exchange's cost.

The conditions referred to above are: -

- (a) that there are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and
- (b) that there is a risk of disruption to the LME's market.

#### **SPECIAL RULES GOVERNING THE PLACING OF STEEL BILLET ON WARRANT**

1. Each Delivery of billet for placing on warrant shall be accompanied by a Certificate of Origin and a producer's Mill Test Certificate or certificate of Analysis, both of which must be lodged with the warehouseman. The Mill Test Certificate/Certificate of Analysis must be within the quality specification set out in Special Contract Rule 1 and must show the full chemical analysis per heat number. Additionally the Mill Test Certificate/Certificate of Analysis must be on the applicable producers headed paper stating the plant and/or brand name. Bulk certificates or a copy thereof is acceptable.
2. Each warrant shall state the total weight of the parcel particularised thereon, its country / [region](#) of origin, brand, no of billets making up each parcel and the date(s) and reference number(s) of the Mill Test Certificate/Certificate of Analysis lodged with the warehouseman. The warehouse company is required to keep a record of the date and reference number of the Certificate of Origin.
3. The Warehouse Company is required to inform the LME of the name of the party that requests the warrant to be issued.
4. On request, the warehouseman is obliged to submit to the holder of the Warrant the Certificates of Origin, plus Analysis or Mill Test Certificate, or copies thereof if the 65 tonne parcel forms part of a larger delivery covered by bulk certificates.
5. All documentation required for placing material on warrant must be in English.



## SPECIAL CONTRACT RULES FOR COBALT

### 1. QUALITY

The cobalt delivered under this contract must be:-

- (a) Of a minimum 99.80% purity. Other elements are as specified by producers of each brand in the LME-approved list.
- (b) In the form of cathodes (broken or cut, cut cathodes must be of uniform sizes greater than 50mm and offcuts are not permitted), rounds, briquettes or coarse grain powder (must be <0.01% of a respirable size fraction).
- (c) Of brands listed in the LME approved list.

### 2. SIZE OF LOT

1 tonne (2% either more or less).

### 3. WARRANTS

3.1 Warrants shall be for 1 tonne (2% either more or less).

3.2 The cobalt in each Warrant shall consist of one brand which is listed as being good delivery, of one shape and size and from not more than two production batches.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country /region of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificates of analysis lodged with the Warehouse;
- (e) the gross and net weights; and
- (f) the number of steel drums making up each lot.

3.4 Each Warrant shall bear the following legend:

**'WARNING** The buyer is advised that drums may contain water and cobalt should be handled and processed with this possibility in mind. Water contained in drums may cause an explosion if the cobalt is introduced into a melting-furnace without proper procedures being followed'.

3.5 Each Warrant shall bear an LMEsword generated barcode.

### 4. DRUMMING REQUIREMENTS

4.1 All cobalt delivered under this contract shall be packed in sound steel drums of uniform size and weight of 200kgs, 250kgs or 500kgs (+/-2%). Part filled steel drums are not permitted.

4.2 Each drum shall be indelibly marked with production batch reference, gross and net weights and brand name.

4.3 Only drums that are original sound producer or producer approved third party steel drums with the producer or approved third party ring closing system and with tamper proof seals intact may be put on Warrant.

4.4 Warehouses are not permitted to place on Warrant cobalt supplied in unsound producer or producer approved third party steel drums with broken seals.

5. **ADDITIONAL REQUIREMENTS FOR ALL COBALT WARRANTS**

5.1 All cobalt Warrants require supporting documentation a producer certificate(s) of analysis and a packing list cross referenced to the certificate(s) of analysis and individual producer drum seal numbers in English. Bulk certificates of analysis are permitted. The certificate of analysis must state the brand name.

5.2 If a producer's certificate of analysis is not available a certificate of analysis for all shapes must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates of analysis. In all cases, it must be possible to cross-reference the production batch reference on the drums to identical numbers on the certificate of analysis and the LSA seal numbers. LSA sampling of cobalt must be carried out on the premises of the Warehouse issuing the Warrants.

5.3 On request the Warehouse is obliged to submit to the holder of the Warrant the certificate(s) of analysis and packing list or copies thereof if the Warrant lot forms part of a larger batch.

6. **MAJOR CURRENCY**

US dollars

7. **TESTING OF WARRANTED METAL**

7.1 If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at rule 7.2(a) and (b) below are satisfied, he or they may instruct an LME Listed Sampler and Assayer (LSA) to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The LME will bear the costs of such tests.

7.2 The conditions referred to above are that:-

- (a) there are reasonable grounds to suspect that cobalt on Warrant does not comply with these rules; and
- (b) there is a risk of disruption to the LME's market



# **SPECIAL CONTRACT RULES FOR ROASTED MOLYBDENUM CONCENTRATE**

## **1. QUALITY**

The roasted molybdenum concentrate ("RMC") delivered under this contract shall be:

- (a) between 57 and 63% molybdenum purity with maximum permissible impurities of Cu 0.50%; P 0.05%; Pb 0.05%; S 0.10%; C 0.10%; Moisture 0.1%.
- (b) in the form of powder packed in drums, of which only 5% of the powder can comprise particles in excess of 4mm and 0% in excess of 10mm.
- (c) of brands listed in the LME approved list.

## **2. SIZE OF LOT**

6 tonnes molybdenum (+/-5%) contained in RMC.

## **3. WARRANTS**

3.1 Warrants shall be for 10 tonnes of RMC.

3.2 The RMC in each Warrant shall be of one production batch and brand and shall lie in one warehouse.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country [/region](#) of origin;
- (c) the date and reference number of the certificate of analysis lodged with the warehouseman;
- (d) the gross and net weights of RMC together with the net weight contained of molybdenum; and
- (e) the number of steel drums making up each Warrant.

3.4 Each Warrant shall bear the following legend:

**'WARNING** The buyer is advised that drums may contain water and RMC should be handled and processed with this possibility in mind. Water contained in drums may cause an explosion if the RMC is introduced into a melting-furnace without proper procedures being followed.'

3.5 Each Warrant shall bear an LMEsword -generated barcode.

## **4. WEIGHTS**

4.1 All RMC delivered under this contract shall be packed in sound steel drums of uniform size and of exact net weight of 200 or 250 kilos. Part filled steel drums are not permitted.

4.2 Each steel drum shall have the gross and net weights, brand name, origin and batch reference clearly and indelibly marked or stamped on the outside of the drum.

## 5. **DRUMMED RMC REQUIREMENTS**

5.1 RMC contained in drums may be placed on Warrant provided that:

- (a) the steel drums are original sound producer drums with a ring closing system and tamper proof producer seals intact;
- (b) the Warehouse opens every steel drum in a Warrant quantity of a single producer batch in the presence of an LME Listed Sampler and Assayer (LSA) for the purpose of taking samples and establishing an independent Certificate of Analysis specific to each Warrant lot. The Warehouse shall be responsible for resealing all steel drums using their own unique tamper proof numbered seals using a ring closing system and identifying the warehouse of storage after sampling is complete and still in the presence of the LSA. All costs incurred will be for account of the party instructing the warehouse to place the material on warrant; and
- (c) all markings on steel drums conform to those of the listed brand.

5.2 Warehouses are not permitted to place on Warrant any RMC supplied in unsound producer steel drums or steel drums with broken seals.

## 6. **CERTIFICATES OF ANALYSIS**

6.1 A Certificate of Analysis shall be issued for each Warrant lot by an LSA in accordance with the following:

- (a) LSAs will sample and analyse each lot for LME warranting in accordance with LME specified procedures ensuring that any one lot comes from a single producer batch; and
- (b) LSA Certificates of Analysis shall be cross-referenced to the listed producer brand, batch number and Warehouse seal numbers.

6.2 Any party cancelling Warrants should note that the LSA Certificate of Analysis is subject to a variation tolerance of Mo content of +/- 0.5%. If any additional sampling and analysis is required this must be done in accordance with LME procedures within 15 working days after cancelling the Warrant at the warehouse of storage in the presence of the LSA who issued the original Certificate of Analysis. Any disputes about analysis shall be settled in accordance with LME procedures. All costs for any analysis taken at time of cancellation of warrants are for the account of the party cancelling Warrants

## 7. **ADDITIONAL REQUIREMENTS FOR ALL RMC WARRANTS**

7.1 Note that in order to create RMC warrants a producer weight certificate and analysis certificate covering all elements of the Contract specification in 1(a) above is to be supplied with all deliveries to a warehouse.

7.2 All RMC Warrants require as supporting documentation a certificate of origin and a LSA certificate of analysis in English.

7.3 On request the Warehouse is obliged to submit to the holder of the Warrant the certificate of origin and analysis or a copy thereof.

7.4 The Warehouse Company is required to inform the LME of the name of the party that requests the warrant to be issued.

8. **MAJOR CURRENCY**

US dollars

9. **TESTING OF WARRANTED METAL**

9.1 If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at rule 9.2(a) and (b) below are satisfied, he or they may instruct an LME Listed Sampler and Assayer to undertake such tests as are necessary to form a reasonable opinion of whether or not metal on Warrant conforms with these Rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The LME will bear the costs of such tests.

9.2 The conditions referred to above are that:-

- (a) there are reasonable grounds to suspect that RMC on Warrant does not comply with these rules, and
- (b) there is a risk of disruption to the LME's market.



# PART 6A

## SPECIAL CONTRACT RULES FOR THE CONSTRUCTION OF THE INDEX

### 1. INDEX CONSTRUCTION

The Index is an Index on the six designated LME primary metals contracts denominated in US dollars.

### 2. INDEX WEIGHTING

Weightings of the six metals are derived from global production volume and trade liquidity averaged over the preceding five-year period. Weightings of the Constituent Metals of the Index as of 1 January 2000 are set out in the table below:

| Constituent Metal | Approx. No. of Lots | Tonnage | Volume Weighting |
|-------------------|---------------------|---------|------------------|
| Primary Aluminium | 25                  | 625     | 41.8             |
| Copper            | 20                  | 500     | 33.4             |
| Lead              | 5                   | 125     | 8.4              |
| Nickel            | 5                   | 30      | 2.0              |
| Tin               | 3                   | 15      | 1.0              |
| Zinc              | 8                   | 200     | 13.4             |
| Total             | 66                  | 1,495   | 100.0            |

Any resetting of the weighting of the Index shall be the responsibility of the Weighting Committee.

### 3. INDEX VALUE

The Index value is calculated as the sum of the prices for the three qualifying months multiplied by the corresponding weights, multiplied by a constant:

$$\text{Index} = (\text{WAI} \times (\text{Al 1 mth} + \text{Al 2 mth} + \text{Al 3 mth}) + ([\text{other metals as Al}]) \times \text{K}$$

where:

WAI = % weight of primary aluminium ("Al")

Al 1 mth = first month third Wednesday primary aluminium future price

Al 2 mth = second month third Wednesday primary aluminium future price

Al 3 mth = third month third Wednesday primary aluminium future price

K = the reference constant which creates the initial Index value at 4 January 1999 of 1,000. The constant is changed at each reweighting point to rebalance the Index at that time.

Note that primary aluminium, designated "Al", has been used as the first Constituent Metal.

#### 4. **THE INDEX FUTURES CONTRACT SPECIFICATION**

##### 4.1 **Contract Size**

\$10 per Index point.

##### 4.2 **Prompt Date**

Second Wednesday of maturity month, subject to the Trading Regulations.

##### 4.3 **Index point Value Basis**

Average of the third Wednesday prices for the first three qualifying trading months of the Constituent metals.

##### 4.4 **Maturity Months**

Monthly for twelve months.

##### 4.5 **Last Trading Day and Time**

17.00 hours on Prompt Date.

##### 4.6 **Settlement Basis**

Cash Settlement based on the difference between Settlement Price of the Index on the Prompt Date and the value of the Index in the Contract, multiplied by the Contract size.

##### 4.7 **Cash Settlement**

Settlement Business Day following the Prompt Date. (See Regulation 9, Settlement of Contracts, in Part 3, Trading Regulations.)

##### 4.8 **Quotation**

Index points.

##### 4.9 **Minimum Price Move**

0.1 Index point.

#### 5. **INDEX OPTIONS CONTRACT SPECIFICATION**

##### 5.1 **Contract Size**

\$10 per Index point.

##### 5.2 **Prompt Date and Time**

Automatic exercise for In The Money Index Options as at 19.15 hours on the second Wednesday of relevant maturity month, subject to the Trading Regulations.

5.3      **Last Trading Day and Time**

16.35 hours on the Prompt Date.

5.4      **Settlement Basis**

Cash settlement based on the difference between Settlement Price of the Index and the Strike Price, multiplied by the Contracts size.

5.5      **Cash Settlement**

The Settlement Business Day following the Prompt Date.

5.6      **Maturity Months**

Monthly for the front three months.

5.7      **Option Premium Date**

Paid on first Business Day following trade.

5.8      **Minimum Price Movement (tick size)**

0.01 Index points.

5.9      **Strike Price Gradation**

10 Index points.





## PART 6B

### SPECIAL CONTRACT RULES FOR LME<sub>MINI</sub> CONTRACTS

#### 1. THE LME<sub>mini</sub> FUTURES CONTRACT SPECIFICATION

##### 1.1 Lot Size

The Lot size for each LME<sub>mini</sub> Future is as follows:

| Constituent Metal       | Lot size (tonnes) |
|-------------------------|-------------------|
| Primary Aluminium       | 5                 |
| Copper Grade A          | 5                 |
| Special High Grade Zinc | 5                 |

##### 1.2 Prompt Date

Third Wednesday of each maturity month, subject to the Trading Regulations.

##### 1.3 Maturity Months

Monthly for twelve months, unless the Contract is made after the Last Trading Time (see 1.65 below) for the calendar month on which the Contract is made, in which case, eleven months.

##### 1.4 Trading Platform

LME<sub>mini</sub> Contracts may not be traded in the Ring.

##### 1.5 Last Trading Time

The last trading time for all LME<sub>mini</sub> Contracts shall be 12.30 hours London time on the Business Day which is two Business Days before the Prompt Date.

##### 1.6 Settlement Basis

Cash settlement by reference to the Settlement Price determined for the Prompt Date for the relevant underlying metal.

##### 1.7 Cash Settlement

On the Prompt Date.

##### 1.8 Currency

US Dollars.

##### 1.9 Minimum Price Movement

\$0.25; \$0.01 for a carry.



## PART 6C

### SPECIAL CONTRACT RULES FOR ~~FERROUS~~ CASH-SETTLED FUTURES - FERROUS

#### 1. THE FERROUS FUTURES CONTRACT ~~SPECIFICATION~~ SPECIFICATIONS

##### 1.1 Lot Size

The Lot size for each Ferrous Future is as follows:

| <del>Constituent Metal</del> <u>Contract</u> | Lot size (tonnes) | Code |
|--|-------------------|------|
| LME Steel Scrap                              | 10                | SC   |
| LME Steel Rebar                              | 10                | SR   |

##### 1.2 Prompt ~~Date~~ Dates

~~The last Business Day of each month.~~

The meaning and specification of the Prompt Dates for each Ferrous Future shall be determined as follows:

| <u>Meaning of Prompt Date</u>  | <u>Contracts</u>                                 | <u>Valid Prompt Dates</u>   |
|--|--|---|
| <u>The Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations, the Cash-Settled Future Final Settlement Price is determined, with settlement of the Contract on the next Settlement Business Day</u> | <u>LME Steel Scrap</u><br><u>LME Steel Rebar</u> | <u>The last Business Day of each month (subject to Regulation 8 of the Trading Regulations)</u> |

##### 1.3 Maturity Months

The maturity months for Ferrous Futures Contracts shall be as follows:

| Contract        | Maturity Months   |
|-----------------|---|
| LME Steel Scrap | Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months. |
| LME Steel Rebar | Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months. |

## 1.4 Execution Venue

### ~~1.4.1 Trading Platform~~

Ferrous Futures may be traded ~~on~~in the ~~telephone~~inter-office market and on LME Select but not in the Ring.

## 1.5 Trading Hours

Ferrous Futures may be traded on the following ~~platforms~~Execution Venues at the following times:

| <del>Platform</del> <u>Execution Venue</u>      | Trading Hours   |
|---|---|
| LME Select                                      | Between 01:00 and 19:00 London time on a Business Day |
| <del>Telephone</del> <u>Inter-office market</u> | 24 hours a day during a Business Day                  |

## 1.6 Last Trading Day and Last Trading Time

The last trading time for Ferrous Futures Contracts shall be as follows:

| Contract        | Last Trading Day   | Last Trading Time   |
|-----------------|--|---|
| LME Steel Scrap | The last Business Day of the relevant tradeable month (where each calendar month shall be a tradeable month) | <del>13</del> <u>16</u> :30 hours London time on the Last Trading Day |
| LME Steel Rebar | The last Business Day of the relevant tradeable month (where each calendar month shall be a tradeable month) | 16:30 hours London time on the Last Trading Day                       |

## 1.7 Settlement Basis

Cash Settlement based on the difference between the ~~Ferrous~~relevant Cash-Settled Future Final Settlement Price on the Prompt Date and the value of the Contract, multiplied by the Lot size.

## 1.8 Cash Settlement

~~Settlement Business Day following the Prompt Date.~~

| <u>Contract</u>        | <u>Final Settlement Date</u>                             |
|------------------------|--|
| <u>LME Steel Scrap</u> | <u>Settlement Business Day following the Prompt Date</u> |
| <u>LME Steel Rebar</u> | <u>Settlement Business Day following the Prompt Date</u> |

(See Regulation 9, Settlement of Contracts, in Part 3, Trading Regulations.)

## 1.9 Minimum Price Movement

The minimum price movement for any Ferrous Future shall be as follows:

|                            | <u>Minimum price movement per tonne</u> |                |
|----------------------------|---|----------------|
| <u>Execution Venue</u>     | <u>Outright</u>                         | <u>Carries</u> |
| <u>LME Select</u>          | <u>\$0.50</u>                           | <u>\$0.01</u>  |
| <u>Inter-office market</u> | <u>\$0.01</u>                           | <u>\$0.01</u>  |

## ~~1.9~~1.10 Notification of Procedures for determining the ~~Ferrous~~ Cash-Settled Future Final Settlement ~~Price~~ Prices

The Exchange shall specify, by way of Administrative Procedure issued to the Members, the procedures that it shall apply in order to determine the ~~Ferrous~~ Cash-Settled Future Final Settlement Price for each Ferrous Future.

## 1.11 Specification of the Cash-Settled Future Indices

### ~~1.10~~ The Cash-Settled Future Index relevant to each Ferrous ~~Index~~

- (a) ~~The Ferrous Index Future~~ shall be used by the Exchange to determine the ~~Ferrous~~ Cash-Settled Future Final Settlement Price for that Ferrous Future, in accordance with the procedures specified pursuant to Regulation 1.10 above.
- (b) The Exchange shall specify, by way of Notice issued to the Members, the relevant index or indices that shall constitute the ~~Ferrous~~ Cash-Settled Future Index for each type of Ferrous ~~Futures that are LME Steel Scrap Contracts~~ Future.
- ~~(c) The Exchange shall specify, by way of Notice issued to the Members, the relevant index or indices that shall constitute the Ferrous Index for Ferrous Futures that are LME Steel Rebar Contracts.~~

### ~~1.11~~ Errors in the Ferrous Index

- ~~(a) If, not later than 30 minutes after the Ferrous Final Settlement Price has been published by the Exchange, any Member of the Exchange notifies the Exchange of, or it otherwise comes to the attention of the Exchange that there is an alleged or apparent error in the Ferrous index, then the Exchange shall promptly request the index provider investigate such alleged or apparent error. If in the index provider's opinion an error has been made, the index provider shall correct any Ferrous Index value affected thereby and the Exchange shall as soon as reasonably practicable publish a correction to the Ferrous Final Settlement Price, as required.~~
- ~~(b) No correction to the Ferrous Index shall be made other than may be allowed for in Regulation 1.11(a)~~
- ~~(c) Neither the Exchange nor its officers, employees, agents or representatives shall have any liability whatsoever in respect of any decision as to whether or not to~~

~~correct the Ferrous Index, or as to whether or not to re-determine the Ferrous Final Settlement Price.~~

1.12      **Currency**  
US Dollars.

|

|

|



**PART 6D**

**SPECIAL CONTRACT RULES FOR CASH-SETTLED FUTURES - NON-FERROUS**

**This Part has been intentionally left blank.**

## **PART 7: REQUIREMENTS FOR THE LISTING OF BRANDS**

1. Where applicable, an application for listing a brand must be submitted on behalf of the producer through a Member Company, Categories 1 to 5.
2. Guidance Notes for listing of brands of each metal are available on the LME website or from the Executive of the Exchange. Applicants should not proceed with an application prior to reading the applicable guidance notes.

The general procedures outlined in the Guidance Notes include the following requirements:-

- 2.1 Except in the case of molybdenum and steel, that the producer supplies a written undertaking that the brand to be listed will conform to the quality of the applicable Special Contract Rules for Metals and that such quality will be maintained in accordance with the lots supplied for testing purposes (see 2.2 below). Also, that a producer will undertake to investigate any complaints as to the quality of the brand without time limit.
- 2.2 That testing of commercial quantities of the metal be undertaken by Exchange approved fabricators who will provide the Exchange with information as to metal quality, suitability and compliance with the applicable Special Contract Rules for Metals.
- 2.3 That a fee is paid to the Exchange for the listing of a brand.
3. Subsequent to listing any alteration or addition to the details given at the time of listing by the producer are to be notified to the Exchange. A brand may be suspended from listing or delisted at the discretion of the Directors if any such changes are not notified to the Exchange promptly or if there are changes in the information given at the time of listing which the Directors consider to be material or if the producer fails to comply with any undertaking given to the Exchange.
4. Brands may be listed, suspended or delisted at the discretion of the Directors, who are entitled to make such investigations into the producer as they may deem appropriate at any time before, during or after the application for listing. No listing shall become valid until particulars of the brand concerned have been posted on the Exchange for 28 days.
5. Any complaint as to the quality of any listed brand should be made to the Complaints Officer of the Exchange. Should the Chief Executive think it appropriate, he may report to the Directors who may suspend deliveries onto warrant until quality is proven to the satisfaction of the Directors. If after investigation by the Complaints Officer the Directors are not satisfied with the quality of the listed brand, then the brand may be delisted at the discretion of the Directors.
6. The Directors may, at their discretion, waive or amend any of the listing requirements. Producers must comply with this Part of the Rules and Regulations, the listing requirements, as well as with any variations to those and with any applicable Administrative Procedures issued by the Exchange.
7. Neither the Company nor any of its Directors or other officers shall be under any liability whatsoever either in contract or in tort to any Member or other person in respect of any act or omission in relation to the listing of any brand of metal or the maintenance, suspension or termination of any such listing.



**PART 8**  
**ARBITRATION REGULATIONS**

\*

**CONTENTS**

| <b>Section</b> |                                       | <b>Page</b> |
|----------------|---------------------------------------|-------------|
| 1              | Definitions and Interpretations       | 8-1         |
| 2              | Commencement                          | 8-2         |
| 3              | Appointment of Tribunal               | 8-3         |
| 4              | Procedure                             | 8-5         |
| 5              | Notices and Communications            | 8-5         |
| 6              | Submission and Documents              | 8-6         |
| 7              | Hearings and Seat of Arbitration      | 8-7         |
| 8              | Party Representatives                 | 8-7         |
| 9              | Witnesses                             | 8-7         |
| 10             | Powers of Tribunal                    | 8-8         |
| 11             | Consolidation                         | 8-10        |
| 12             | Awards                                | 8-10        |
| 13             | Costs and Deposit                     | 8-12        |
| 14             | The Secretary and the Panel Committee | 8-13        |
| 15             | Exclusion of Liability                | 8-13        |
| 16             | Governing Law                         | 8-13        |

These Arbitration Regulations form part of the Rules and Regulations of the Exchange. They may also be used as a stand-alone document. Contractual arrangements may include a reference to arbitration in accordance with these Arbitration Regulations. For the avoidance of doubt, such a reference does not of itself mean those contractual arrangements are subject to the remaining Rules and Regulations of the Exchange, nor that any resulting contract is an LME Contract.



## **PART 8: ARBITRATION REGULATIONS**

### **1. DEFINITIONS AND INTERPRETATIONS**

1.1 In these Arbitration Regulations, the following words and expressions shall, unless the context otherwise requires, bear the meanings set opposite them:-

|                             |  |
|-----------------------------|--|
| "Administrative Procedure"  | a notice posted in the Exchange containing a procedure for implementing the Rules or any part thereof;   |
| "Arbitration Regulations"   | the regulations set out in Part 8 of the Rules;  |
| "Chief Executive"           | includes the Deputy Chief Executive and any other person for the time being appointed to perform the duties of Chief Executive of the Company;   |
| "Claimant"                  | the person commencing an arbitration by serving a Notice to Arbitrate;   |
| "Close of Pleadings"        | the end of a period of 28 days after the time for submission of the points of reply, unless otherwise ordered by the Tribunal;   |
| "the Company"               | The London Metal Exchange;   |
| "Counter Notice"            | a notice served by the Respondent pursuant to Regulation 2.5 of Part 8 of the Rules;   |
| "Deposit"                   | such sum as may be specified by Administrative Procedure from time to time;  |
| "the Directors"             | the Board of Directors of the Company;   |
| "Head of Market Operations" | the Head of Market Operations and any other person within the Market Operations division of the Exchange for the time being appointed to perform the duties of the Head of Market Operations;                            |
| "Member"                    | a member of the Exchange;  |
| "Notice to Arbitrate"       | a Notice served by the Claimant pursuant to Regulation 2.1 of Part 8 of the Rules;   |
| "Panel"                     | the Arbitration Panel of the Company;  |
| "Panel Committee"           | a committee appointed by the Directors to oversee the conduct of arbitrations pursuant to the Arbitration Regulations, and in particular to perform the functions and powers referred to in the Arbitration Regulations; |
| "Registration Fee"          | such sum as may be specified by Administrative Procedure from time to time;  |
| "Respondent"                | the person receiving a Notice to Arbitrate served by the Claimant;   |

|               |   |
|---------------|---|
| "Rules"       | means these rules and regulations as the same may be amended in accordance with the Articles;   |
| "Secretary"   | any person appointed to perform the duties of Secretary of the Company, and for the purpose only of Part 8 of the Rules, any person to whom the functions and powers of the Secretary referred to therein may be delegated from time to time; |
| "Tribunal"    | the tribunal of one, two or three arbitrators appointed in accordance with Regulation 3 of Part 8 of the Rules;   |
| "Working Day" | any weekday, Monday to Friday inclusive, which is not a public holiday in England and Wales.  |

1.2 Reference to a period of days shall mean consecutive days, calculated with reference to London Time, whether or not they are Working Days. Where an act is required to be done within a specified period of days after a specified event, the first day of the period shall be the day after the specified event occurs. The period shall end at 5.00pm (London Time) on the last day of the period.

- 1.3 (a) Words importing the singular shall, where the context permits, include the plural and *vice versa*. Words importing gender shall include each gender. Words importing persons shall, where the context permits or requires, include partnerships and corporations.
- (b) Where reference is made to a Regulation in any Part of the Rules it shall be deemed to be a reference to a Regulation in that Part unless the context otherwise requires.

1.4 The headings in these Arbitration Rules are inserted for convenience only and are to be ignored for the purposes of construction.

## 2. COMMENCEMENT

2.1 A Claimant shall commence an arbitration pursuant to these Arbitration Regulations by serving a Notice to Arbitrate on the Respondent, and by sending a copy of the Notice to Arbitrate to the Secretary accompanied by the Registration Fee and Deposit. The Deposit shall be ~~paid by cash or cheque drawn on a London clearing bank made payable to The London Metal~~any of the methods detailed in the Arbitration section of the website of the Exchange, as updated from time to time.

2.2 Subject to Regulation 6.3, the Notice to Arbitrate shall contain at least the following information:-

- (a) the address for service of the Claimant;
- (b) a brief statement of the nature and circumstances of the dispute including a brief description of any contract, sufficient to enable the Respondent to identify it, to which the dispute relates;
- (c) a brief statement of the relief claimed;
- (d) the Claimant's proposal with regard to the number of arbitrators to form the Tribunal;

- (e) the Claimant's nomination of one arbitrator from the Panel; and
  - (f) the person and address of the Respondent to which the Notice to Arbitrate has been sent.
- 2.3 The Secretary shall acknowledge receipt of the Deposit and Registration Fee, indicating the date on which payment was made, and shall copy such acknowledgement to the Respondent. The Notice to Arbitrate shall not be valid, and time shall not start to run for the purpose of any other provisions of these Arbitration Regulations until the Deposit and Registration Fee have been paid and all the above information has been supplied to the Respondent and to the Secretary.
- 2.4 The date of receipt by the Respondent of a valid Notice to Arbitrate shall be deemed to be the date on which the arbitration has commenced.
- 2.5 Within 21 days of receipt of the Notice to Arbitrate, the Respondent shall send to the Claimant, with a copy to the Secretary, a Counter Notice which shall contain:-
- (a) the address for service of the Respondent;
  - (b) confirmation that the Respondent agrees to the number of arbitrators proposed by the Claimant, or the Respondent's counter proposal;
  - (c) if relevant, the Respondent's nomination of one arbitrator from the Panel.
- 2.6 If the Respondent fails to serve the Counter Notice then, on application by the Claimant in writing to the Secretary, the Secretary shall proceed with the appointment of the Tribunal as set out in Regulation 3.
3. **APPOINTMENT OF TRIBUNAL**
- 3.1 Subject to Regulation 3.5, two arbitrators shall form the Tribunal unless the parties to the dispute agree that either one or three arbitrators should form the Tribunal.
- 3.2 Within 7 days of receipt of the Counter Notice, or of the Claimant's application referred to in Regulation 2.6, the Secretary shall:-
- (a) if the Tribunal is to consist of a single arbitrator
    - (1) appoint the arbitrator agreed by the parties; or
    - (2) if the parties do not agree on the identity of the arbitrator, appoint an arbitrator who may, but need not, be an arbitrator nominated by one of the parties;
  - (b) unless the Tribunal is to consist of a single arbitrator, appoint
    - (1) the arbitrator nominated by the Claimant; and
    - (2) the arbitrator nominated by the Respondent or, in default, an arbitrator;
  - (c) send to each arbitrator a copy of the Notice to Arbitrate and the Counter Notice, if any, and any accompanying documents;
  - (d) notify the parties of steps taken pursuant to Regulations 3.2(a), 3.2(b) and 3.2(c).



- 3.3 If the Tribunal is to consist of three arbitrators, the two arbitrators appointed pursuant to Regulation 3.2(b) shall, within 7 days of their appointment, nominate the third (in accordance with the criteria in Regulation 3.6) and notify the Secretary of their choice or inform the Secretary that they are unable to agree. The Secretary shall within 7 days thereafter:-
- (a) appoint the third arbitrator if necessary having made the choice of third arbitrator himself (in accordance with the criteria in Regulation 3.6);
  - (b) send the third arbitrator a copy of the documents referred to in Regulation 3.2(c);
  - (c) notify the parties and other arbitrators of steps taken pursuant to Regulations 3.3(a) and 3.3(b).
- 3.4 For the purpose of these Arbitration Regulations, the Tribunal shall be taken to have been appointed on the date the Secretary sends notification to the parties pursuant to Regulation 3.2(d) or 3.3(c) as the case may be.
- 3.5 If the Tribunal consists of two arbitrators then, upon request to the Secretary by
- (a) either party at any time prior to 14 days after Close of Pleadings, or
  - (b) either of the arbitrators at any time before an award is made,
- the Secretary shall, in consultation with the existing arbitrators and providing, in the event the request is made by a party, at least one arbitrator is of the view that a third arbitrator should be appointed, appoint a third arbitrator (in accordance with the criteria in Regulation 3.6).
- 3.6 The third arbitrator, who shall be the chairman of the Tribunal, shall be a lawyer unless the other arbitrators are both lawyers, in which case the chairman shall be a non-lawyer.
- 3.7 Any arbitrator chosen and appointed by the Secretary shall be chosen from the Panel.
- 3.8 In every case in which the Secretary appoints an arbitrator he shall, before doing so, ascertain the arbitrator's ability and willingness to act. If any arbitrator is unable or unwilling to act, the Secretary shall, subject to Regulation 3.13, appoint a replacement.
- 3.9 The arbitrators may only nominate arbitrators who are members of the Panel.
- 3.10 All arbitrators, whether or not nominated by the parties, shall be and remain at all times wholly independent and impartial and shall not act as advocates for either party.
- 3.11 If at any time after his appointment any arbitrator is unable or unwilling to act for any reason, then within 7 days of receipt of a written request from the arbitrator himself, any of the other members of the Tribunal, or either party, the Secretary shall, subject to Regulation 3.13, appoint a replacement.
- 3.12 Either party may challenge the appointment of an arbitrator within 28 days of the appointment of that arbitrator or, if later, within 28 days of becoming aware of the facts and circumstances on which the challenge is based, on grounds of non-independence, partiality, unfitness or inability to act by sending a written statement of its reasons for the challenge to the Secretary. Unless the other party agrees to the challenge or the arbitrator withdraws within 7 days, the Secretary shall refer the matter to the Panel Committee who shall determine whether the challenge should be sustained and, if so and subject to Regulation 3.13, the Secretary shall appoint a replacement within a further 7 days.

- 3.13 If the arbitrator to be replaced pursuant to Regulations 3.7, 3.11 or 3.12 is one who either party was originally entitled to nominate, that party shall be entitled to nominate the replacement (in accordance with the criteria in Regulation 3.6). If the arbitrator to be replaced was the third arbitrator, the other two shall be entitled to nominate the replacement. The Secretary, before appointing the replacement, shall consult with the parties or arbitrators accordingly. The Secretary shall appoint the arbitrator so nominated or, in default of any such nomination within a time specified by the Secretary, choose and appoint the replacement arbitrator (if applicable, in accordance with the criteria in Regulation 3.6).
- 3.14 The Secretary shall have power, on the application of either party or on his own motion, and on notice to both parties, to extend or abridge any of the time limits specified in this Regulation 3 or in Regulation 2.

#### 4. **PROCEDURE**

In the absence of any express provision in these Arbitration Regulations the Tribunal shall have the widest discretion permitted by law to determine the procedure to be adopted, and to ensure the just, expeditious, economical and final determination of the dispute.

#### 5. **NOTICES AND COMMUNICATIONS**

- 5.1 Unless otherwise ordered by the Tribunal, all notices required by these Arbitration Regulations shall be in writing. Notices and all other documents shall be sent by first class post where available, or airmail, fax, telex, electronic message or delivered by hand.
- 5.2 Documents sent between the parties shall be sent to the other party's address for service or, if none has yet been specified, to the address of the other party specified in the contract containing the agreement to refer the dispute to arbitration, failing which to the principal place of business of the other party.
- 5.3 In every case in which either party sends any document to the Secretary or the Tribunal that party shall where relevant provide sufficient copies for each member of the Tribunal, and shall also at the same time send a copy to the other party.
- 5.4 Subject to satisfactory evidence being produced by the sender and unless the intended recipient proves otherwise:-
- (a) documents sent by post shall be deemed to have been received;
    - (1) if posted within the United Kingdom to an address in the United Kingdom, 2 Working Days after posting;
    - (2) in all other cases, 5 Working Days after posting;
  - (b) faxes or telexes or electronic messages shall be deemed to have been received at the time transmission ceases;
  - (c) by hand deliveries shall be deemed to have been received at the time of delivery to the address stated on their face.

In the event that the sender utilises more than one of the methods above then documents shall be deemed to have been received by the faster method used.

References in these Arbitration Regulations to receipt of documents shall be construed accordingly. In the event of a dispute prior to the appointment of the Tribunal the

Secretary shall in his absolute discretion determine if and/or when receipt is deemed to have occurred.

- 5.5 Unless these Arbitration Regulations otherwise state, or unless otherwise directed by the Secretary (if no Tribunal has been appointed) or by the Tribunal, all notices and other documents received on a day which is not a Working Day, or after 5.00 pm on any Working Day, shall be deemed to have been received on the next following Working Day. Time of receipt shall be determined with reference to local time in the place where the notice or other document is received.

6. **SUBMISSION AND DOCUMENTS**

- 6.1 Unless otherwise ordered by the Tribunal, the procedure following appointment of the Tribunal shall be as set out in the rest of this Regulation.
- 6.2 Within 21 days after the appointment of the Tribunal, the Claimant shall send to the Tribunal and to the Respondent written points of claim which set out any facts or contentions of law on which it relies, and the relief claimed.
- 6.3 The Claimant may serve the points of claim on the Respondent at the same time as the Notice to Arbitrate. If so, the information required by Regulations 2.2(b) and 2.2(c) need not be contained in the Notice to Arbitrate, and no further copies of the points of claim need be served pursuant to Regulation 6.2.
- 6.4 Within 21 days of receipt of the points of claim, or of the appointment of the Tribunal if later, the Respondent shall send to the Tribunal and to the Claimant written points of defence stating in sufficient detail which of the facts and contentions of law in the points of claim it admits or not, or denies, on what grounds, and on what other facts and contentions of law it relies. Any counterclaims shall be submitted with the points of defence in the same manner as claims are set out in the points of claim.
- 6.5 Within 21 days of receipt of the points of defence, the Claimant may send to the Tribunal and to the Respondent written points of reply which, where there are counterclaims, shall include points of defence to counterclaims.
- 6.6 If the points of reply contain points of defence to counterclaims, the Respondent may, within 21 days of receipt, send to the Tribunal and to the Claimant written points of reply regarding counterclaims.
- 6.7 No further submissions shall be served without an order from the Tribunal.
- 6.8 All submissions referred to in this Regulation shall be accompanied by legible copies, or if they are especially voluminous, lists of all essential documents on which the party concerned relies, and where appropriate, by any relevant samples.
- 6.9 Any document not in English shall be accompanied by a translation into English and a note explaining who prepared the translation and his qualifications, if any, to do so. Translations may but do not need to be notarised. The authority to be accorded to any translation is a matter for the Tribunal.
- 6.10 Within 7 days after Close of Pleadings the Tribunal shall give directions for the subsequent procedure of the arbitration and may convene a hearing for this purpose.
- 6.11 Unless the parties agree to the contrary in writing, the parties, the Tribunal, the Secretary and the Panel Committee shall keep the award (and all other submissions, other documents

and information introduced into the proceedings not otherwise in the public domain) confidential in perpetuity save to the extent that disclosure may be required by legal duty or to protect a legal right.

## **7. HEARINGS AND SEAT OF ARBITRATION**

- 7.1 Each party has the right to be heard before the Tribunal, unless the parties have agreed on a documents-only arbitration.
- 7.2 The Tribunal shall fix the date, time and place of any meetings and hearings in the arbitration, and shall give the parties reasonable notice thereof. Unless otherwise agreed as provided in Regulation 7.3, all meetings and hearings shall take place at a venue in England and Wales.
- 7.3 The Tribunal may, with the consent of each of the parties to the arbitration, authorise one or more meetings or hearings to be held at a venue outside England and Wales.
- 7.4 The Tribunal may in its discretion direct hearings to be conducted without the physical presence of each participant in the same place but on the basis that each participant is linked, for the duration of his participation, through a telecommunication or video link system permitting each participant clearly to hear and speak to every other participant and, if the Tribunal so directs, to see every other participant.
- 7.5 The Tribunal may in advance of hearings submit to the parties a list of questions which it wishes them to treat with special attention.
- 7.6 The language of the arbitration shall be English, provided that interpreters shall be permitted by the Tribunal for participants and witnesses for whom English is not their main language.
- 7.7 The seat of the arbitration shall be England and Wales.

## **8. PARTY REPRESENTATIVES**

- 8.1 Neither party shall be represented at any hearing by a legal practitioner without the consent of the Tribunal, such consent to be requested not later than Close of Pleadings. If such consent be granted by the Tribunal to one party the other party shall automatically have an equivalent right.
- 8.2 Nothing in Regulation 8.1 shall preclude either party from otherwise seeking legal advice.
- 8.3 Subject to Regulation 8.1, either party may be represented at any hearing by any representative, subject to such proof of authority as the Tribunal may require.

## **9. WITNESSES**

- 9.1 Before any hearing, the Tribunal may require either party to give notice of the identity and qualification of witnesses it wishes to call and may require the parties to exchange statements of evidence to be given by the witnesses a specified time in advance of the hearing.
- 9.2 The Tribunal may allow, refuse, or limit the appearance of witnesses, whether witnesses of fact or expert witnesses.

9.3 Any witness who gives oral evidence may be questioned by each of the parties or their representative, under the control of the Tribunal. The Tribunal may put questions at any stage of the examination of the witnesses.

9.4 The Tribunal may allow the evidence of a witness to be presented in written form either as a signed statement or by a duly sworn affidavit. Subject to Regulation 9.2 either party may request that such a witness should attend for oral examination at a hearing. If he fails to attend, the Tribunal may place such weight on the written evidence as it thinks fit, or exclude it altogether.

## 10. **POWERS OF TRIBUNAL**

10.1 Without prejudice to any powers which may be given to the Tribunal elsewhere by law or in these Arbitration Regulations, the Tribunal shall have power either on its own motion or on the application of either party:-

- (a) to order either party to take specified steps within a specified time;
- (b) to extend or abridge any time limits specified in these Arbitration Regulations, or in any order;
- (c) to continue with the reference in default of appearance or of any other act by either party in like manner as a judge of the High Court might continue with proceedings in that court where a party fails to comply with an order of that court or a requirement of rules of the court, including, for the avoidance of doubt and without limitation, power to strike out all or any part of any submission and to make any award consequent upon any such striking out, in the event a party fails
  - (1) within the time specified in these Arbitration Regulations or in any order or
  - (2) if no time is specified, within a reasonable timeto do any act required by these Arbitration Regulations or to comply with any order;
- (d) at any time to permit either party to amend any submissions;
- (e) to stay arbitration proceedings in favour of proceedings in the High Court or other forum and, in an appropriate case, to make it a condition of the stay that one of the parties commence proceedings in the High Court or such other forum forthwith;
- (f) to order either party to produce and to supply copies of, any documents in that party's possession, custody or power, which, in the event of dispute, the Tribunal determines to be relevant;
- (g) to order either party to answer interrogatories;
- (h) to require the parties to provide a written statement of their respective cases in relation to particular issues, to provide a written answer and to give reasons for any disagreement;
- (i) to order the inspection, preservation, storage, interim custody, sale or other disposal of any property or thing relevant to the arbitration under the control of either party;

- (j) to make orders authorising any samples to be taken, or any observation to be made, or experiment to be tried which may, in the Tribunal's discretion, be necessary or expedient for the purposes of obtaining full information or evidence;
- (k) to appoint one or more investigators or experts to report to the Tribunal on specified issues;
- (l) to order either party, "the payer", to make an interim payment to the other party, "the payee", of such amount as the Tribunal shall in its discretion think just, not exceeding a reasonable proportion of the monetary award which in the opinion of the Tribunal is likely to be recovered by the payee after taking into account any set-off or counterclaim on which the payer may be entitled to rely;
- (m) to order either party to provide security for all or part of any amount in dispute in the arbitration;
- (n) to make an interim order that either party shall pay to the other party or to the Tribunal or to the Company a proportion of any costs of an administrative nature necessarily incurred by that party or by the Tribunal or by the Company or by an investigator or expert in respect of the progress or conduct of the arbitration, with the intent that such costs should, so far as reasonably possible, be borne equally by the parties pending the final award of the Tribunal;
- (o) to order either party to provide security for the legal or other costs of the other party in any manner the Tribunal thinks fit;
- (p) to order specific performance of any contract;
- (q) to open up, revise and review any certificate, opinion or decision of any person whose certificate, opinion or decision is subject to reference to arbitration;
- (r) to order the rectification of any agreement subject to any rule of law which would restrict this power;
- (s) to delegate the power to make procedural rulings to the chairman of the Tribunal, including the power to determine in the event of dispute, whether a ruling is procedural.

10.2 The Tribunal shall have the power to rule on its own jurisdiction, including any objections with respect to the existence or validity of the arbitration agreement, or of the existence of validity of the contract of which the arbitration clause forms part. For this purpose, an arbitration clause which forms part of a contract and which provides for arbitration under these Arbitration Regulations shall be treated as an agreement independent of the other terms of the contract. A decision by the Tribunal that the contract is null and void shall not entail *ipso jure* the invalidity of the arbitration clause.

10.3 A plea that the Tribunal does not have jurisdiction shall be raised not later than in the points of defence. A plea that the Tribunal is exceeding the scope of its authority shall be raised promptly after the Tribunal has indicated its intention to decide on the matter alleged to be beyond the scope of its authority. In either case the Tribunal may nevertheless admit a late plea under this Regulation 10.3 if it considers the delay justified.

## **11. CONSOLIDATION**

- 11.1 On the appointment of a Tribunal, and whenever requested to do so by either party, the Panel Committee shall review pending arbitrations and, if it appears to the Panel Committee that
- (a) some common question of law or fact arises in two or more of them, or
  - (b) the rights to relief claimed therein are in respect of or arise out of the same transaction or series of transactions, or
  - (c) for some other reason it is desirable to make a direction under this Regulation, the Panel Committee shall so inform the parties to all relevant arbitrations and may, upon the application of one or more of the parties to any of the arbitrations, and after consultation with the Tribunals and the parties, direct those arbitrations to be consolidated on such terms as it considers just or may direct them to be heard at the same time or one immediately after another or may order any of them to be stayed until after the determination of any of them.
- 11.2 For the purposes of Regulation 11.1, the Panel Committee may require any party to any relevant arbitration to provide it with copies of all that party's submissions and other documents connected with the arbitration which appear to the Panel Committee to be relevant.
- 11.3 If two or more arbitrations are to be consolidated pursuant to Regulation 11.1 above, and all parties to the consolidated arbitration are in agreement as to the choice of arbitrators the same shall be appointed by the Secretary but if all parties cannot agree within 21 days after the date of the direction under Regulation 11.1 the Panel Committee shall have power to choose and appoint three arbitrators as the Tribunal for the consolidated arbitration and to choose and appoint any replacement arbitrators which may thereafter be necessary.
- 11.4 The Tribunal in any consolidated arbitration shall have power at any time, on the application of any party to the consolidated arbitration or on its own motion, and on such terms as it considers just to order that the arbitration as between any two or more parties proceed separately, but under the same Tribunal, from the arbitration as between any other two or more parties, and to make any directions consequent thereon as the Tribunal considers expedient for the future conduct of all such proceedings.

## **12. AWARDS**

- 12.1 The Tribunal shall make its award in writing and give its reasons for the award.
- 12.2.1 If the Tribunal consists of two arbitrators and they fail to agree on any issue they shall request the Secretary to appoint a third arbitrator pursuant to Regulation 3.5.
- 12.2.2 If the Tribunal consists of three arbitrators and they fail to agree on any issue, they shall decide by a majority. If an arbitrator refuses or fails to sign the award, the signatures of the majority shall be sufficient, provided that the reason for the omitted signature is stated.
- 12.3 Where a decision on any issue is by a majority, the award may contain reasons by the dissenting arbitrator for his dissent, in the discretion of that arbitrator.
- 12.4 Awards may be expressed in any currency claimed in the arbitration.
- 12.5 The award shall state the date by which payment shall be made for any sum due under the award. In addition to the statutory power to award interest, the Tribunal shall have the

power to award interest at such rate and for such period as it considers fit on any sum after its due date but before commencement of the arbitration.

- 12.6 The Tribunal may make separate final awards on different issues at different times.
- 12.7 In the event of a settlement, the Tribunal may make an award recording the settlement if either party so requests.
- 12.8 Every award shall be final and binding on the parties as from the date that it is taken up by one of the parties. The parties undertake to carry out any award without any delay. Unless otherwise agreed by the parties in writing, the parties waive irrevocably any right to any form of appeal, review or resource to any state court or other legal authority, insofar as such waiver shall not be prohibited under any applicable law.
- 12.9 If all members of the Tribunal consider that the award contains any points which are of significant importance or interest to Members, they shall communicate such points to the Head of Market Operations. The Head of Market Operations, in consultation with the Tribunal, shall determine whether and how such points should be brought to the attention of Members while keeping the names of the parties confidential.
- 12.10 The award of the arbitrators shall be deposited by them with the Secretary who shall notify each party of such receipt. Either party may thereupon take up the award upon payment by that party of the costs and expenses of the arbitration as specified in the award (including the remuneration of the arbitrators) notwithstanding any direction in the award as to the ultimate responsibility therefor. Until the award is taken up by one of the parties it shall confer no rights upon either party. Upon the award being taken up by either party, a copy thereof shall forthwith be sent by the Secretary to the other party. In the event of the award not being taken up by either party within a period of 28 days from the notification by the Secretary of its receipt to the parties, the Deposit referred to in Regulation 1 above shall be forfeited, and the Secretary may in his absolute discretion call upon the parties or either of them (a) to take up the award and (b) to pay forthwith the costs and expenses of the award (including the remuneration of the arbitrators) or any part or proportion thereof whereupon the party or parties so called upon shall forthwith pay the costs and expenses as aforesaid and take up the award.
- 12.11 Regulations 12.11 to 12.15 shall apply to any agreement entered into on or after 1 June 2010 by a Category 1, 2 or 4 Member of the Exchange with another Category 1, 2 or 4 Member or with any other person which provides for any dispute arising out of or in connection with the agreement to be resolved by arbitration in accordance with these Regulations.
- 12.12 Where:-
- (a) the date for payment of any amount due under the award has elapsed,
  - (b) the period for any appeal against the award under English law has elapsed, and
  - (c) the party against whom the award was made has failed to make payment of any amount due under the award,
- the party in whose favour the award was made may send a notice of application to the Secretary, and shall copy such notice of application to the other party, requesting that the Secretary communicate to Members such failure to make payment. The Secretary shall acknowledge receipt of the notice of application, indicating the date on which it was received, and shall copy such acknowledgement to the other party.



- 12.13 If, at any time following receipt of a copy of the notice of application pursuant to Regulation 12.12, the party against whom the award was made makes payment in full of all amounts due under the award, both (a) the party in whose favour the award was made and (b) the party against whom the award was made, shall promptly send to the Secretary a notice of confirmation in writing that payment of all amounts due under the award has been made in full, and shall copy such notice of confirmation to the other party.
- 12.14 If the Secretary has not, within 14 days of receipt of the notice of application in accordance with Regulation 12.12, received from both (a) the party in whose favour the award was made and (b) the party against whom the award was made, a notice of confirmation in writing that payment of all amounts due under the award have been made in full, the Secretary shall communicate to Members such failure to make payment.
- 12.15 If, following the making of any communication pursuant to Regulation 12.14, the Secretary receives from both (a) the party in whose favour the award was made and (b) the party against whom the award was made, a notice of confirmation in writing that payment of all amounts due under the award has been made in full, the Secretary shall communicate this to Members.
13. **COSTS AND DEPOSIT**
- 13.1 Unless otherwise agreed by the parties, the Tribunal may direct, at their discretion and not later than fourteen days after the date for receipt of points of reply, that the recoverable costs of the arbitration, or any part of the arbitration proceedings that it can order to be paid pursuant to Regulation 13.3(a), shall be limited to a specific amount.
- 13.2 The Tribunal shall have power to specify in the award the amount of the costs of the arbitration (which expression shall, for the purpose of this Regulation 13, include the Tribunal's own remuneration, and any costs relating to the progress or conduct of the arbitration incurred by the Tribunal or by the Company including the costs of and fees payable to any person who has reported to or advised the Tribunal or the Company on any matter and shall include any costs incurred in conducting one or more meetings or hearings at a venue outside England and Wales pursuant to Regulation 7.3), and shall determine the proportions in which they shall be borne by the parties.
- 13.3 The Tribunal shall have power:-
- (a) to order in its award that all or part of the legal or other costs of one party be paid by the other party; and
  - (b) to determine or assess the amount of those costs, at the request of either party, and for this purpose shall not be *functus officio*.
- 13.4 If the arbitration is abandoned, suspended, stayed or concluded, by agreement or otherwise, before the final award is made, the parties shall be jointly and severally liable to pay the costs of the arbitration, as determined by the Tribunal, and for this purpose the Tribunal shall not be *functus officio*.
- 13.5 In any determination or award made by the Tribunal pursuant to Regulations 13.2, 13.3 and 13.4 the Tribunal shall, or at any time on the application of either party the Tribunal may provide for the return or other disposal of the Deposit or any part thereof to such persons as it shall in its absolute discretion consider fit.

14. **THE SECRETARY AND THE PANEL COMMITTEE**

14.1 Subject only to Regulations 14.2 and 14.3, the Secretary and the Panel Committee shall have sole and exclusive jurisdiction over all matters referred for decision to each of them respectively by any provision of these Arbitration Regulations, and their decisions upon such matters shall be final and binding.

14.2 The Panel Committee may exercise any of the functions and powers of the Secretary referred to in these Arbitration Regulations. It may delegate to the Secretary any of its own functions and powers, either generally or in relation to specific matters.

14.3 In the event of conflict between a decision of the Secretary and a decision of the Panel Committee, the latter shall prevail.

15. **EXCLUSION OF LIABILITY**

None of the Secretary, the Panel Committee, any arbitrator, or the Company shall be liable to any party for any act or omission in connection with any arbitration, save that the Secretary, the Panel Committee and the arbitrators may be liable for the consequences of conscious and deliberate wrongdoing.

16. **GOVERNING LAW**

These Arbitration Regulations shall be governed by and construed in accordance with English ~~Law~~law. Except where the Arbitration Regulations provide otherwise, all arbitrations hereunder will be conducted in accordance with the provisions of the Arbitration Act 1996 as amended from time to time.



**PART 9**  
**DEFAULT REGULATIONS**

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**CONTENTS**

| <b>Section</b> |   | <b>Page</b> |
|----------------|---|-------------|
| 1              | Events of Default   | 9-1         |
| 2              | Application of Default Regulations and Determination of Default | 9-2         |
| 3              | Default Proceedings   | 9-2         |
| 4              | Notification  | 9-4         |
| 5              | Procedures  | 9-5         |
| 6              | Designation of Non-Members                                      | 9-5         |
| 7              | Porting   | 9-6         |
| 8              | Delegation of Functions   | 9-9         |
| 9              | Costs   | 9-9         |
| 10             | Cooperation with Other Bodies                                   | 9-9         |



## PART 9: DEFAULT REGULATIONS

### 1. EVENTS OF DEFAULT

The expression "Event of Default" in relation to any person shall mean:-

- 1.1 failure by that person duly to perform or comply with any obligation to make payment or deliver Warrants under the terms of a Contract;
- 1.2 failure by that person to satisfy any margin liability in respect of a Contract or to comply with any other obligation binding on him under a Contract,
- 1.3 that person:
  - (a) being (or being, or being capable of being, deemed by law or a court to be) insolvent or unable to pay his debts,
  - (b) stopping, suspending or threatening to stop or suspend payment of all or a material part of his debts,
  - (c) beginning negotiations or taking any other step with a view to the deferral, rescheduling or other readjustment of all of (or all of a particular type of) his debts (or of any part which he will or might otherwise be unable to pay when due),
  - (d) proposing or making a general assignment, or an arrangement or composition with or for the benefit of the relevant creditors,
  - (e) suffering a moratorium to be agreed or declared in respect of or affecting all or a material part of (or of a particular type of) his debts, or
  - (f) taking any step, or any step being taken by any other person, with a view to the administration of the first-mentioned person;
- 1.4 an execution, distress, sequestration, attachment or other legal process being levied or enforced or sued out against any substantial part of that person's revenues or assets and not being discharged or stayed within seven days of being so levied, enforced or sued out or any security over any such substantial part becoming enforceable and any step (including the appointment of a receiver, administrative receiver, manager or similar person) being taken to enforce the same;
- 1.5 any step being taken (either by that person or by any other person) with a view to the winding-up or dissolution of that person except for the purpose of and followed by a reconstruction, amalgamation, merger, reorganisation or consolidation on terms previously approved by the Exchange;
- 1.6 that person, being a Member, failing to satisfy the Exchange or any relevant designated agency or self-regulating organisation at any time that he meets any minimum net worth or other financial requirement for Membership or continued authorisation from time to time stipulated by the Exchange or any such designated agency or self-regulating organisation; or
- 1.7 that person, being a Member or Designated Non-Member, becoming or being declared in default under the default rules of any recognised investment exchange or recognised clearing-house (as those expressions are defined in section 188 and section 190 of the Companies Act 1989).

## 2. APPLICATION OF DEFAULT REGULATIONS AND DETERMINATION OF DEFAULT

2.1 These Default Regulations apply in relation to:

- (a) Cleared Contracts of a Defaulter (subject as provided in Regulation 3.4); and
- (b) Client Contracts of a Defaulter,

and, subject to Regulation 2.3 below, shall not apply to any other contracts nor shall they apply to any default by any Category 5, 6 or 7 Member or by any non-Member other than a Designated Non-Member unless, in the making of Contracts, they are for the time being subject to the Rules.

2.2 If a Trading Member or Designated Non-Member appears to the Exchange to be unable or to be likely to become unable to meet his obligations in respect of one or more Contracts or, without prejudice to the generality of the foregoing, upon the occurrence of an Event of Default in relation to a Trading Member or Designated Non-Member, or at any time thereafter whilst such Event of Default is continuing, the Exchange may in its absolute discretion determine that the Member or Designated Non-Member is a Defaulter, whereupon the provisions of Regulation 3 shall have effect.

2.3 Regulation 7 shall apply to Cleared Contracts and Client Contracts of a Member that is not a Defaulter in the circumstances described in Regulation 7.1(b).

## 3. DEFAULT PROCEEDINGS

3.1 The Exchange shall, promptly following a determination that a Member or Designated Non-Member is a Defaulter, take any one or more of the steps referred to in Regulation 3.3 as it considers appropriate.

3.2 If the Exchange is directed by the ~~Treasury~~[FCA](#) pursuant to the provisions of Section 166 Companies Act 1989 to take action under this part of the Rules in relation to a Member or Designated Non-Member, any action which the Exchange may take pursuant to such direction shall be deemed to be action taken by the Exchange pursuant to this Regulation 3 notwithstanding that the Exchange may not have determined pursuant to Regulation 2 that the Member or Designated Non-Member is a Defaulter.

3.3 The steps referred to in Regulation 3.1 are:-

3.3.1 to direct any or all Unsettled Contracts to which the Defaulter is party as principal, which are In The Money Traded Option Contracts and to which the Defaulter is party as Taker, to be exercised by the Defaulter on a day such exercise may occur under the terms of the relevant Contract, whereupon such exercise shall be deemed to occur on the next available such day and the rights and liabilities of the parties to each futures Contract resulting from the exercise of a Metal Option ~~or~~, Traded Average Price [Option or LMEprecious](#) Option shall be discharged as provided in Regulation 3.3.4 on that day;

3.3.2 to permit any or all Unsettled Contracts to which the Defaulter is party as principal which are In The Money Traded Option Contracts and to which the Defaulter is party as Granter, to be exercised by the relevant Takers within such period or periods as may be specified by the Exchange and to declare that all such rights of exercise shall thereafter lapse. The rights and liabilities of the parties to each futures Contract resulting from any such permitted exercise of a Metal Option ~~or~~, Traded Average Price [Option or LMEprecious](#) Option shall be discharged as provided in Regulation 3.3.4 on the date of such exercise;

- 3.3.3 to direct that any Unsettled Contract to which the Defaulter is party as principal whose Prompt Date is on, or on the Business Day after, the date of publication of the Default Notice is, with the consent of any Relevant Office Holder, discharged by performance either in whole or in part;
- 3.3.4 subject as provided and after taking any action specified, in 3.3.1 to 3.3.3 above, to declare that all rights and liabilities of the parties to each Unsettled Contract to which the Defaulter is party as principal shall be discharged whereupon they shall be so discharged and there shall arise in their place an obligation of the Defaulter to pay to the Counterparty or *vice versa* the appropriate Default Settlement Amount provided that such discharge shall not extend to rights and liabilities for or in respect of margin which has been paid to the Defaulter by any Counterparty or *vice versa* nor to rights and liabilities arising out of a failure to perform a Contract in accordance with its terms;
- 3.3.5 to direct that any Unsettled Contract to which the Defaulter was party as agent (notwithstanding the prohibition thereon in the Rules) be discharged by performance in accordance with its terms by those persons party to it as principals and for this purpose to make such directions as the Exchange may consider necessary or expedient;
- 3.3.6 to input into the Matching System the particulars of any Agreed Trade agreed by the Defaulter in the Ring that the Defaulter has failed to input into the Matching System, in accordance with Regulation 3.11 of the Trading Regulations;
- 3.3.7 at the request of the Clearing House, to effect a transfer of any Warrants in LMEsword that the Defaulter had, prior to the Member becoming a Defaulter, instructed LMEsword to transfer to the Clearing House in settlement of any Contract.-
- 3.4.1 Subject to Regulation 3.4.2, all unsettled Cleared Contracts to which a Defaulter is party which have at the time of the relevant determination pursuant to Regulation 2.2 been registered or are thereafter registered with the Clearing House under the terms of the Clearing House Rules shall be dealt with in accordance with the Clearing House Rules (including default rules of the Clearing House) and not in accordance with these Default Regulations.
- 3.4.2 In the event that the Clearing House is unable to meet its obligations in respect of one or more unsettled Cleared Contracts in accordance with the Clearing House Rules, such unsettled Cleared Contracts shall be subject to these Default Rules as if Regulation 3.4.1 did not apply.
- 3.4.3 Where, following a determination that a Member or Designated Non-Member is a Defaulter, the Clearing House makes any change to the terms of a Client-Related Cleared Contract to which the Defaulter is a party, in accordance with the Clearing House Rules, a corresponding change shall be deemed to have been made, simultaneously, to the terms of the relevant Underlying Client Contract. Where such change involves the postponement of the Prompt Date of the Client-Related Cleared Contract, whether by (i) the establishment of a new Prompt Date for that Contract, or by (ii) the close out of the Contract with the original Prompt Date, and the establishment of a new Client-Related Cleared Contract with a different Prompt Date, the Underlying Client Contract shall be deemed to have been amended so as to reflect the new Prompt Date.
- 3.5 The Default Settlement Amount in respect of each Unsettled Contract in respect of which the rights and liabilities of the parties are discharged pursuant to Regulation 3.3.4 shall be an amount determined by the Exchange in its absolute discretion taking into account market conditions and any compensation that the Exchange considers should be paid by or to the Defaulter, but without prejudice to the generality of the foregoing may be the difference (if any) between the value of the Unsettled Contract at the contract price (or premium) and its value at



the Default Settlement Price provided that if, pursuant to the terms of the relevant Contract or any other agreement between the parties, the said rights and liabilities have become or been converted into an obligation to pay, and a corresponding right to receive, a single liquidated sum the Exchange may treat that sum as the Settlement Amount. In calculating the Default Settlement Amount in relation to a Client Contract, the Exchange shall take into account any amount that may have been paid by the Clearing House directly to the Client pursuant to any provision of the Clearing House Rules that gives effect to Article 48(7) of EMIR.

- 3.6 For each Unsettled Contract in respect of which action is taken under Regulation 3.3 the determination of the Default Settlement Amount by the Exchange shall be final, conclusive and binding upon the Defaulter and each Counterparty.
- 3.7 The Exchange shall draw up an account between the Defaulter and each Counterparty to a Contract settled under these Default Regulations. Each such account shall include the Default Settlement Amounts calculated in respect of each Unsettled Contract which amounts shall be credited or debited, as appropriate, to the relevant account. Where, for any reason, there is uncertainty or a dispute as to the existence and/or terms of a Contract or it is not practicable to determine the Default Settlement Amount in respect of any Contract that fact or those facts shall be stated by way of note to the account and/or its certification as provided below. On each account, all credits and debits shall be aggregated and the aggregated amount of such credits and debits shall be set-off against each other, so as to produce a nett sum payable by or to the Defaulter on each account. The nett sum payable, or, where relevant, the fact that no sum is payable shall be certified by or on behalf of the Exchange provided that where the account and/or such certification is qualified by reason of uncertainty or a dispute as to the existence and/or terms of any Contract or as to the Default Settlement Amount in relation to any Contract the nett sum shall not be payable until those uncertainties are resolved unless the Defaulter or Relevant Office Holder and the Counterparty otherwise agree.
- 3.8 Where it appears to the Exchange that the Defaulter has entered into Contracts as trustee, a separate account or accounts shall be taken of Unsettled Contracts entered into as trustee in respect of each relevant trust or trusts as appropriate.
- 3.9 Where it appears to the Exchange that Unsettled Contracts with a Counterparty of the Defaulter include a Contract or Contracts entered into by the Counterparty in relation to that Counterparty's Clients and/or include a Contract or Contracts entered into by the Defaulter in relation to the Defaulter's Clients a separate account or separate accounts shall be drawn up in relation to the Contract or Contracts of each Client.
- 3.10 The Exchange shall be entitled in its discretion, without notice to the Defaulter or a Counterparty, to make any currency conversions which the Exchange considers necessary or desirable for the purposes of these Default Regulations at such rate or rates as the Exchange may reasonably determine.
- 3.11 Where the Defaulter is incorporated outside the United Kingdom and the Exchange determines that rights and liabilities under Unsettled Contracts to which the Defaulter is party are likely to be settled under the law of some place outside the United Kingdom it may elect not to draw up the account or accounts referred to in this Regulation.

#### **4. NOTIFICATION**

- 4.1 Promptly following a determination by the Exchange that a Member or Designated Non-Member is a Defaulter, the Exchange shall cause notice of such determination to be posted in the Exchange and shall thereafter as soon as reasonably practicable take such steps as it considers appropriate to notify Counterparties to Unsettled Contracts with the Defaulter (and,

where the Defaulter has, notwithstanding the prohibition thereon, contracted as agent, the Defaulter's principal) and such other persons as it thinks fit that the Defaulter has been determined by the Exchange to be a Defaulter and of decisions taken under these Regulations which affect them.

- 4.2 A Member and a Designated Non-Member shall forthwith give notice to the Exchange of the occurrence of any Event of Default in relation to it.

## **5. PROCEDURES**

- 5.1 For the purposes of complying with its obligations under the Default Regulations the Exchange shall have the right at all times following the issue of a Default Notice through its employees and agents to enter any premises belonging to or in the occupation of the Defaulter, to examine and take copies of or extracts from the trading, accounting and other records of the Defaulter and to operate any accounting or computer systems of the Defaulter for the purposes of establishing the names and addresses of all Counterparties of the Defaulter, details of all Unsettled Contracts of the Defaulter, details of Warrants held by the Defaulter for the account of Counterparties, details of money and other property held for the account of Counterparties and such other information as may appear to the Exchange to be necessary or expedient.

- 5.2 The Defaulter, all Members and the Clearing House shall cooperate fully with the Exchange in relation to the provisions of the Default Regulations and in particular shall promptly provide such information as the Exchange or its employees or agents may request in relation to the Defaulter and its Contracts.

- 5.3 As soon as practicable following the issue of a Default Notice the Exchange shall, in addition to contacting all known Counterparties, publish a notice in the Exchange and in the press inviting Counterparties of the Defaulter to submit to the Exchange details of their Unsettled Contracts with the Defaulter together with evidence in support thereof.

- 5.4 The Exchange shall not be obliged to draw up any account in relation to any Counterparty or alleged Counterparty of which it does not have actual notice prior to the date specified for that purpose in the notice referred to in Regulation 5.3 which shall be not less than three months after the date of publication thereof.

- 5.5 If any dispute between a Defaulter and a Counterparty as to the existence or terms of any Unsettled Contract comes to the notice of the Exchange it shall cause notice of that dispute to be included in the account to be drawn up by it pursuant to Regulation 4 in relation to that Counterparty and may otherwise omit from such account any Default Settlement Amount in relation to the disputed Contract or Contracts and shall not be obliged to adjudicate in respect of such dispute in any way.

- 5.6 Subject as provided in Section 157 Companies Act 1989 the Exchange may from time to time prescribe further procedures for the purposes of these Default Regulations and provide for the manner in which its powers and obligations thereunder or in relation thereto shall be exercised or discharged.

## **6. DESIGNATION OF NON-MEMBERS**

- 6.1 Unless and until otherwise determined by the Exchange any former Trading Member shall during the period of 28 months following the date upon which it ceased to be a Member be a Designated Non-Member.

6.2 Designation of a Designated Non-Member shall be reviewed from time to time by the Exchange and shall be withdrawn no later than the last Prompt Date of Unsettled Contracts to which it is a party. The Exchange shall likewise review from time to time whether the persons described in Regulation 6.1 should continue to be designated as Designated Non-Members.

6.3 A Designated Non-Member shall be notified by the Exchange of its designation and of the withdrawal of such designation.

## 7. **PORTING**

7.1 This Regulation 7 shall apply to:

- (a) transfers of Underlying Client Contracts of a Defaulter; and
- (b) notwithstanding Regulation 2.1, transfers of Underlying Client Contracts of a Member that is not a Defaulter,

in each case where the transfer of a corresponding Client-Related Cleared Contract takes effect pursuant to the Clearing House Rules.

### **Porting between Clearing Members**

7.2 The following provisions apply where any Client-Related Cleared Contract is transferred from a Clearing Member Transferor to a Clearing Member Transferee in accordance with the Clearing House Rules.

- (a) In the event that the Client-Related Cleared Contract is transferred from a Clearing Member Transferor to a Clearing Member Transferee in accordance with the Clearing House Rules (whether without the consent of the Clearing Member Transferor pursuant to the default rules of the Clearing House or otherwise where permitted under the Clearing House Rules), the rights and obligations of the Clearing Member Transferor in relation to the Underlying Client Contract shall be deemed by virtue of these Rules to be transferred and novated to the Clearing Member Transferee, such that any rights and obligations of the other party to the Underlying Client Contract shall, from the time of such transfer and novation, be against and to the Clearing Member Transferee and not the Clearing Member Transferor.
- (b) Such transfer and novation of the Underlying Client Contract pursuant to these Rules shall occur at the same time as the transfer of the Client-Related Cleared Contract under the Clearing House Rules.
- (c) For the avoidance of doubt, this provision shall not affect any rights or obligations between the Clearing Member Transferor and the other party to the Underlying Client Contract that do not directly relate to the performance or settlement of the Underlying Client Contract.
- (d) The process described in this Regulation 7.2 applies only to:
  - (1) Underlying Client Contracts that have been submitted to the Matching System and registered at the Clearing House, such that one or more Client-Related Clearing Contracts have arisen in relation to such Underlying Client Contracts; and
  - (2) any Post-Compression Client Contracts resulting from the application of Compression to such Underlying Client Contracts.

### **Porting between Category 4 Members (same Clearing Member)**

7.3 The following provisions apply where (i) a Clearing Member has allocated a Client-Related Cleared Contract to an Indirect Client Account at the Clearing House (a "**Transferor Indirect Client Account**") that the Clearing Member is maintaining in respect of one or more Indirect Clients of a Category 4 Member (the "**Transferor Client**") and (ii) the Clearing Member exercises any rights to request or require the Clearing House to transfer the positions associated to the Client-Related Cleared Contract to another Indirect Client Account maintained by the Clearing Member at the Clearing House (a "**Transferee Indirect Client Account**"), which the Clearing Member is maintaining, or will maintain, in respect of the Indirect Client(s) of a different Category 4 Member (a "**Transferee Client**"). This Regulation 7.3 shall also apply to an LMEprecious Non-Clearing Member on the basis that any reference to Category 4 Member shall be read as "LMEprecious Non-Clearing Member".

- (a) In the event that the positions associated to a Client-Related Cleared Contract are transferred from a Transferor Indirect Client Account to a Transferee Indirect Client Account in accordance with the Clearing House Rules, the rights and obligations of the Transferor Client in relation to the Underlying Client Contract shall be deemed by virtue of these Rules to be transferred and novated to the Transferee Client, such that any rights and obligations of the other party to the Underlying Client Contract shall, from the time of such transfer and novation, be against and to the Transferee Client and not the Transferor Client.
- (b) Such transfer and novation of the Underlying Client Contract pursuant to these Rules shall occur at the same time as the transfer of the positions associated to the Client-Related Cleared Contract from the Transferor Indirect Client Account to the Transferee Indirect Client Account under the Clearing House Rules.
- (c) For the avoidance of doubt, this provision shall not affect any rights or obligations between the Transferor Client and the other party to the Underlying Client Contract that do not directly relate to the performance or settlement of the Underlying Client Contract.
- (d) The process described in this Regulation 7.3 applies only to:
  - (1) Underlying Client Contracts that have been submitted to the Matching System and registered at the Clearing House, such that one or more Client-Related Clearing Contracts have arisen in relation to such Underlying Client Contracts; and
  - (2) any Post-Compression Client Contracts resulting from the application of Compression to such Underlying Client Contracts.

7.4 Each Member must ensure that it does not include in its terms of business or other contractual arrangements with its Clients or counterparties any provisions which would frustrate the transfer of an Underlying Client Contract in accordance with Regulation 7.2 or 7.3 above.

### **Porting from Category 4 Members to other Clearing Member Accounts**

7.5 In the event that a Clearing Member (the "**Original Clearing Member**") has allocated a Client-Related Cleared Contract to an Indirect Client Account at the Clearing House that the Original Clearing Member is maintaining in respect of one or more Indirect Clients of a Category 4 and such Original Clearing Member or its Indirect Client(s) wish to effect a transfer of the positions associated with that Client-Related Cleared Contract:

- (a) from the Indirect Client Account maintained by that Clearing Member; and
- (b) to (i) a client account of the Original Clearing Member allocated to the Indirect Client(s), such that the Indirect Client(s) would, following the such transfer, be treated as the direct Client(s) of the Original Clearing Member; or (ii) a client account of another Clearing Member (being, accordingly the Clearing Member Transferee), such that the Indirect Client would, following such transfer, be treated as the direct Client(s) of the Clearing Member Transferee,

and in any case otherwise than in accordance with Regulations 7.2 or 7.3 above, then, where such transfer is permitted by, and effected subject to and in accordance with, the Clearing House Rules the transfer and novation of the rights and obligations of the Category 4 Member under the Underlying Client Contracts associated with such positions to the Original Clearing Member or the Clearing Member Transferee (as applicable), shall be subject the following conditions:

- (c) the following parties all consent to the transfer of the Underlying Client Contracts and their associated positions:
  - (1) each Clearing Member that is to transfer and receive the respective positions;
  - (2) the Category 4 Member, or any insolvency practitioner appointed in respect of the Category 4 Member;
  - (3) the Indirect Client(s) that are party to the Underlying Client Contracts; and
  - (4) the Clearing House,

and any such agreement may include agreement as to whether, if at all, any Warrants shall be transferred from any account operated by either Clearing Member at LMEsword to the other (or to any other party); and

- (d) the Exchange has not identified any legal, regulatory, technical or operational impediments to the transfer of such Underlying Client Contracts, the associated positions or (where applicable) any Warrants.

This Regulation 7.5 shall also apply to an LMEprecious Non-Clearing Member on the basis that any reference to Category 4 Member shall be read as "LMEprecious Non-Clearing Member".

## 7.6

In the event that an Underlying Client Contract is transferred between Members in accordance with Regulations 7.2 or 7.3 above, following such transfer the then current parties to the Underlying Client Contract may request that any Warrants that are held in an account at LMEsword that is operated by the Clearing Member Transferor or a Clearing Member responsible for the Transferor Client (as applicable), shall be transferred to an account at LMEsword that is operated by the Clearing Member Transferee or a Clearing Member responsible for the Transferee Client (as applicable), provided that any such request will only be acted upon by the Exchange (as the operator of the LMEsword), in the event that all of the following conditions are met:

- (a) the request is submitted in writing to the Exchange, copied to the Clearing House, identifying the specific Warrants to which the request relates and specifying the grounds on which the Clearing Member Transferee or Transferee Client should be entitled to receipt of the Warrants;

- (b) the following parties all consent to the transfer of the Warrants in accordance with the request:
  - (i) the Clearing Member Transferee or Transferee Client (as applicable);
  - (ii) the Clearing House;
  - (iii) the Clearing Member Transferor or Transferor Client (as applicable) or any insolvency practitioner appointed in respect of the Clearing Member Transferor or Transferor Client (as applicable);
  - (iv) in the case of any Warrants that relate to an Underlying Client Contract that has been transferred pursuant to Regulation 7.2 above, the other party to the Underlying Client Contract that is not the Clearing Member Transferee; and
  - (v) in the case of any Warrants that relate to an Underlying Client Contract that has been transferred pursuant to Regulation 7.3 above, the other party to the Underlying Client Contract that is not the Transferee Client;
- (c) the Exchange has not identified any legal, regulatory, technical or operational impediments to the transfer of such Warrants in accordance with such request.

7.7 In the event that the conditions set out in Regulation 7.6 are met in relation to any request for a transfer of Warrants, the Exchange will facilitate such transfer within such timescales as the Exchange may reasonably specify.

7.8 In the event that an Underlying Client Contract is subject to a transfer and novation pursuant to this Regulation 7 and any law binding on any Member would have the effect of frustrating, preventing or in any manner inhibiting the enforceability of such transfer and novation against such Member, then such transfer and novation shall be deemed to have taken effect by way of:

- (a) the termination of such Underlying Client Contract as between its original parties (subject to Regulations 7.2(c) and 7.3(c)); and
- (b) the establishment of an Underlying Client Contract on the same terms between the parties to whom the relevant transfer is intended to take effect pursuant to the terms of this Regulation 7.

## 8. **DELEGATION OF FUNCTIONS**

The Exchange may from time to time appoint one or more persons to perform on its behalf any of the functions which it may or may be required to exercise under these Default Regulations.

## 9. **COSTS**

A Defaulter shall be liable to indemnify the Exchange in respect of the Exchange's costs, charges and expenses in taking any action under the Default Regulations in relation to the Defaulter, including the costs of any person appointed to perform functions on behalf of the Exchange pursuant to Regulation 7.

## 10. **COOPERATION WITH OTHER BODIES**

Without prejudice to any other provisions of the Rules the Exchange may pass on any details of or other information in its possession relating to a Member or Designated Non-Member or its Contracts or a recognised clearing house or another recognised investment exchange to the Treasury, to the Secretary of State, any Relevant Office Holder, any recognised investment

exchange or recognised clearing house or regulatory body, to any other exchange or clearing house approved under the Companies Act 1989 for the purposes of Part VII of that Act, or to any other authority or body having responsibility for any matter arising out of or connected with the default the relevant Member or Designated Non-Member or the default of a recognised clearing house or another recognised investment exchange.

**PART 10**  
**LMESWORD REGULATIONS**

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**CONTENTS**

| <b>Section</b>  | <b>Page</b> |
|---|-------------|
| 1 INTRODUCTION  | 10-1        |
| 1.1 LMEsword Regulations  | 10-1        |
| 1.2 Purpose   | 10-1        |
| 1.3 Relationship between LMEsword Regulations and LMEsword Operating Procedures | 10-1        |
| 1.4 Relationship Between Depository and Account Holder                          | 10-1        |
| 2 ADMISSION AS AN LMEsword PARTICIPANT  | 10-1        |
| 2.1 Operation of LMEsword and the Depository                                    | 10-1        |
| 2.2 Warehouses  | 10-2        |
| 2.3 Account Holders - Process   | 10-2        |
| 2.4 Eligibility   | 10-2        |
| 2.5 Applications for Account Holder Status                                      | 10-3        |
| 2.6 Withdrawal from Participation in LMEsword                                   | 10-4        |
| 2.7 Removal from LMEsword Participation and Discipline                          | 10-5        |
| 2.8 Change of Account Holder Status   | 10-6        |
| 2.9 Replacement of the LMEsword System  | 10-6        |
| 2.10 Change of Depository   | 10-6        |
| 2.11 Security   | 10-6        |
| 3 ISSUE OF WARRANTS   | 10-6        |
| 3.1 Responsibility for Issue  | 10-6        |
| 3.2 Creation of Electronic Record   | 10-6        |
| 4 WARRANT LODGEMENT   | 10-7        |
| 4.1 Preconditions   | 10-7        |
| 4.2 The Depository  | 10-7        |



|      |  |       |
|------|--|-------|
| 4.3  | Accounts   | 10-8  |
| 4.4  | Lodgement of a Warrant                                   | 10-9  |
| 5    | TRANSFER OF WARRANTS LODGED WITH THE DEPOSITORY          | 10-9  |
| 5.1  | Transfers  | 10-9  |
| 5.2  | Ex-cleared Transfers                                     | 10-10 |
| 5.3  | Pledging of Warrants                                     | 10-10 |
| 5.4  | Cleared Transfers  | 10-11 |
| 5.5  | Inter-Account Transfers                                  | 10-12 |
| 5.6  | Use of LMEsword for Settlement of Non-Platform Contracts | 10-12 |
| 6    | RENT PAYMENTS  | 10-12 |
| 6.1  | Rent Schedules   | 10-12 |
| 6.2  | Liability  | 10-12 |
| 6.3  | Payment  | 10-13 |
| 6.4  | Non-payment  | 10-13 |
| 7    | WITHDRAWAL OF WARRANTS                                   | 10-13 |
| 7.1  | Entitlement and Instructions                             | 10-13 |
| 7.2  | Collection of Warrants                                   | 10-14 |
| 8    | WARRANT CANCELLATION AND METAL TAKE UP                   | 10-14 |
| 8.1  | Warrant Cancellation                                     | 10-14 |
| 8.2  | Time Expired Warrants                                    | 10-15 |
| 8.3  | Remove Warrant   | 10-15 |
| 9    | WARRANT AMENDMENT AND REPLACEMENT                        | 10-15 |
| 9.1  | General Duties   | 10-15 |
| 9.2  | Notification of Amendments                               | 10-15 |
| 9.3  | Replacement of Warrants                                  | 10-16 |
| 10   | INCORRECT OR INVALID WARRANTS                            | 10-16 |
| 10.1 | Notification   | 10-16 |
| 10.2 | Invalid Warrant Instruction                              | 10-16 |
| 11   | GENERAL  | 10-17 |
| 11.1 | Charges and Fees   | 10-17 |

|       |  |       |
|-------|--|-------|
| 11.2  | Reports and Enquires                             | 10-17 |
| 11.3  | Instructions and Notices                         | 10-17 |
| 11.4  | Release  | 10-19 |
| 11.5  | Waiver   | 10-19 |
| 11.6  | Invalidity                                       | 10-19 |
| 11.7  | Governing Law and Submission to the Jurisdiction | 10-19 |
| 11.8  | Exclusion of Liability                           | 10-19 |
| 11.9  | Errors   | 10-20 |
| 11.10 | Legal Effect of Transfers                        | 10-20 |
| 11.11 | Amendment of LMEsword Regulations                | 10-21 |
| 11.12 | Force Majeure                                    | 10-21 |
| 11.13 | Representation by Account Holder                 | 10-21 |
| 12    | INTERPRETATION                                   | 10-21 |
| 12.1  | Definitions                                      | 10-21 |
| 12.2  | Interpretation                                   | 10-24 |



## **PART 10: LMESWORD REGULATIONS**

### **1. INTRODUCTION**

#### **1.1 LMESword Regulations**

These LMESword Regulations are the regulations governing the operation of LMESword. All LMESword Participants are subject to them, and to the LMESword Operating Procedures issued pursuant to them. The LMESword Regulations and LMESword Operating Procedures are adopted by the Exchange under its Articles of Association, form part of the Rules and may be amended from time to time by the Exchange in accordance therewith. Account Holders which are not Members agree to be bound by them, and to certain of the other Rules of the Exchange as set out in regulation 2, as a pre-condition to their becoming LMESword Participants and Warehouses agree to be bound by them pursuant to the Warehouse Contract.

#### **1.2 Purpose**

The principal purpose of LMESword is to provide a system for the lodging of Warrants with the Depository and effecting their delivery as between Account Holders whilst they are held by the Depository. The LMESword System does not purport to create a register of the owners of Warrants; rather it records the identity of Account Holders for whom the Depository holds as bailee the Warrants lodged with it from time to time.

#### **1.3 Relationship between LMESword Regulations and LMESword Operating Procedures**

These LMESword Regulations set out the principal rights and obligations of LMESword Participants and the Depository in relation to the operation of LMESword. They are supplemented by the LMESword Operating Procedures, which set out detailed procedures and information relating to the operation of the LMESword System. In the event of a conflict between the LMESword Regulations and the LMESword Operating Procedures, the LMESword Regulations shall prevail.

#### **1.4 Relationship Between Depository and Account Holder**

For so long as the Depository holds any Warrants to the order of an Account Holder in accordance with Regulation 4.2, the Depository shall be a bailee in respect of the Warrants (or sub-bailee in respect of Warrants credited to a Customer Account) and the Account Holder shall be bailor (or bailee in respect of Warrants credited to a Customer Account).

### **2. ADMISSION AS AN LMESWORD PARTICIPANT**

#### **2.1 Operation of LMESword and the Depository**

The Exchange shall operate the LMESword System. In addition, the Exchange shall appoint a person to act as the Depository from time to time and enter into an agreement (a "Service Level Agreement") with such person under which such person agrees to act as the Depository and comply with the LMESword Regulations, the LMESword Operating Procedures and the obligations imposed on it by such agreement. The Exchange may from time to time terminate the appointment of the Depository, and the Depository may cease to act as such, only in accordance with the terms of the Service Level Agreement. The Exchange shall use all reasonable endeavours to ensure that at all times a suitable person is appointed to act as the

Depository and shall take all reasonable steps to ensure that such person act in accordance with the Service Level Agreement to which it is a party.

## **2.2 Warehouses**

A warehouse company shall become a Warehouse (and consequently an LMEsword Participant) if:

- (i) it applies for such status on the form prescribed by the Exchange, including all information requested, and pays the prescribed fee;
- (ii) it executes the Warehouse Contract;
- (iii) it appoints a London Agent and procures that the London Agent executes the Software Licence Agreement with the Exchange; and
- (iv) its application is accepted by the Exchange.

## **2.3 Account Holders - Process**

The Exchange shall admit persons to participate in LMEsword as Account Holders in accordance with these LMEsword Regulations and the LMEsword Operating Procedures. Except in the case of the Clearing House, which shall be an Account Holder from the date prescribed by the Exchange, to become an Account Holder the applicant must satisfy the relevant eligibility criteria set out in Regulation 2.4, make or be deemed to make application in accordance with Regulation 2.5 and be accepted as an Account Holder by the Exchange. All persons applying to become Clearing Members must apply to become Account Holders as part of their application to become Clearing Members.

## **2.4 Eligibility**

### **2.4.1 A Clearing Member shall be eligible to become an Account Holder if**

- (i) either:
  - (a) it has entered into a Software Licence Agreement with the Exchange; or
  - (b) it has entered into a Remote Participant Agreement with an Account Holder which has satisfied the requirements of (a) or other person approved by the Exchange;
- (ii) it has an office within the European Union, or, if it does not have an office within the European Union, it has satisfied any special criteria for participation in LMEsword from outside the European Union that the Exchange may at its sole discretion from time to time prescribe; and
- (iii) it satisfies any and all other criteria for Clearing Participants which the Exchange may from time to time prescribe.

### **2.4.2 A Category 4 or 5 Member shall be eligible to become an Account Holder if:**

- (i) either:
  - (a) it has entered into a Software Licence Agreement with the Exchange; or

- (b) it has entered into a Remote Participant Agreement with an Account Holder which has satisfied the requirements of (a) or other person approved by the Exchange;
- (ii) it has an office within the European Union, or, if it does not have an office within the European Union, it has satisfied any special criteria for participation in LMEsword from outside the European Union that the Exchange may at its sole discretion from time to time prescribe; and
- (iii) it satisfies any and all other criteria for Account Holders which the Exchange may from time to time prescribe.

2.4.3 A person other than a Member shall be eligible to become an Account Holder if:

- (i) it is an Undertaking;
- (ii) either:
  - (a) it has entered into a Software Licence Agreement with the Exchange; or
  - (b) it has entered into a Remote Participant Agreement with an Account Holder which has satisfied the requirements of (a) or other person approved by the Exchange;
- (iii) it has an active commercial interest in the extraction, refining, production, sale, trading, consumption or financing of metals (including Warrants) traded on the Exchange;
- (iv) it undertakes to comply with Rules 5 (Change in ownership of a Member) and 9 of Part 2 of the Rules, as interpreted in accordance with Part 1 of the Rules;
- (v) it has an office within the European Union, or, if it does not have an office within the European Union, it has satisfied any special criteria for participation in LMEsword from outside the European Union that the Exchange may at its sole discretion from time to time prescribe; and
- (vi) it satisfies any and all other criteria for Account Holders which the Exchange may from time to time prescribe.

## 2.5 **Applications for Account Holder Status**

2.5.1 An application for admission as an Account Holder shall be made on the form prescribed by the Exchange, including all information requested, and be accompanied by the prescribed fee.

2.5.2 The Exchange shall consider all applications received and determine whether, in its view and acting in its absolute discretion, each applicant is eligible to become an Account Holder in accordance with these LMEsword Regulations and is, in all the circumstances, a fit and proper person to be an Account Holder.

2.5.3 The Exchange may require from the applicant such information, and institute such investigations to verify information submitted by the applicant, as it deems necessary. The Exchange may require the applicant to attend for interview by the Exchange prior to determining whether to accept an application.

- 2.5.4 If the Exchange determines to admit an applicant as an Account Holder, it shall promptly notify the applicant in writing thereof, the further steps it must take prior to its admission becoming effective (if any) and subject thereto the date upon which that admission shall become effective. Following admission of a new Account Holder which is not a Member, the Exchange shall notify all other LMEsword Participants.
- 2.5.5 If the Exchange decides not to admit an applicant as an Account Holder it shall notify it with a statement of reasons for the refusal and the applicant may within 14 days of being notified of the Exchange's decision lodge notice of appeal with the Secretary. Appeal under this Regulation shall be dealt with in the same way as under Regulation 2.8 of Part 2 of the Rules.
- 2.6 **Withdrawal from Participation in LMEsword**
- 2.6.1 Without prejudice to Regulation 2.7, an LMEsword Participant shall only cease to be an LMEsword Participant as follows:
- (i) a Warehouse shall cease to be a LMEsword Participant at the same time as it ceases to be an Exchange listed warehouse in accordance with the terms of the Warehouse Contract but not otherwise;
  - (ii) a Clearing Participant may withdraw from LMEsword in accordance with the remainder of this regulation 2.6 at the same time as it ceases to be a Clearing Member, but not otherwise;
  - (iii) the Clearing House shall cease to be an Account Holder only on its ceasing to act as the Clearing House; and
  - (iv) other Account Holders may withdraw from LMEsword Participation at any time as provided in the remainder of this Regulation 2.6.
- 2.6.2 An Account Holder wishing to cease to be an LMEsword Participant must lodge a notice in writing to that effect (a "Withdrawal Notice") with the Secretary. Prior to lodging a Withdrawal Notice, the Account Holder shall transfer or withdraw all of its Warrants from the Depository in accordance with Regulation 5 or 7 respectively.
- 2.6.3 The Exchange may, in its absolute discretion, refuse to accept a Withdrawal Notice or may postpone the effective date of the proposed withdrawal if it considers it necessary for the protection of Clients, or otherwise in the interests of the market, or if the Account Holder in question has any outstanding liabilities to the Exchange or is the subject of any investigation or action under the Rules and/or Regulation 2.7.
- 2.6.4 On the Exchange accepting a Withdrawal Notice, the Exchange shall notify the Account Holder in writing of its acceptance thereof and the effective date of its withdrawal and notify all other LMEsword Participants and the Depository thereof.
- 2.6.5 On the withdrawal of any LMEsword Participant under this Regulation 2.6, it shall cease to be entitled to exercise any of its rights under LMEsword in its capacity as such. An Account Holder (other than a Member or the Clearing House) which withdraws from LMEsword shall continue to be subject to Regulation 9 of Part 2 of the Rules relating to the retention of records and provision of information in respect of acts and omissions while it was an LMEsword Participant and in respect of any investigation relating thereto for the period of 6 years from the date on which it ceased to be a LMEsword Participant. An Account Holder which is a Member which withdraws from LMEsword shall (for the avoidance of doubt) continue to be

subject to the Rules for as long as it remains a Member and thereafter in accordance with Regulation 7.5 of Part 2 of the Rules.

## **2.7 Removal from LMEsword Participation and Discipline**

2.7.1 An Account Holder which is a Member shall be subject to discipline in respect of any breach by it of the LMEsword Regulations or the LMEsword Operating Procedures in the same way as it is in respect of a breach of any other Rule, and in respect of any other act undertaken in connection with LMEsword if it constitutes an act of misconduct within the meaning of Regulation 10.4 of Part 2 of the Rules. In addition (but without limitation) Clearing Participants shall be subject to discipline for breach of any LMEsword Regulation or Operating Procedure relating to the delivery of Warrants to the Clearing House. The procedures and penalties in respect of such discipline shall be as prescribed by the Exchange from time to time.

2.7.2 An Account Holder which is neither a Member nor the Clearing House may have its Account Holder status removed by the Exchange by notice given by the Exchange to the Account Holder with immediate effect, or be disciplined by the Exchange as if it were a Member (under Rules 10 to 17 of Part 2 of the Rules interpreted in accordance with Part 1 of the Rules), where:

- (i) the Account Holder has committed a breach of any of the LMEsword Regulations or LMEsword Operating Procedures and the Exchange determines that the breach is serious and that it is appropriate for the Account Holder to cease to have Account Holder status;
- (ii) the Account Holder has committed a breach of any of the LMEsword Regulations or LMEsword Operating Procedures and has not remedied the breach in accordance with and by the time specified in a direction to remedy it made by the Exchange; or
- (iii) the Account Holder has done any act, or omitted to do anything, in connection with LMEsword which has brought or may be likely to bring the Exchange or its market into disrepute.

2.7.3 An Account Holder may have its LMEsword Participant status removed by notice served on it by the Exchange where it ceases to be eligible therefore in accordance with Regulation 2.4.

2.7.4 Where an Account Holder has its status removed, it must withdraw all Warrants credited to its Accounts forthwith in accordance with Regulation 7.

2.7.5 A Warehouse shall be liable to discipline for any breach by it or its London Agent of the LMEsword Regulations, the LMEsword Operating Procedures and the Software Licence Agreement in the same way as it is for a breach of any of its other obligations under the Warehouse Contract. It accepts responsibility for and undertakes to procure compliance by its London Agent with any obligations applicable to or performed by or purportedly performed by the London Agent thereunder. Where a London Agent has breached any of its (or the Warehouse's) obligations under the LMEsword Regulations the Exchange may direct that the relevant Warehouse appoint a different London Agent as a pre-condition to the Warehouse continuing as such.



## **2.8 Change of Account Holder Status**

Where an Account Holder is to cease to be a Member but wishes to remain as an Account Holder, it must successfully re-apply for Account Holder status as a non-Member, failing which it shall cease to be an Account Holder at the time it ceases to be a Member.

## **2.9 Replacement of the LMEsword System**

The Exchange may terminate the use of the LMEsword system by serving not less than 3 months' prior written notice on all LMEsword Participants and the Depository where it determines, after consultation with LMEsword Participants and the Depository, that it is necessary or desirable for it to be replaced by another system for the delivery of Warrants or metal.

## **2.10 Change of Depository**

In the event of the Depository ceasing for any reason to act as such, the Exchange may, on behalf of Account Holders, direct the Depository to deliver Warrants held by it to the replacement Depository appointed by the Exchange, which shall following such delivery hold such Warrants as the Depository for LMEsword to the order of Account Holders in accordance with the LMEsword Regulations and LMEsword Operating Procedures.

## **2.11 Security**

LMEsword Participants and the Depository must comply with the requirements and procedures relating to security set out in the LMEsword Operating Procedures.

# **3. ISSUE OF WARRANTS**

## **3.1 Responsibility for Issue**

3.1.1 Warehouses shall be responsible for the issue of all Warrants, which shall be issued by their London Agents. The terms of the Warehouse Contract shall continue to govern the requirements relating to the issue of Warrants, as supplemented by these LMEsword Regulations.

3.1.2 All Warrants shall be issued utilising the LMEsword Software. Each Warehouse shall procure that its London Agent shall execute and comply with the terms of the Software Licence Agreement and gain LMEsword accreditation in accordance with the LMEsword Operating Procedures. In issuing Warrants, each Warehouse shall procure that its London Agent shall comply with the procedures laid down in the LMEsword Operating Procedures.

3.1.3 Warehouses shall be responsible for ensuring that Warrants issued utilising the LMEsword Software are issued in accordance with the requirements of the law under which they are issued and the Warehouse Contract.

## **3.2 Creation of Electronic Record**

3.2.1 On the issue of a Warrant utilising the LMEsword Software the LMEsword System shall create and maintain an electronic record of the Warrant which shall be marked "out of Depository".

3.2.2 It shall be the responsibility of the Warehouse and its London Agent to ensure that each Warrant that it issues, including any replacement Warrant, accurately refers to the specific and ascertained metal to which the Warrant relates. The Warehouse and London Agent issuing an inaccurate Warrant shall be solely responsible for any loss caused thereby.

3.2.3 If a Warehouse or its London Agent becomes aware of any discrepancy between a Warrant issued by it and the metal to which it relates, including by reason of a change in the exact location of the metal or other act on the part of the Warehouse, it shall comply with the requirements of Regulation 9.

#### **4. WARRANT LODGEMENT**

##### **4.1 Preconditions**

To be capable of lodgement with the Depository, a Warrant must:

4.1.1 have been issued by a London Agent utilising the LMEsword Software in accordance with Regulation 3;

4.1.2 match its electronic record in the LMEsword System as provided for in the LMEsword Operating Procedures which must be marked "out of Depository";

4.1.3 be in bearer form, or be duly endorsed by the original depositor of the metal or the last named transferee taking title under a continuous chain of endorsements, and be capable of legal transfer by delivery;

4.1.4 not have been cancelled by the London Agent (or have its electronic record in the LMEsword System marked "cancelled", which should only be the case where the Warrant has itself been cancelled, as provided for in Regulation 8.1);

4.1.5 not have its electronic record identified as not valid under Regulation 10, in which case it shall have ceased to be a valid Warrant in accordance with that Regulation; and

4.1.6 not be materially damaged or defaced.

##### **4.2 The Depository**

4.2.1 The Depository agrees with each Account Holder to hold as bailee (or, in the case of Warrants credited to a Customer Account, sub-bailee) and keep safe all Warrants lodged with it in accordance with this Regulation to the order of the Account Holder to whose Account the Warrant is credited from time to time in accordance with the LMEsword Regulations.

4.2.2 The Depository shall use all reasonable care in the performance of its duties expressly set out in the LMEsword Regulations (but not otherwise) and shall act honestly, in good faith and without negligence or recklessness so as to preserve and protect all Warrants lodged with it and shall exercise the degree of care, diligence and skill in the performance of those duties that may be reasonably expected of a prudent custodian in comparable circumstances.

4.2.3 The Depository agrees to deliver up in accordance with the LMEsword Regulations to an Account Holder any Warrant credited to any of the Account Holder's Accounts, including (for the avoidance of doubt) any held in a Customer Account of the Account Holder.

- 4.2.4 Where an Account Holder has duly established a Customer Account and a Warrant is credited to such a Customer Account, subject to Regulation 5.4.4, the Depository will hold the Warrant as sub-bailee to the order of the Account Holder in its capacity as bailee for its Customer. The Account Holder's Customer shall not, however, be a customer of the Depository and any duties to the Customer in respect of such a Warrant shall be owed by the Account Holder alone. Without prejudice to Regulation 4.3.2, the Depository shall hold any such Warrant to the order only of the Account Holder exclusively and except as required by law the Depository shall not be bound by or recognise any other interest in any such Warrant whatsoever (including, without limitation, the interest of any Customer of the Account Holder for which the Depository may hold a Warrant as sub-bailee).
- 4.2.5 The Depository agrees to hold or record any Warrant that belongs to it, if any, separately from any Warrant credited to an Account of an Account Holder.
- 4.2.6 The Depository will not claim any lien or right of retention or sale over any Warrant credited to an Account.
- 4.3 **Accounts**
- 4.3.1 All Account Holders must have at least one Account to which Warrants lodged by them or transferred to them under the LMEsword Regulations shall be credited.
- 4.3.2 All Account Holders shall be entitled to establish more than one Account to which specific Warrants can be credited. All Accounts shall be established in accordance with the LMEsword Operating Procedures. Account Holders agree that Warrants credited to an Account shall be held by the Depository as bailee (or in the case of Warrants credited to a Customer Account, sub- bailee) to the order of the Account Holder exclusively and except as required by law the Depository shall not be bound by or recognise any other interest in any such Warrant whatsoever (including, without limitation, the interest of any Customer of the Account Holder).
- 4.3.3 Only Account Holders which are permitted by applicable law to hold Warrants for Customers shall be entitled to establish Customer Accounts. Account Holders wishing to establish Customer Accounts must obtain the express written agreement of each Customer authorising them to lodge Warrants held for the Customer with the Depository on the terms of the LMEsword Regulations and to deal with such Warrants on the Customer's behalf. Subject to Regulation 5.4.4, only Warrants held by an Account Holder as a bailee for a Customer may be credited to a Customer Account in accordance with the LMEsword Regulations.
- 4.3.4 Each Clearing Participant shall have an Account (a "House Collection Account") for the purpose of receiving deliveries of Warrants in respect of the account maintained with the Clearing House to reflect the Clearing Participant's proprietary business, and another Account (a "Customer Collection Account") for the purpose of receiving deliveries of Warrants in respect of its client account(s) with the Clearing House, as provided for in Regulation 5.4. A Customer Collection Account shall not constitute a Customer Account and the Account Holder shall promptly effect Inter-Account Transfers of Warrants credited to it to one or more Customer Accounts in satisfaction of its delivery obligations to Customers.

#### **4.4 Lodgement of a Warrant**

4.4.1 An Account Holder may lodge a Warrant which satisfies the pre-conditions set out in Regulation 4.1 where:

- (i) it holds the Warrant for itself (whether or not as owner);
- (ii) it holds the Warrant for a Customer; or
- (iii) a person other than the Account Holder, which may be a Customer, holds a Warrant and has instructed the Account Holder to lodge the Warrant on its behalf.

4.4.2 Where an Account Holder wishes to lodge a Warrant, it shall issue a Warrant Lodge Instruction in accordance with the LMEsword Operating Procedures. No Warrant Lodge Instruction shall be accepted by the LMEsword System where the Warrant in question is at the relevant time the subject of a prior Warrant Lodge Instruction. The LMEsword System shall notify the Depository of all valid Warrant Lodge Instructions.

4.4.3 An Account Holder shall deliver, or make arrangements for the delivery of, all Warrants the subject of a valid Warrant Lodge Instruction to the Depository.

4.4.4 On delivery of a Warrant to the Depository for lodgement, the Depository shall check the details on the Warrant against the details on the electronic record of the Warrant and perform the other checks prescribed in the LMEsword Operating Procedures. The Depository shall not be required to check any other details of the Warrant and in particular shall not verify the authenticity or validity of the Warrant. If the requisite details match and the Depository's other checks prescribed in the LMEsword Operating Procedures are completed satisfactorily, the LMEsword System shall credit the Warrant to the Account of the Account Holder identified by it in its Warrant Lodge Instruction, and the Depository shall take delivery of the Warrant. From delivery, the Warrant shall be held by the Depository in accordance with Regulation 4.2.

4.4.5 If the details on the Warrant and on the electronic record of the Warrant do not match, or any of the other checks in relation to the Warrant are not completed satisfactorily, the Depository shall not take delivery of the Warrant. The Depository shall have no responsibility in relation to a Warrant until it has been credited to an Account and the Depository has taken delivery of it.

4.4.6 An Account Holder that delivers a Warrant to the Depository warrants to Account Holders and the Depository that the Warrant complies with the pre-conditions set out in Regulation 4.1.3 (bearer document) and 4.1.4 (not cancelled).

### **5. TRANSFER OF WARRANTS LODGED WITH THE DEPOSITORY**

#### **5.1 Transfers**

An Account Holder shall be entitled to transfer within LMEsword in accordance with Regulation 5.2, 5.3, 5.4 or 5.5 any Warrant which is credited to its Account provided in the case of all transfers (other than an Inter-Account Transfer between House Accounts under Regulation 5.5) the electronic record has not been marked, in the case of a Metal Warrant, "rent not paid" in accordance with Regulation 6 or has not been marked, in the case of any Warrant, "not-valid" in accordance with Regulation 10.

## **5.2 Ex-cleared Transfers**

- 5.2.1 An Account Holder wishing to transfer a Warrant or Warrants credited to its Account (referred to as the "Giver") to another Account Holder (the "Taker") shall issue an Ex-cleared Transfer Instruction identifying the Taker in accordance with the LMEsword Operating Procedures and specifying manual or automatic release. No Ex-cleared Transfer Instruction shall be accepted by the LMEsword System in respect of a Warrant which is subject to a prior and outstanding Ex- cleared Transfer Instruction.
- 5.2.2 The Taker shall be notified of any Ex-cleared Transfer Instruction issued identifying it as the Taker and of the details of the Warrants the subject of the Instruction. The Taker shall then either:
- (i) issue an Ex-cleared Transfer Accept Instruction in accordance with the LMEsword Operating Procedures, specifying the Account the Warrants should be credited to; or
  - (ii) issue an Ex-cleared Transfer Reject Instruction in accordance with the LMEsword Operating Procedures.
- 5.2.3 Where a Taker has issued a Transfer Reject Instruction, the relevant Ex-cleared Transfer Instruction shall be automatically cancelled and the Giver may issue a further Ex-cleared Transfer Instruction in respect of the same or different Warrants.
- 5.2.4 Where a Taker duly issues an Ex-cleared Accept Instruction in respect of an Ex-cleared Transfer Instruction in which the Giver specified automatic release, the Warrants the subject of the Ex- cleared Transfer Instruction shall immediately upon receipt by the LMEsword System of the Ex- cleared Transfer Accept Instruction be credited to the specified Account of the Taker.
- 5.2.5 Where a Taker duly issues an Ex-cleared Accept Instruction in respect of an Ex-cleared Transfer Instruction in which the Giver specified manual release, the Giver shall be notified and, if it wishes to effect the transfer, shall issue an Ex-cleared Release Instruction in accordance with the LMEsword Operating Procedures. Immediately upon receipt by the LMEsword System of such Ex-cleared Release Instruction the Warrants the subject of the Ex-cleared Transfer Instruction shall be debited from the Giver's Account(s) and credited to the relevant Account of the Taker.

## **5.3 Pledging of Warrants**

- 5.3.1 Where an Account Holder wishes to pledge a Warrant to another Account Holder, it may deliver a Warrant pursuant to the pledge by effecting an ex-cleared transfer under Regulation 5.2.
- 5.3.2 Following such a transfer of a Warrant and the debiting and crediting of the relevant Accounts, the Depository shall hold the Warrant as bailee to the order of the Taker exclusively, without notice of the Giver's interest therein as pledgor. The Taker shall accordingly as against the Depository be entitled to transfer any such Warrant to any other Account Holder in accordance with this Regulation 5 and withdraw it from the Depository in accordance with Regulation 7.
- 5.3.3 In the event that such a Taker re-transfers a Warrant by way of an ex-cleared transfer under Regulation 5.2 to the original Giver pursuant to a trust receipt agreement entered into by them, the Depository shall hold the Warrant as bailee to the order of the

pledgor (which will be a Taker under the second transfer) exclusively, without notice of the pledgee's interest therein. The pledgor shall accordingly as against the Depository be entitled to transfer any such Warrant to any other Account Holder in accordance with this Regulation 5 and withdraw it from the Depository in accordance with Regulation 7.

#### **5.4 Cleared Transfers**

5.4.1 This section relates only to Account Holders which are Clearing Members ("Clearing Participants") and the Clearing House.

5.4.2 Subject to and in accordance with the Clearing House Rules and the LMEsword Operating Procedures and the terms of the relevant Contract, each Clearing Participant (a "Giving Clearing Participant") which has a delivery obligation of Warrants to the Clearing House in respect of any of its accounts (including, if applicable, its client account(s)) with the Clearing House for that day shall be notified of its delivery obligations by the LMEsword System.

5.4.3 By the time specified in the LMEsword Operating Procedures, each Giving Clearing Participant shall issue a Cleared Transfer Instruction in respect of each of its delivery obligations in accordance with the LMEsword Operating Procedures, specifying the Warrants to be transferred and the Account(s) from which they should be debited and identifying the Clearing House as the taker of the Warrants.

5.4.4 At the time delivery is required to be made to the Clearing House under the LMEsword Operating Procedures, the Warrants the subject of the Cleared Transfer Instruction shall be debited from the relevant Account(s) of the Giving Clearing Participant and credited to the Clearing House's Account. Where a Customer Account is so debited, the Warrant(s) in question shall be deemed to be delivered first to the Giving Clearing Participant and then immediately delivered on by the Giving Clearing Participant to the Clearing House.

5.4.5 Subject to and in accordance with the Clearing House Rules and the LMEsword Operating Procedures, the LMEsword System shall allocate the transferred Warrants for transfer to each Clearing Participant which has a delivery entitlement in respect of any of its accounts (including, if applicable, its client account) with the Clearing House for that day (a "Taking Clearing Participant"). At the time determined by the Clearing House in accordance with the LMEsword Operating Procedures the Clearing House shall issue a Cleared Transfer Instruction in accordance with the LMEsword Operating Procedures in respect of each such delivery entitlement, specifying the Warrants to be transferred, whereupon such Warrants shall be debited from the Clearing House's Account and credited to each Taking Clearing Participant's Customer Collection Account (in the case of Warrants allocated in satisfaction of a delivery entitlement in respect of a Taking Clearing Participant's client account(s) with the Clearing House) or House Collection Account (in the case of other Warrants). For the avoidance of doubt, delivery of Warrants to Taking Clearing Participants shall occur on their Accounts being credited and not at the time of allocation.

5.4.6 The LMEsword System shall calculate and notify to the Clearing House the liabilities arising consequent on such cleared transfers due to differences between the weight of metal agreed to be sold and the actual weight of the metal represented by the Warrants so transferred and accrued but unpaid rent thereon.

- 5.4.7 Where a Taking Clearing Participant is or may be a defaulter under the default rules of the Clearing House, Warrants shall be credited to the Taking Clearing Participant's account as provided for in Regulation 5.4.5. If the Clearing House so determines, such Warrants shall, however, immediately be re-transferred back to the Clearing House and in those circumstances the Warrants in question shall be deemed for all purposes not to have been so credited but to have remained in the Clearing House's account.

## 5.5 **Inter-Account Transfers**

- 5.5.1 An Account Holder which has more than one Account shall be entitled to transfer Warrants held in any of its Accounts to any other of its Accounts by issuing an Inter-Account Transfer Instruction in accordance with the LMEsword Operating Procedures, provided that in the case of such transfers to or from a Customer Account the Warrant is not marked "rent not paid" in accordance with Regulation 6 or "not valid" in accordance with Regulation 10. On the issue of an Inter-Account Transfer Instruction in accordance with the LMEsword Operating Procedures, the Warrants the subject of it shall be debited from and credited to the relevant Accounts.

- 5.5.2 Where an Account Holder issues an Inter-Account Transfer Instruction pursuant to which a Warrant will be transferred to a Customer Account from a House Account, the Depository acknowledges that following the debiting of the Warrant from the House Account and its crediting to the Customer Account it shall hold the Warrant in accordance with Regulation 4.2.4.

- 5.5.3 Where an Account Holder issues an Inter-Account Transfer Instruction pursuant to which a Warrant will be transferred from a Customer Account to a House Account, the Depository acknowledges that following transfer it shall cease to hold the Warrant in accordance with Regulation 4.2.4.

## 5.6 **Use of LMEsword for Settlement of Non-Platform Contracts**

LMEsword shall not be used to settle Non-LME Platform Contracts in breach of the requirements specified in Membership Regulation 20 (*Restrictions on use of LME Property or Systems for Non-Exchange Contracts*). Such restriction shall apply to any Account Holder, and shall not be limited to Members.

## 6. **RENT PAYMENTS**

### 6.1 **Rent Schedules**

- 6.1.1 Each Account Holder may in accordance with the LMEsword Operating Procedures obtain from the LMEsword System a rent schedule report setting out its accrued and due rent payment obligations in respect of Warrants credited to its Accounts.

- 6.1.2 Each London Agent may in accordance with the LMEsword Operating Procedures obtain from the LMEsword System a rent schedule report setting out the aggregate amount of rent accrued and due in respect of metal stored under all Warrants issued by it, including those which are lodged with the Depository and those marked "out of Depository", together with such other information as shall be provided for in the LMEsword Operating Procedures.

### 6.2 **Liability**

- 6.2.1 Liability for rent in respect of all Warrants shall be unaffected by LMEsword, and the obligations of London Agents in respect thereof, including the endorsement of

Warrants, shall continue to be governed by the Warehouse Contract, as supplemented by this Regulation 6.

- 6.2.2 The Depository shall in no circumstances have any liability for the payment of rent in respect of Warrants.

### 6.3 **Payment**

- 6.3.1 On the receipt by a Warehouse or its London Agent of any rent payment in respect of a Warrant issued by it (whether by the due date or afterwards), such London Agent shall issue a Warrant Endorse Instruction in accordance with the LMEsword Operating Procedures. On receipt, the LMEsword System shall mark the electronic record of the Warrant "rent paid". The fact that the electronic record of a Warrant is marked "rent paid" shall as against the Warehouse and for all Account Holders and the Depository, subject only to Regulation 11.9, be conclusive evidence of due payment of rent and a London Agent (and the Warehouse it represents) shall not be entitled to claim otherwise.
- 6.3.2 A London Agent shall only endorse a physical Warrant "rent paid" where it has issued a Warrant Endorse Instruction. The Depository shall not, for the avoidance of doubt, endorse as "rent paid" any Warrant lodged with it.
- 6.3.3 On withdrawal of a Warrant from the Depository in accordance with Regulation 7, if rent has been paid on the Warrant whilst it has been lodged with the Depository, the Account Holder shall present the Warrant to the London Agent which issued the Warrant for endorsement of "rent paid" on the physical Warrant.
- 6.3.4 Warrant holders must approach the Warehouse Company or its London Agent to settle the rent.

The London Agent and the Exchange will be informed of the withdrawing Account Holder's identity.

### 6.4 **Non-payment**

- 6.4.1 For Warrants where rent in respect of metal to which a Warrant relates is not paid by the end of Rent Payment Day (and the London Agent which issued the Warrant has not issued a Warrant Endorse Instruction in respect of it), the LMEsword System shall mark the electronic record of the Warrant as "rent not paid".
- 6.4.2 For Warrants where rent is subsequently paid in respect of any Warrant the electronic record of which is marked "rent not paid", on the issue of a Warrant Endorse Instruction the "rent not paid" mark shall be deleted and be replaced by "rent paid".

## 7. **WITHDRAWAL OF WARRANTS**

### 7.1 **Entitlement and Instruction**

- 7.1.1 Each Account Holder shall be entitled to require delivery to it of, and the Depository shall be obliged so to deliver, each Warrant credited to an Account Holder's Account (including any of its Customer Accounts).
- 7.1.2 Where an Account Holder wishes to take delivery of a Warrant lodged with the Depository, it shall issue a Warrant Withdrawal Instruction in accordance with the LMEsword Operating Procedures. No Warrant Withdrawal Instruction shall be



accepted by the LMEsword System where the Warrant in question is at the relevant time the subject of a prior Warrant Withdrawal Instruction.

## **7.2 Collection of Warrants**

7.2.1 On receipt of a Warrant Withdrawal Instruction, the LMEsword System shall issue the Account Holder with a security code and notify the Depository by way of a Warrant Withdrawal Notification of the identity of the Account Holder and the Warrants the subject of the Warrant Withdrawal Instruction. On receipt of the notification, the Depository shall locate the Warrants to be withdrawn and arrange for them to be ready for collection and then issue to the Account Holder a Ready for Collection Instruction in accordance with the LMEsword Operating Procedures.

7.2.2 The Account Holder shall make arrangements for the collection of the Warrants in question from the Depository, in accordance with the LMEsword Operating Procedures.

7.2.3 On attendance at the Depository, the Account Holder or its representative shall present the relevant security code and any necessary identification in accordance with the LMEsword Operating Procedures. The Depository shall in accordance with the LMEsword Operating Procedures check the security code and, if it is valid, issue a Warrant Withdrawal Acknowledgement in accordance with the LMEsword Operating Procedures and simultaneously release the Warrant.

7.2.4 The LMEsword System shall thereupon debit the Warrant from the Account Holder's Account and mark it "out of Depository".

7.2.5 In the event that the electronic record of a Warrant withdrawn from the Depository is marked:

- (i) "rent not paid" in accordance with Regulation 4;
- (ii) "amended" in accordance with Regulation 9; or
- (iii) "not valid" in accordance with Regulation 10;

the Depository shall stamp the physical Warrant accordingly on its release of the Warrant.

## **8. WARRANT CANCELLATION AND METAL TAKE UP**

### **8.1 Warrant Cancellation**

8.1.1 The obligations of LMEsword Participants on the cancellation of a Warrant shall continue to be governed by the Warehouse Contract and the arrangements agreed between the Warehouse and the person for whom the Warehouse holds the metal in question, supplemented in the case of London Agents by this Regulation 8. The Depository shall have no responsibilities in relation to the cancellation of Warrants or the taking delivery of metal represented by Warrants.

8.1.2 On a Warrant being presented to a London Agent or Warehouse for cancellation, the London Agent or Warehouse shall apply its normal procedures prior to cancelling the Warrant. On satisfactory completion of those procedures, the London Agent shall issue a Warrant Cancel Instruction in accordance with the LMEsword Operating Procedures.

- 8.1.3 Only Warrants the electronic record of which are marked "out of Depository" may be cancelled. Provided the LMEsword System accepts the Warrant Cancel Instruction, it shall mark the electronic record of the Warrant as "cancelled" and notify the London Agent thereof. The London Agent shall thereupon cancel the Warrant.

## 8.2 **Time Expired Warrants**

After 16:30 each day an Account Holder and London Agent can run reports to inform them of the Warrants expired or due to expire. Upon Time Expiry the Account Holder must settle outstanding rent by contacting the London Agent in accordance with Regulation 6.3.4.

## 8.3 **Remove Warrant**

- 8.3.1 On the metal represented by a cancelled Warrant being delivered out by a Warehouse, the Warehouse shall notify its London Agent which shall issue a Remove Warrant Instruction in accordance with the LMEsword Operating Procedures. A Warehouse shall not so deliver metal unless the relevant Warrant has previously been cancelled in accordance with Regulation 8.1. The Exchange shall prescribe by Notice or in the LMEsword Operating Procedures the procedure for dealing with the reporting of deliveries out of only part of the metal represented by a Warrant.

- 8.3.2 Provided the electronic record of the Warrant in question is marked "cancelled", the LMEsword System shall following the issue of a Remove Warrant Instruction in accordance with the LMEsword Operating Procedures remove the Warrant from the LMEsword System (save that a record of its existence shall be retained within it solely for audit purposes).

- 8.3.3 A London Agent shall also issue a Remove Warrant Instruction in other circumstances as prescribed by the LMEsword Operating Procedures.

## 9. **WARRANT AMENDMENT AND REPLACEMENT**

### 9.1 **General Duties**

The requirements and procedures relating to the amendment and replacement of a Warrant shall be governed by the terms of the Warehouse Contract and the Warrant itself, as supplemented by this Regulation 9. Endorsement of a Warrant "rent paid" shall be subject to Regulation 6.

### 9.2 **Notification of Amendments**

- 9.2.1 On any LMEsword Participant becoming aware of a need to make an amendment to a detail of a Warrant which is prescribed in the LMEsword Operating Procedures (an "amendable detail"), it shall notify the London Agent which issued the Warrant.
- 9.2.2 On a London Agent becoming aware or being notified of a need to make an amendment to an amendable detail of a Warrant which it has issued, it shall issue a Warrant Amend Instruction in accordance with the LMEsword Operating Procedures.
- 9.2.3 On receipt of a Warrant Amend Instruction in respect of a Warrant, the LMEsword System shall amend the electronic record of the Warrant accordingly, mark its electronic record "amended" and, in the case of a Warrant lodged with the Depository, notify the relevant Account Holder of the amendment.

### 9.3 **Replacement of Warrants**

- 9.3.1 On the amendment of an amendable detail of the electronic record of a Warrant marked "out of Depository" in circumstances where the Warrant has not been presented to the London Agent, the Exchange and the London Agent may take such steps as they deem appropriate to publicise the fact of such amendment.
- 9.3.2 The holder of such a Warrant must, on its becoming aware of the fact of such amendment, present the Warrant to the London Agent which issued the Warrant.
- 9.3.3 Where an Account Holder withdraws a Warrant from the Depository the electronic record of which is marked "amended" and which is itself stamped as such by the Depository in accordance with Regulation 7, the Account Holder must present the Warrant to the London Agent which issued the Warrant.
- 9.3.4 On presentation to a London Agent of a Warrant in accordance with this Regulation 9.3, the London Agent shall take delivery of the Warrant and issue a replacement Warrant utilising the LMEsword Software in accordance with the LMEsword Operating Procedures.
- 9.3.5 In other cases where a London Agent is entitled to issue a replacement Warrant in accordance with the Warehouse Contract, it shall do so utilising the LMEsword Software in accordance with the LMEsword Operating Procedures.

## 10. **INCORRECT OR INVALID WARRANTS**

### 10.1 **Notification**

- 10.1.1 The obligations of LMEsword Participants in relation to a Warrant, or to metal the subject of a Warrant, which does not comply with the requirements of the Exchange shall be as set out in the Rules and the Warehouse Contract, as supplemented by this Regulation 10.
- 10.1.2 On a LMEsword Participant becoming aware of any irregularity in respect of a Warrant or the metal to which a Warrant relates (not being the need to amend an amendable detail), it shall notify the Exchange thereof. The Exchange may make such enquiries and take such steps as it sees fit to determine the existence and nature of such irregularity.
- 10.1.3 On a LMEsword Participant other than the Clearing House being made aware of the need to return a Warrant to a London Agent for cancellation and reissue, it shall take all necessary steps to obtain and deliver up the Warrant to the London Agent which must cancel it and issue a new Warrant in accordance with the Warehouse Contract.

### 10.2 **Invalid Warrant Instruction**

- 10.2.1 In the event that the Exchange concludes that there is a material irregularity in a Warrant or the metal which it represents, or some other relevant regulatory event has occurred, it may issue an Invalid Warrant Instruction in accordance with the LMEsword Operating Procedures. On receipt, the LMEsword System shall mark the electronic record of the Warrant "not valid".
- 10.2.2 Delivery of a Warrant the electronic record of which is marked "not valid" shall not constitute good delivery under a Contract.

- 10.2.3 The Exchange may, where it is satisfied that the irregularity or event has been remedied, reverse an Invalid Warrant Instruction in accordance with the LMEsword Operating Procedures. On receipt the LMEsword System shall remove the "not valid" mark from the electronic record of the Warrant.
- 10.2.4 Where a Warehouse ceases to be listed in Appendix III of the Rules, Warrants previously issued by it shall continue to be treated as Warrants for the purposes of these LMEsword Regulations until the Exchange otherwise directs and/or issues an Invalid Warrant Instruction in accordance with this Regulation 10.2.
- 10.2.5 Each Account Holder agrees to withdraw from the Depository any Warrant the electronic record of which is credited to its Account where the Exchange so directs.

## **11. GENERAL**

### **11.1 Charges and Fees**

- 11.1.1 The Exchange shall fix the subscription, transaction and other fees payable by LMEsword Participants from time to time and publish them in an Administrative Procedure and will publish the same on the LME website. Such fees may vary for different classes of LMEsword Participant. Such fees shall be debts due to the Exchange and shall be payable in accordance with the LMEsword Operating Procedures.
- 11.1.2 Each LMEsword Participant agrees to pay all fees payable under the LMEsword Regulations promptly. Failure to pay such fees when due shall constitute a breach of the LMEsword Regulations by the LMEsword Participant in question.
- 11.1.3 If a LMEsword Participant serves a Withdrawal Notice in accordance with Regulation 2.6 but that Notice is not received by the Secretary on or before the 30th day of November of the year in which the LMEsword Participant intends its participation to cease, it will be liable for payment of the relevant annual subscription for the following year.

### **11.2 Reports and Enquires**

LMEsword Participants may obtain reports from and make enquiries of the LMEsword System as described in the LMEsword Operating Procedures. Reports will be available at all times that the LMEsword System is operational and each Account Holder agrees that these will be transmitted electronically and can be printed by the Account Holder. Reports will detail the description and amounts of all Warrants credited to an Account or Accounts of the Account Holder. Each Account Holder agrees to treat such a report as a sufficient statement of its Warrants held by the Depository.

### **11.3 Instructions and Notices**

- 11.3.1 Instructions to be issued under the LMEsword Regulations or LMEsword Operating Procedures must be issued in accordance with the LMEsword Operating Procedures. In the event that for any reason it is impossible for a LMEsword Participant, the Depository or the Exchange to issue or receive an Instruction, or the LMEsword System is unable to receive an Instruction, the Exchange shall specify the steps the affected person(s) should take. References in the remainder of this Regulation 11.3 to a notice or other communication shall not include an Instruction. Instructions shall be

deemed issued when received by the LMEsword System, and shall be processed in the order determined by the LMEsword System.

11.3.2 All notices and other communications to be served under the LMEsword Regulations or LMEsword Operating Procedures shall be served as follows:

(i) if to the Exchange, to:

Post Trade Operations  
The London Metal Exchange  
10 Finsbury Square  
London EC2A 1AJ  
Fax No. +44(0)20 7256 8864

E-mail: [posttradeoperations@lme.com](mailto:posttradeoperations@lme.com)

(ii) if to another LMEsword Participant or the Depository, to the address and fax number notified to the Exchange by the LMEsword Participant or, as the case may be, the Depository from time to time.

11.3.3 All notices and other communications under the LMEsword Regulations shall be served by fax or in writing. Service will be deemed effective, in the case of notices sent by fax, on the date that transmission is received by an employee of, or other person working for, the recipient in legible form (with the burden of proving receipt being upon the sender which will not be met by a transmission report generated by the sender's fax machine). Notices or other communications shall not be capable of having the effect of an Instruction unless the Exchange provides otherwise in the LMEsword Operating Procedures or in a notice issued by the Exchange, for example in the event of an emergency.

11.3.4 In the event of difficulty in using fax to send notices under the LMEsword Regulations, notices and other communications may be served in writing and delivered in person or by courier or by post, with such service deemed effective on the date of receipt, unless that date is not a Business Day in which case the notice shall be deemed given and effective on the first following day that is a Business Day.

11.3.5 All notices and other communications shall be in writing and in the English language.

11.3.6 Notices and other communications shall only be validly served by a LMEsword Participant if they are signed by a designated signatory notified to the Exchange.

11.3.7 Neither the Exchange nor the Depository shall be liable for any actions taken or omitted to be taken in good faith on the basis of any Instruction served in accordance with the LMEsword Operating Procedures or notice or other communication however served which purports to have been given by or on behalf of a LMEsword Participant, nor shall any of them be taken to have notice of any matter disclosed in an Instruction (other than the existence of the Instruction). Neither the Exchange nor the Depository shall be under any duty to verify the genuineness of any Instruction or of the signature or the authority of the person which purports to sign a notice or other communication on behalf of a LMEsword Participant.

11.3.8 The Depository shall not be obliged to take account of or act on any direction of an Account Holder other than an Instruction or notice or communication permitted by the Exchange.

#### 11.4 **Release**

Any liability to the Exchange under the LMEsword Regulations may in whole or in part be released, compounded or compromised or time or indulgence given by the Exchange in its absolute discretion as regards any LMEsword Participant under such liability without in any way prejudicing or affecting its rights against any other or others of the LMEsword Participants under the same or a like liability, whether joint and several or otherwise.

#### 11.5 **Waiver**

Without prejudice to Regulation 2.5 of Part 1 of the Rules, no failure of the Exchange to exercise, and no delay by it in exercising, any right, power or remedy in connection with the LMEsword Regulations (each a "Right") will operate as a waiver thereof, nor will any single or partial exercise of any Right preclude any other or further exercise of such Right or the exercise of any other Right. The Rights provided in the LMEsword Regulations are cumulative and not exclusive of any other Rights (whether provided by law or otherwise). Any express waiver of any breach of the LMEsword Regulations shall not be deemed to be a waiver of any subsequent breach.

#### 11.6 **Invalidity**

If any provision in the LMEsword Regulations shall be held to be illegal, invalid or unenforceable, in whole or in part, under any enactment or rule of law, such provision or part shall to that extent be deemed not to form part of the LMEsword Regulations but the legality, validity and enforceability of the remainder of the LMEsword Regulations shall not be affected.

#### 11.7 **Governing Law and Submission to the Jurisdiction**

11.7.1 The LMEsword Regulations shall be governed by and construed in accordance with English law.

11.7.2 Except to the extent otherwise provided in the Warehouse Contract (in the case of Warehouses) or the relevant Service Level Agreement (in the case of the Depository and the Operator) any dispute arising out of or in connection with the LMEsword Regulations shall be referred to arbitration in accordance with the Rules.

#### 11.8 **Exclusion of Liability**

11.8.1 The Exchange shall not have any liability for any damage, loss, expense or liability of any nature which a LMEsword Participant may suffer or incur due to or connected with it being or acting as a LMEsword Participant, including liability for negligence or liability arising out of development and operation of the LMEsword System, except to the extent of direct losses or expenses attributable to its fraud or wilful default. In no event shall the Exchange be liable for special, indirect or consequential damages or loss of any kind whatsoever regardless of whether it has notice of the likelihood of such damages or loss and regardless of the form of action.

11.8.2 The Depository shall have no liability for any damage, loss, expense or liability of any nature which a LMEsword Participant may suffer or incur due to or connected with it being or acting as a LMEsword Participant, except to the extent of direct losses or expenses attributable to the Depository's fraud, wilful default or negligence in the performance of its obligations expressly set out in these Regulations and provided that the Depository shall not be liable to the extent that any such damage, loss, expense

or liability is caused by a person other than the Depository. In no event shall the Depository be liable for special, indirect or consequential damage or loss of any kind whatsoever (including, without limitation, loss of bargain or profits), regardless of whether it has notice of the likelihood of such damages or loss and regardless of the form of action. The exclusions of liability set out in this Regulation 11.8.2 and Regulation 11.8.3 do not apply to death or personal injury arising from any failure by the Depository to take reasonable care or to exercise reasonable skill.

11.8.3 In the event of the loss, damage, destruction or wrongful release of a Warrant in circumstances in which the Depository is liable in accordance with Regulation 11.8.2, the maximum liability and obligation of the Depository shall be limited to issuing an indemnity in an amount not exceeding the market value of the Warrant at the time of the discovery of the loss, damage, destruction or wrongful release and otherwise on reasonable terms but not requiring the provision of any security.

11.8.4 Each Account Holder agrees to indemnify the Depository and to keep it indemnified against any costs, claims, losses, liabilities, damages, fines, penalties, taxes and other amounts which may be imposed on, incurred by or asserted against the Depository in respect of any liability arising from the fact that it holds any Warrants as bailee or sub-bailee for other persons (including, without limitation, any obligations to pay income, value added or any other tax or duty, or to maintain insurance in relation to any such Warrants) which is determined by the Depository to be applicable to that Account Holder and which is not due to the Depository's fraud, wilful default or negligence.

11.8.5 The Depository is not responsible for the production or the accuracy of reports generated by the LMEsword System and is not responsible for the operation or efficacy of the LMEsword System.

## 11.9 **Errors**

11.9.1 In the event that a Warrant is mistakenly credited to or debited from an Account Holder's Account, the affected Account Holder, shall immediately on their becoming aware of that event notify the Exchange which shall notify the affected parties and, if there is no disagreement as to the facts, make the necessary change to the LMEsword System's records, if any.

11.9.2 In the event that any LMEsword Participant becomes aware that any detail in the electronic record of a Warrant is or appears to be incorrect, it shall notify the Exchange which shall notify the London Agent which issued the Warrant and, if the Warrant is lodged with the Depository, the Depository and the Account Holder to whose Account the Warrant is credited. If there is no disagreement as to the facts, the Exchange shall make the necessary change to the LMEsword System's records.

11.9.3 In the event that there is disagreement as to the facts, the matter shall be referred to arbitration in accordance with the Rules.

## 11.10 **Legal Effect of Transfers**

11.10.1 By and upon the debiting of a Warrant by the LMEsword System from the Account of an Account Holder (the "Transferor") and its crediting to the Account of another Account Holder (the "Transferee"), the Depository shall hold the Warrant in question to the order of the Transferee, for as long as it remains in its Account. The Release Instruction (in the case of ex- cleared transfers under Regulation 5.2.5),

the Ex-cleared Transfer Instruction and Ex-cleared Transfer Accept Instruction (in the case of ex-cleared transfers under Regulation 5.2.4) and the Cleared Transfer Instruction (in the case of cleared transfers under Regulation 5.4) shall constitute an instruction by the Transferor (and, as applicable, the Transferee), on behalf of the Transferor and Transferee, to the Depository to hold the Warrant to the order of the Transferee. By and upon the crediting of the Warrant by the LMEsword System to the Transferee's Account the Depository makes attornment to the effect that it from that point holds the Warrant to the order of the Transferee.

11.10.2 In addition, the Depository is pursuant to the LMEsword Regulations authorised by each Warehouse to receive instructions concerning the holding of the metal represented by Warrants. By and upon the crediting of a Warrant by the LMEsword System to the Transferee's Account, the Depository makes attornment, for and on behalf of the Warehouse for whom the London Agent issued the Warrant, to the effect that the metal represented by the Warrant shall from the moment of the crediting of the Warrant to the Transferee's Account be held by the Warehouse to the order of the Transferee. The Depository shall not disclose to any Warehouse the identity of any Account Holder to whose order metal is held from time to time, unless explicitly provided for in these Regulations or the Exchange directs it to.

11.10.3 Unless the parties otherwise agree, property in the metal represented by a Warrant shall pass at the time the Warrant is delivered, that is (in the case of Warrants lodged with the Depository) at the time the parties' Accounts are debited and credited.

#### 11.11 **Amendment of LMEsword Regulations**

The Exchange may amend the LMEsword Regulations or the LMEsword Operating Procedures in the same way as it may amend any other of its Rules. All LMEsword Participants shall be notified of any such amendment prior to its taking effect, except where an immediate amendment is in the opinion of the Exchange essential for the proper functioning of LMEsword.

#### 11.12 **Force Majeure**

Nothing in these LMEsword Regulations shall require any person to do anything contrary to applicable English law or regulation and no person shall be liable for a breach of these LMEsword Regulations where compliance is impossible due to a failure of the LMEsword System and they have not caused the LMEsword System failure in question.

#### 11.13 **Representation by Account Holder**

On each occasion the Depository is required to release a Warrant to an Account Holder in accordance with Regulation 7.2, the Account Holder is deemed to represent to the Depository that it is in full compliance with the laws and regulations of each jurisdiction which is or may be applicable to the withdrawal of the Warrant.

#### 11.14 **Insolvency or Delisting of a Warehouse**

In the event of the insolvency or delisting of a warehouse, the Exchange may undertake such acts, or require such acts to be performed, as it considers in its sole discretion are necessary in order to ensure the orderly functioning of the market. This may include, without limitation, suspending relevant Warrants in LMEsword, or requiring Warrant-holders to cancel relevant Warrants in LMEsword and create new Warrants at a later date (either at the same location or a different location and either at



the same warehouse company or at a different warehouse company). The provision shall be without prejudice to any rights or obligations the Exchange may have under its agreement with warehouse companies or any relevant warehousing policy from time to time.

## 12. **INTERPRETATION**

### 12.1 **Definitions**

In these LMEsword Regulations terms defined in the Rules and not defined below shall have the same meanings and the following words and expressions shall, unless the context otherwise requires, bear the following meanings:

"Account" means an account of an Account Holder with the Depository, recorded by the LMEsword System and established in accordance with the LMEsword Regulations and LMEsword Operating Procedures, to which Warrants may be credited and debited;

"Account Holder" means the Clearing House and any person admitted as an Account Holder by the Exchange, and which has not withdrawn or ceased to be an Account Holder, under Regulation 2;

"Business Day" has the meaning given in the Rules;

"Clearing House" means the clearing house for the time being designated by the Exchange;

"Clearing Member" has the meaning given in the Rules;

"Clearing Participant" means a Clearing Member which is an Account Holder;

"Customer" means a person with whom an Account Holder has entered into a written agreement under which the Account Holder has authority to hold Warrants for the Customer as bailee and lodge such Warrants with the Depository as sub-bailee or bailee on the terms of the LMEsword Regulations and with authority to make delivery of such Warrants for and on behalf of the Customer;

"Customer Account" means an Account to which Warrants held by an Account Holder as bailee for its Customer may be credited and debited, which may comprise a single Account for Warrants held for some or all of the Account Holders' Customers and/or specific Accounts for one or more specific Customers;

"Customer Collection Account" has the meaning given in Regulation 4.3;

"Depository" means the person appointed from time to time by the Exchange to act as the Depository for LMEsword and which has agreed to be bound by the LMEsword Regulations;

"the Exchange" means the London Metal Exchange;

"Giver" has the meaning given in Regulation 5.2.1;

"Giving Clearing Participant" has the meaning given in Regulation 5.4.2;

"House Account" means an Account which is not a Customer Account; "House Collection Account" has the meaning given in Regulation 4.3; "Instruction" shall be construed in accordance with Regulation 12.2;

"LMEsword Operating Procedures" means the manual issued by the Exchange pursuant to the LMEsword Regulations setting out detailed procedures and information relating to the operation of LMEsword;

"LMEsword Participant" means an Account Holder or a Warehouse;

"LMEsword Regulations" means the Regulations governing the operation of LMEsword issued by the Exchange as amended from time to time in accordance with the terms thereof and forming Part 10 of the Rules;

"LMEsword Software" means the software licensed to each Account Holder and London Agent for the purpose of facilitating the issue of Warrants and the provision of details thereof to the LMEsword System;

"LMEsword System" means the system for, inter alia, the electronic transfer of title to Warrants governed and constituted by the LMEsword Regulations;

"London Agent" means a London agent appointed by a Warehouse in accordance with the terms of the Warehouse Contract or a London office of a Warehouse nominated to act as the Warehouse's London Agent for the purposes of LMEsword;

"Member" means a member of the Exchange;

"Overseas Undertaking" has the meaning given in the Rules;

"person" includes an individual, partnership, unincorporated association and body corporate;

"Premium Warrant" has the meaning given in the Rules;

"Remote Participant Agreement" means an agreement between Account Holders substantially in the form prescribed by the Exchange under which one Account Holder agrees to act for the other in the giving of Instructions to the LMEsword System in accordance with the LMEsword Regulations and LMEsword Operating Procedures;

"Rent Payment Day" means the day on which rent in respect of the storage of metal under Warrant becomes due;

"Rules" means the rules and regulations issued by the Exchange (and incorporating the LMEsword Regulations) governing the London Metal Exchange administered by the Exchange as the same may be amended in accordance with the Articles of Association of the Exchange and a reference to a Rule shall be construed accordingly;

"Secretary" means any person appointed to perform the duties of Secretary of the Exchange;

"Service Level Agreement" means the agreement entered into by the Depository with the Exchange under which it agrees to act as such and comply with the obligations set out therein;

"Software Licence Agreement" means the licence agreement to be entered into by each Account Holder and London Agent relating to the LMEsword Software;

"Taker" has the meaning given in Regulation 5.2.1;

"Taking Clearing Participant" has the meaning given in Regulation 5.4.5;

"Undertaking" has the same meaning as set out in Section 1161 Companies Act 2006;

"Warehouse" means a warehouse which is party to the Warehouse Contract and listed in Appendix III of the Rules;

"Warehouse Contract" means the agreement between the Exchange and each Warehouse setting out the Warehouse's obligations as a Warehouse and under which the Warehouse agrees to abide by the LMEsword Regulations;

"Warrant" means a warehouse warrant issued by a Warehouse in accordance with the Warehouse Contract;

"Withdrawal Notice" has the meaning given in Regulation 2.6.2.

## 12.2 **Interpretation**

- 12.2.1 Where the LMEsword Regulations refer to a document or thing being "prescribed", that shall mean prescribed by the Exchange from time to time in the LMEsword Operating Procedures or in a Notice issued by it, and the Exchange may prescribe different dates for different purposes, category of LMEsword Participant and metal.
- 12.2.2 Words importing the singular shall, where the context permits, include the plural and vice versa. Words importing gender shall include each gender.
- 12.2.3 Where the LMEsword Regulations refer to an act being undertaken by the Exchange, that act may be performed by the Exchange acting through the Directors of the Exchange or any duly authorised Committee of the Directors of the Exchange or duly authorised individual.
- 12.2.4 References to an "Instruction" shall mean any of the types of Instruction referred to in the LMEsword Regulations, such as, without limitation, a "Warrant Lodge Instruction" or "Ex- cleared Transfer Instruction", each of which shall consist of an electronic communication of the relevant type served by a LMEsword Participant in accordance with the LMEsword Operating Procedures. Any purported service of an Instruction otherwise than in accordance with the LMEsword Operating Procedures shall be of no effect unless the Exchange otherwise directs. The LMEsword Operating Procedures shall provide for the circumstances in which Instructions shall be deemed cancelled and all other details relevant to their issue.
- 12.2.5 Where reference is made to a London Agent which issued a Warrant, that shall be deemed also to refer to a London Agent which has succeeded to the responsibilities of the London Agent which issued the Warrant.
- 12.2.6 Where reference is made to "the" or "these" "LMEsword Regulations" that shall be deemed to include the LMEsword Operating Procedures where the context permit.
- 12.2.7 References to a "Category" of Member shall be construed in accordance with the definitions of the categories of Membership set out in the Rules.
- 12.2.8 In these LMEsword Regulations only, reference to a "Warrant" or "Warrants" shall include reference to a "Premium Warrant" or "Premium Warrants", as the context may allow.

## **PART 11**

### **MONTHLY AVERAGE FUTURE REGULATIONS**

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#### **CONTENTS**

| <b>Section</b> |                                       | <b>Page</b> |
|----------------|---------------------------------------|-------------|
| 1              | Relationship with Trading Regulations | 11-1        |
| 2              | Permitted Monthly Average Futures     | 11-1        |
| 3              | Cash Settlement Fee                   | 11-2        |
| 4              | Price Information                     | 11-2        |



## **PART 11: MONTHLY AVERAGE FUTURE REGULATIONS**

### **1. RELATIONSHIP WITH TRADING REGULATIONS**

- 1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Monthly Average Future Regulations or unless the context otherwise requires, apply to Monthly Average Futures.
- 1.2 The Clearing House Rules shall apply to Cleared Monthly Average Futures.

### **2. PERMITTED MONTHLY AVERAGE FUTURES**

- 2.1 Monthly Average Futures shall be available in respect of such metals and in such lot sizes as set out in Table 1.1 below:

**Table 1.1**

| <b>Metal</b>            | <b>Lot size (tonnes)</b> | <b>Months</b> |
|-------------------------|--------------------------|---------------|
| Primary Aluminium       | 25                       | 63            |
| NASAAC Aluminium Alloy  | 20                       | 27            |
| Aluminium Alloy         | 20                       | 27            |
| Special High Grade Zinc | 25                       | 27            |
| Tin                     | 5                        | 15            |
| Nickel                  | 6                        | 27            |
| Copper Grade A          | 25                       | 63            |
| Lead                    | 25                       | 15            |

- 2.2 The Monthly Average Settlement Price for a Monthly Average Future month must be calculated by reference to a calendar month.
- 2.3 For each metal, Monthly Average Futures shall be available in respect of each tradable month from and including the month in which the Contract is made out to the number of months for that metal as set out in Table 1.1 above.
- 2.4 A new tradable month will become available for trading, in respect of any Monthly Average Future authorised by the Exchange, at the opening of business on the first Business Day of the month in which trading of a Monthly Average Future for the relevant underlying metal is authorised to begin.
- 2.5 Trading may be conducted, in respect of any Monthly Average Future authorised by the Exchange, until the close of business on the Last Trading Day for such Monthly Average Future. Trading times for all Monthly Average Futures shall not be later than 12.30 hours London time on the Last Business Day.
- 2.6 Monthly Average Futures shall be traded in US Dollars only.

- 2.7 Monthly Average Futures may be traded on the telephone and LME Select but not on the Ring.
- 2.8 The minimum price movement for a Monthly Average Future shall be \$0.01 US dollars per metric tonne.
- 2.9 All Monthly Average Futures shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.
- 3. **CASH SETTLEMENT FEE**
- 3.1 The Exchange may charge a fee in relation to each Monthly Average Future. The amount of such fee shall be determined and published by the Exchange from time to time.
- 4. **PRICE INFORMATION**
- 4.1 Regulation 4 of the Trading Regulations shall apply to Monthly Average Futures.
- 4.2 The Exchange shall publish the Notional Average Price and Monthly Average Settlement Price for the relevant metal for each tradable month.

**PART 12**  
**PREMIUM CONTRACT REGULATIONS**

\*

**CONTENTS**

| <b>Section</b> |   | <b>Page</b> |
|----------------|---|-------------|
| 1              | Relationship with Trading Regulations                   | 12-1        |
| 2              | Aluminium Premium Contract Specification                | 12-1        |
| 3              | Settlement of Aluminium Premium Contracts               | 12-3        |
| 4              | Matters to be Agreed on Execution of a Premium Contract | 12-8        |





## **PART 12: PREMIUM CONTRACT REGULATIONS**

### **1. RELATIONSHIP WITH TRADING REGULATIONS**

1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Premium Contract Regulations or unless the context otherwise requires, apply to Premium Contracts.

1.2 The Clearing House Rules shall apply to Cleared Premium Contracts.

### **2. ALUMINIUM PREMIUM CONTRACT SPECIFICATION**

#### **2.1 Premium Warrant Jurisdictions**

The following table sets out the Premium Warrant Jurisdiction for each type of Aluminium Premium Contract:

| Premium Contract                      | Premium Warrant Jurisdiction  |
|---------------------------------------|---|
| LME Aluminium US Premium              | The following regions of the United States of America, as defined by the US Census Bureau: <ul style="list-style-type: none"><li>• Mid-West</li><li>• South</li></ul> |
| LME Aluminium West-Europe Premium     | Western Europe, as defined by the UN Geoscheme M49 classification   |
| LME Aluminium East-Asia Premium       | Eastern Asia, as defined by the UN Geoscheme M49 classification   |
| LME Aluminium South-East Asia Premium | South-Eastern Asia, as defined by the UN Geoscheme M49 classification   |

#### **2.2 Metal and Premium Warrant**

The underlying metal for each Aluminium Premium Contract shall be high grade primary aluminium satisfying the requirements of Part 6 of the Special Contract Rules for Metals that is:

- (a) held by a Qualifying Premium Warrant Warehouse in the Premium Warrant Jurisdiction applicable to the type of Aluminium Premium Contract; and
- (b) represented by a Premium Warrant issued by the Qualifying Premium Warrant Warehouse.

#### **2.3 Lot Size**

The Lot size for each Aluminium Premium Contract is 25 tonnes.

## 2.4 **Prompt Date**

The Prompt Date for each Aluminium Premium Contract shall be the third Wednesday of each maturity month, subject to the Trading Regulations.

## 2.5 **Maturity Months**

Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 2.9 below) for the calendar month on which the Contract is made, in which case, fourteen months.

## 2.6 **Trading Platform**

Aluminium Premium Contracts may be traded:

- (a) in the Ring;
- (b) in the inter-office market; or
- (c) through LME Select

## 2.7 **Trading Hours**

Aluminium Premium Contracts may be traded on the following platforms at the following times:

| Platform            | Trading Hours  |
|---------------------|--|
| Ring                | For Official Prices: 5 minutes at the end of R2<br>For Closing Prices: 5 minutes <del>at the end of kerb trading</del> <a href="#">during K2</a> |
| LME Select          | Between 01:00 and 19:00 London time on a Business Day  |
| Inter-office market | 24 hours a day during a Business Day   |

## 2.8 **Last Trading Time**

The last trading time for Aluminium Premium Contracts shall be 19:00 London time on the Last Trading Day.

## 2.9 **Settlement Basis**

Aluminium Premium Contracts shall be physically settled in accordance with Regulation 3 below.

## 2.10 **Currency**

US Dollars.

## 2.11 **Price Information**

- (a) Regulation 4 of the Trading Regulations shall apply to Premium Contracts.
- (b) Official Prices for Premium Contracts shall be determined in accordance with Trading Regulation 5.
- (c) Closing Prices for Premium Contracts shall be determined in accordance with Trading Regulation 6.

## 2.12 **Minimum Price Movement**

The minimum price movement for any Aluminium Premium Contract shall be as follows:

|                     | Minimum price movement per tonne |         |
|---------------------|----------------------------------|---------|
| Venue               | Outright                         | Carries |
| Ring                | \$0.50                           | \$0.01  |
| LME Select          | \$0.50                           | \$0.01  |
| Inter-office market | \$0.01                           | \$0.01  |

## 3. **SETTLEMENT OF ALUMINIUM PREMIUM CONTRACTS**

3.1 Aluminium Premium Contracts shall be settled on the basis set out in this Regulation 3.

3.2 Settlement of Aluminium Premium Contracts that are:

- (a) Cleared Premium Contracts shall be made by offset or by delivery and settlement of differences on the Prompt Date in accordance with Regulations 3.4 and 3.5 and 3.7 to 3.9 below;
- (b) Client Premium Contracts shall be made by offset or by delivery in accordance with Regulations 3.4 and 3.5 and 3.10 to 3.11 below.

3.3 The net Lots covered by the Aluminium Premium Contracts remaining following offset under Regulation 3.8 or 3.10 (as applicable) shall be settled on their Prompt Date by payment, subject in the case of Cleared Premium Contracts to the Clearing House Rules.

### 3.4 **Seller's Delivery Obligation**

The seller's obligation under Aluminium Premium Contracts shall be to deliver Premium Warrants corresponding to the net Lots covered by such Contracts to the buyer.

### 3.5 **Buyer's Delivery and Payment Obligations**

The buyer's obligation under Aluminium Premium Contracts shall be to deliver to the seller:

- (a) Standard Warrants, for high grade primary aluminium satisfying the requirements of Part 6C of the Special Contract Rules for Metals, corresponding to the net Lots covered by such Contracts;

plus

- (b) the Settlement Price for the Aluminium Premium Contract, subject to any adjustments made pursuant to these Regulations in order to take account of:
  - (i) any rent and weight adjustments; and
  - (ii) the "Free on Truck" charges levied by the Qualifying Premium Warrant Warehouse that issued the Premium Warrant delivered under (a) above.

The buyer and seller's respective obligations shall be subject to the application of offsetting and settlement of differences pursuant to Regulations 3.7 and 3.8 below.

### 3.6 **Cleared Premium Contracts – General**

- (a) Settlement of all Cleared Premium Contracts whether by offset or by delivery and the settlement of differences shall be made on the relevant Prompt Date by reference to the Settlement Price determined for that Prompt Date for that Premium Contract.
- (b) In the event that:
  - (i) a buyer under a Cleared Premium Contract with an obligation to deliver Standard Warrants on the Prompt Date is also a buyer under a Cleared Metal Contract with an entitlement to receive Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date; or
  - (ii) a seller under a Cleared Premium Contract with an entitlement to receive Standard Warrants on the Prompt Date is also a seller under a Cleared Metal Contract with an obligation to deliver Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date,

then the respective obligations and entitlements of the buyer or seller (as applicable) under the Cleared Premium Contract in respect of the delivery of Standard Warrants shall be netted against the respective entitlements and obligations of that party under the Cleared Metal Contract in respect of the delivery of such Standard Warrants, in order to produce a net entitlement to receive or deliver Standard Warrants under both Contracts.

### 3.7 **Cleared Premium Contracts - Settlement of Differences:**

Differences shall be established on the relevant Prompt Date, in respect of all Cleared Premium Contracts, between the Premium Contract Price and the Settlement Price determined for that Prompt Date. The Clearing House shall account to Clearing Members for differences thus established by placing the same to their credit or debit as the case may require in accordance with the Clearing House Rules.

### 3.8 **Cleared Premium Contracts – Settlement by Offset:**

Bought and sold Cleared Premium Contracts of a Clearing Member for the same Premium Warrant Jurisdiction and Prompt Date and in the same currency shall, to the extent that they match each other, be settled on their Prompt Date by offsetting.

**Cleared Premium Contracts - Settlement by Delivery**

- (a) The net Lots covered by Cleared Premium Contracts following offset under Regulation 3.8 which match as to Premium Warrant Jurisdiction and tonnage but not necessarily as to currency, shall be offset for the purposes of establishing the net number of Premium Warrants to be settled by delivery subject to the Clearing House Rules.
- (b) Subject to Trading Regulation 17.8, delivery of Premium Warrants under Regulation 3.5(a) above or Standard Warrants under Regulation 3.5(b) above shall be effected pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures and the Clearing House Rules.
- (c) The Clearing House shall raise invoices or credit notes for the contract weight of the net Lots covered by such Cleared Premium Contracts at the Settlement Price and in the currency of the relevant Cleared Premium Contract and shall deliver the same to the relevant Clearing Members. Such invoices and credit notes will include the value of the Standard Warrant (if applicable) and shall be for the contract weight without allowance for storage rent accrued and differences between contract weight and Warrant weight.
- (d) On the Business Day following the Prompt Date the Clearing House shall call on:
  - (i) the seller or buyer as requisite in order that allowances for accrued storage rent, and any difference between Premium Warrant weight and contract weight be accounted for in respect of Premium Warrants transferred to the buyer in accordance with the Clearing House Rules; and
  - (ii) the seller or buyer as requisite in order that allowances for accrued storage rent, and any difference between Standard Warrant weight and contract weight be accounted for in respect of Standard Warrants transferred to the seller in accordance with the Clearing House Rules; and
  - (iii) the buyer in order that the "Free on Truck" charges applicable to the Premium Warrants received by the buyer are debited from the buyer.
- (e) Payments and receipts in respect of the invoices and credit notes raised by the Clearing House under Regulation 3.9(c) shall be effected through the payment system or, in the case of payments to sellers, in such other form as shall be specified by the Clearing House.
- (f) If a Clearing Member fails duly to deliver a Premium Warrant or Standard Warrant due to be delivered to the Clearing House, the Clearing House may, without prejudice to its rights under the Clearing House Rules:
  - (i) without prejudice to the accrued rights for damages of the Clearing House and any other affected Clearing Member(s), direct the Premium Warrant or Standard Warrant be delivered to and by the Clearing Member on the Business Day next following the Prompt Date, that the Contract terms be adjusted accordingly and the parties' payment obligations and entitlements thereunder be adjusted to give such rate of compensation to the party

entitled to receive the Premium Warrant or Standard Warrant as the Exchange may from time to time direct; or

(ii) where:

- (1) the Exchange has taken steps or issued directions under Trading Regulation 17.1 or 17.2; or
- (2) the Exchange or the Clearing House otherwise direct,

Invoice Back the metal due to be delivered in accordance with Trading Regulation 10.4.

This Regulation 3.9(f) shall apply subject to any directions of the Exchange made under Trading Regulation 17.1 or 17.2. The Exchange may prescribe such penalties for non-delivery of Standard Warrants or Premium Warrants as it may from time to time deem fit in the Operating Procedures or by Administrative Procedure.

### 3.10 **Client Premium Contracts - by Offset:**

- (a) Offsetting bought and sold Client Premium Contracts with the same Premium Warrant Jurisdiction, Prompt Date and currency shall be settled on contract (round) weights, buyer and seller paying or receiving as the case may be any difference between the Premium Contract Prices of the Contracts so offset.
- (b) In the event that:
  - (i) a buyer under a Client Premium Contract with an obligation to deliver Standard Warrants on the Prompt Date is also a buyer under a Client Metal Contract with an entitlement to receive Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date; or
  - (ii) a seller under a Client Premium Contract with an entitlement to receive Standard Warrants on the Prompt Date is also a seller under a Client Metal Contract with an obligation to deliver Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date; and
  - (iii) the Client counterparty to the Client Premium Contract and the Client counterparty to the Client Metal Contract are allocated to the same Client Account in the Clearing House;

then the respective obligations and entitlements of the buyer or seller (as applicable) under the Client Premium Contract in respect of the delivery of Standard Warrants shall be netted against the respective entitlements and obligations of that party under the Client Metal Contract in respect of the delivery of such Standard Warrants, in order to produce a net entitlement to receive or deliver Standard Warrants under both Contracts.

### 3.11 **Client Premium Contracts – Settlement by Delivery**

- (a) Delivery due under a Client Premium Contract shall be effected on the Prompt Date by delivery of Premium Warrants in exchange for Standard Warrants plus a

cash payment in accordance with Regulation 3.5 above. Premium Warrants and Standard Warrants shall be delivered either by way of a transfer pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers or (until further notice) by delivery of a physical Premium Warrant or Standard Warrant (as applicable). The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the option of the party making delivery.

- (b) In relation to Client Premium Contracts, Premium Warrants shall be invoiced and paid for at the Contract weight and at the Settlement Price pertaining to the Prompt Date, buyer and seller paying and receiving (as the case may be) any difference between Settlement Price and the Premium Contract Price. Such invoice will include the value of the Standard Warrant (if applicable).
- (c) In relation to Client Premium Contracts, weight differences (between Contract weight and actual Warrant weight) shall be settled at the Settlement Price. Warehouse rental accruals (where relevant) shall be allowed on the invoice.
- (d) Delivery of Premium Warrants and Standard Warrants and settlement in respect of unmatched Client Premium Contracts shall be effected in accordance with the terms of the Client Premium Contract between the parties and these Regulations. Such terms must require:
  - (i) Premium Warrants to be delivered by the seller under the Premium Contract:
    - (1) no later than 09:00 hours on the Prompt Date, when a Trading-Only Member or non- Member is the seller and transferor; and
    - (2) no later than 11:00 hours (so far as enabled by the seller's best endeavours) when a Clearing Member is the seller and transferor of the Premium Warrants;
  - (ii) Standard Warrants to be delivered by the buyer under the Premium Contract:
    - (1) no later than 09:00 hours on the Prompt Date when a Trading-Only Member or non-Member is the buyer and transferor; and
    - (2) no later than 13.30 hours (so far as enabled by the buyer's best endeavours) when a Clearing Member is the buyer and transferor of the Standard Warrants.
- (e) Delivery shall be effected either pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers or (until further notice) by delivery of the physical Premium Warrant or Standard Warrant (as applicable). The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the option of the party making delivery.
- (f) Weights of Premium Warrants and Standard Warrants in all cases shall be accepted as between buyer and seller.



### 3.12 **Cleared Contracts**

- (a) In these Premium Contract Regulations, references to "Cleared Contracts", "Cleared Metal Contracts" and "Cleared Premium Contracts" shall be construed to include any Cleared Contract that arises pursuant to the Clearing House Rules upon:
  - (i) the Execution of any Agreed Trade, pursuant to these Rules and the Clearing House Rules; and
  - (ii) the Execution of any Agreed Trade having equivalent characteristics to such Agreed Trade, pursuant to these Rules and the Clearing House Rules. Trading Regulation 9.1 shall apply to these Premium Contract Regulations for the purposes of explaining the meaning of the term "equivalent characteristics".
- (b) Any Cleared Contract that arises between a Clearing Member and the Clearing House pursuant to the Clearing House Rules, following the acceptance by the Clearing House of an Agreed Client Trade in respect of a Client Premium Contract, shall be settled in accordance with (i) Regulations 3.6 to 3.9 above and (ii) the provisions of the Clearing House Rules.

### 4. **MATTERS TO BE AGREED ON EXECUTION OF A PREMIUM CONTRACT**

Without prejudice to Trading Regulation 3, a Premium Contract shall be conditional on the agreement between the parties to the Premium Contract of the following matters:

- (a) the Premium Warrant Jurisdiction; and
- (b) the Premium Contract Price, being the contract price for the Premium Contract, and a Premium Contract may not come into effect unless such matters are so agreed.

**PART 13**  
**LMEPRECIOUS REGULATIONS**

\*

**CONTENTS**

**PART 13A**

**LMEPRECIOUS FUTURE REGULATIONS**

| Section                                 | Page                                 |
|---|--------------------------------------|
| 1 Relationship with Trading Regulations | <del>13</del> <a href="#">13A</a> -1 |
| 2 LMEprecious Future Specifications     | <del>13</del> <a href="#">13A</a> -1 |



**PART ~~13:~~ 13B**

**LMEPRECIOUS OPTION REGULATIONS**

| <u>Section</u> |   | <u>Page</u>  |
|----------------|---|--------------|
| <u>1</u>       | <u>Relationship with Trading Regulations</u>            | <u>13B-1</u> |
| <u>2</u>       | <u>Permitted LMEprecious Options and Specifications</u> | <u>13B-1</u> |
| <u>3</u>       | <u>Effect of Automatic Exercise</u>                     | <u>13B-1</u> |
| <u>4</u>       | <u>Premiums</u>   | <u>13B-1</u> |



## **PART 13A: LMEPRECIOUS FUTURE REGULATIONS**

### **1. RELATIONSHIP WITH OTHER REGULATIONS**

1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these LMEprecious Regulations or unless the context otherwise requires, apply to LMEprecious Futures.

1.2 Parts 1, 2, [3](#), [4](#), 8 and 9 shall all apply to LMEprecious Futures.

1.3 The Clearing House Rules shall apply to Cleared LMEprecious Futures.

### **2. LMEPRECIOUS FUTURE SPECIFICATIONS**

#### **2.1 Types of LMEprecious Future**

The following types of Contract shall be LMEprecious Futures:

- (a) "LMEprecious Gold Futures" (being LMEprecious Futures having the characteristics specified in the paragraphs below where the underlying metal is Gold); and
- (b) "LMEprecious Silver Futures" (being LMEprecious Futures having the characteristics specified in the paragraphs below where the underlying metal is Silver).

#### **2.2 Metal**

The underlying metal for each LMEprecious Future shall be as follows:

| Contract                  | Metal  |
|---------------------------|--------|
| LMEprecious Gold Future   | Gold   |
| LMEprecious Silver Future | Silver |

#### **2.3 Lot Size**

The Lot size for each LMEprecious Future shall be as follows:

| Contract                  | Lot size             | Code |
|---------------------------|----------------------|------|
| LMEprecious Gold Future   | 100 fine troy ounces | AU   |
| LMEprecious Silver Future | 5000 troy ounces     | AG   |

#### **2.4 Prompt Date**

LMEprecious Futures may have the following Prompt Dates:

| Type               | Prompt Date Structure | Prompt Date   |
|--------------------|-----------------------|---|
| Daily<br>("Daily") | T+1 to T+25           | The Prompt Dates which are valid Daily Dates are:<br><br>- T+1, provided that T+1 exists; and |

|                                     |   |  |
|-------------------------------------|---|--|
| <b>Date")</b>                       |   | <p>- T+2 to T+25.</p> <p>For the avoidance of doubt, a Prompt Date which is a valid Daily Date may also be a valid Monthly Date.</p>   |
| <b>Monthly ("Monthly Date")</b>     | M1 to either M24 or M25 (dependent on Booking Date and Booking Time as further specified in this table) | <p>The Prompt Dates which are valid Monthly Dates are dependent on the Booking Date and Booking Time:</p> <ol style="list-style-type: none"> <li>1. If the Booking Date is between (i) the start of the first calendar day of the Booking Month and (ii) the end of the calendar day being three Business Days prior to the third Wednesday of the Booking Month: <ul style="list-style-type: none"> <li>– The Prompt Dates which are valid Monthly Dates are M1 to M25</li> </ul> </li> <li>2. If the Booking Date is after the calendar day being three Business Days prior to the third Wednesday of the Booking Month: <ul style="list-style-type: none"> <li>– The Prompt Dates which are valid Monthly Dates are M1 to M24.</li> </ul> </li> </ol> <p>For the avoidance of doubt, at midnight at the start of the Business Day two days prior to the third Wednesday of the Booking Month, the Prompt Dates represented by the notation <math>M_n</math> will each be advanced incrementally by one calendar month. Accordingly, the Prompt Date which immediately prior to such Business Day was identified as M1 will remain available for trading as the T+2 and then the T+1 Daily Date, until the Last Trading Time for the T+1 Prompt Date on the Business Day prior to the third Wednesday of the Booking Month.</p> <p>In each case above, if the third Wednesday of the Booking Month would not be a valid Settlement Business Day, then references to the third Wednesday of the Booking Month should be read as references to the relevant replacement Prompt Date pursuant to Regulation 8.4.1 of the Trading Regulations.</p> |
| <b>Quarterly ("Quarterly Date")</b> | 12 Calendar Quarterly Dates following the Monthly Dates   | <p>The Prompt Dates which are valid Quarterly Dates are:</p> <ul style="list-style-type: none"> <li>– the first Calendar Quarterly Date which is not any of (i) M1-M24, where M25 is not a valid Monthly Date per the definition above, or (ii) M1-M25, where M25 is a valid Monthly Date per the definition above (the <b>"First Quarterly Date"</b>);</li> </ul> <p>and</p> <ul style="list-style-type: none"> <li>– the eleven subsequent Calendar Quarterly Dates following the First Quarterly Date.</li> </ul>   |

For the purpose of this paragraph 2.4, the following terms have the following meanings.

- (a) "**T+n**" (where n is a positive integer) identifies a Prompt Date in reference to the Business Day (for the avoidance of doubt, being a twenty four (24) hour period starting at 00:00 (midnight), London time) on which a Contract is entered into (the "**Booking Date**"). To identify the appropriate settlement date for a given "**T+n**" reference, first determine whether the first Business Day following the Booking Date is also a Settlement Business Day.

**(A) If the first Business Day following the Booking Date is also a Settlement Business Day:**

count forward "n" Settlement Business Day(s) from the Booking Date and it will fall upon that Settlement Business Day. For example:

- (i) assuming 2 January, 3 January, 4 January, 5 January are all Settlement Business Days;
- (ii) if 2 January is the Booking Date:
- (A) 3 January is T+1;
- (B) 4 January is T+2;
- (C) 5 January is T+3, and so on.

**(B) If the first Business Day following the Booking Date is not also a Settlement Business Day:**

count forward "n" minus one (n-1) Settlement Business Day(s) from the Booking Date and it will fall upon that Settlement Business Day. In this scenario, T+1 will not exist. For example:

- (i) assuming 3 January is a Business Day but not a Settlement Business Day, and 2 January, 4 January, 5 January are all Settlement Business Days;
- (ii) if 2 January is the Booking Date:
- (A) T+1 does not exist;
- (B) 4 January is T+2;
- (C) 5 January is T+3, and so on.

- (b) "**Mn**" (where n is a positive integer) identifies a monthly Prompt Date in reference to the date on which a Contract is entered into (the "**Booking Date**"). Let the "**Booking Month**" be the calendar month in which the Booking Date falls. Then:

- (i) if the T+2 Prompt Date in respect of the Booking Date falls before the third Wednesday in the Booking Month, then M1 is the third Wednesday of the Booking Month, M2 is the third Wednesday of the calendar month following the Booking Month, and so on (with each increment of n representing one further calendar month); or



- (ii) if the T+2 Prompt Date in respect of the Booking Date falls on or after the third Wednesday in the Booking Month, then M1 is the third Wednesday of the calendar month following the Booking Month, M2 is the third Wednesday of the calendar month following the calendar month following the Booking Month, and so on (with increment of n representing one further calendar month).

In each case above, if the third Wednesday in the Booking Month would not be a Settlement Business Day, then references to the third Wednesday of the Booking Month should be read as references to the relevant replacement Prompt Date pursuant to Regulation 8.4.1 of the Trading Regulations.

- (c) "**Booking Time**" means, in respect of a Contract Executed on a Booking Date, the time of Execution of the Contract.
- (d) "**Calendar Quarter**" means a period of three consecutive months, commencing on 1 January, 1 April, 1 July or 1 October in any calendar year.
- (e) "**Calendar Quarterly Date**" identifies a quarterly Prompt Date falling on the third Wednesday in the third calendar month of the relevant Calendar Quarter.

## 2.5 **Trading Platform**

LMEprecious Futures may be traded on LME Select and the inter-office market but not in the Ring.

## 2.6 **Trading Hours**

LMEprecious Futures may be traded on the following platforms at the following times:

| Platform            | Trading Hours   |
|---------------------|---|
| LME Select          | Between 01:00 and 20:00 London time on a Business Day |
| Inter-office market | 24 hours a day during a Business Day                  |

## 2.7 **Last Trading Time**

The last trading time for LMEprecious Futures shall be 16:00 London time on the Last Trading Day.

The Last Trading Day for LMEprecious Futures shall be the Business Day which is one Business Day before the Prompt Date.

## 2.8 **Settlement Basis**

LMEprecious Futures shall be physically settled in accordance with Regulation 9 of the Trading Regulations.

## 2.9 **Currency**

US Dollars.

## 2.10 Minimum Price Movement

(a) The minimum price movement for any LMEprecious Gold Future shall be as follows:

|                     | Minimum price movement per fine troy ounce |         |
|---------------------|--|---------|
| Venue               | Outright                                   | Carries |
| LME Select          | \$0.1000                                   | \$0.001 |
| Inter-office market | \$0.0001                                   | \$0.001 |

(b) The minimum price movement for any LMEprecious Silver Future shall be as follows:

|                     | Minimum price movement per troy ounce |           |
|---------------------|---------------------------------------|-----------|
| Venue               | Outright                              | Carries   |
| LME Select          | \$0.00500                             | \$0.00001 |
| Inter-office market | \$0.00001                             | \$0.00001 |

## **PART 13B: LMEPRECIOUS OPTION REGULATIONS**

### **1. RELATIONSHIP WITH OTHER REGULATIONS**

- 1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these LMEprecious Option Regulations or unless the context otherwise requires, apply to LMEprecious Options.
- 1.2 Parts 1, 2, 3, 4, 8 and 9 shall all apply to LMEprecious Options.
- 1.3 The Clearing House Rules shall apply to Cleared LMEprecious Options.
- 1.4 References in this Part 13B to LMEprecious Options or any "Contracts" relating to such LMEprecious Options shall be construed to include any Cleared Contract that has arisen pursuant to the registration of the LMEprecious Option at the Clearing House (provided that Cleared Contracts that arise pursuant to the registration of LMEprecious Options that are Client Contracts shall be treated in the same way as Cleared Contracts that are pursuant to the registration of Cleared LMEprecious Options).

### **2. PERMITTED LMEPRECIOUS OPTIONS AND SPECIFICATIONS**

#### **2.1 Types of LMEprecious Option**

The following types of Contract shall be LMEprecious Options:

- (a) "LMEprecious Gold Options" (being LMEprecious Options having the characteristics specified in the paragraphs below where the underlying metal is Gold); and
- (b) "LMEprecious Silver Options" (being LMEprecious Options having the characteristics specified in the paragraphs below where the underlying metal is Silver).

#### **2.2 Underlying Contract and Lot Size**

The underlying for each LMEprecious Option shall be as follows:

| <u>Contract</u>                  | <u>Underlying Contract</u>                | <u>Lot size</u>             | <u>Code</u> |
|----------------------------------|---|-----------------------------|-------------|
| <u>LMEprecious Gold Option</u>   | <u>LMEprecious Gold Future (Monthly)</u>  | <u>100 fine troy ounces</u> | <u>AU</u>   |
| <u>LMEprecious Silver Option</u> | <u>LMEpreious Silver Future (Monthly)</u> | <u>5000 troy ounces</u>     | <u>AG</u>   |

#### **2.3 Currency**

US Dollars.

#### **2.4 Expiry Day and Time**

The Expiry Day for an LMEprecious Option shall be the Business Day which is two Business Days before the Prompt Date for the LMEprecious Option.

The Expiry Time for an LMEprecious Option shall be the time on the Expiry Day that the Exchange Reference Price is determined by the Exchange (which shall be 15:02 or such later time as the Exchange may require).

## **2.5 Prompt Date**

Where any reference is made to the Prompt Date of an LMEprecious Option, such reference shall mean the Prompt Date of the underlying LMEprecious Future for such LMEprecious Option.

LMEprecious Options may have as their Prompt Dates each third Wednesday in each calendar month from and including the first calendar month to and including the twenty fourth calendar month.

On the Expiry Day, the current month's third Wednesday date will no longer be tradable as an LMEprecious Option Prompt Date. On that Business Day only there will be twenty three tradable third Wednesday Prompt Dates.

On the Business Day following Expiry Day, the new twenty fourth calendar month will be tradable as a LMEprecious Option Prompt Date.

If any Prompt Date would fall on a day which is not a Settlement Business Day, then the Prompt Date shall be determined in accordance with Regulation 8.4.1 of the Trading Regulations.

## **2.6 Strike Price Gradations**

The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be posted in the Exchange.

## **2.7 Trading Platform**

LMEprecious Options may be traded on LME Select and the inter-office market but not in the Ring.

All LMEprecious Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

## **2.8 Trading Hours**

LMEprecious Options may be traded on the following platforms at the following times:

| <u>Platform</u>            | <u>Trading Hours</u>   |
|----------------------------|--|
| <u>LME Select</u>          | <u>Between 01:00 and 20:00 London time on a Business Day</u> |
| <u>Inter-office market</u> | <u>24 hours a day during a Business Day</u>                  |

## **2.9 Last Trading Time**

The last trading time for LMEprecious Options shall be 20:00 London time on the Last Trading Day.

The Last Trading Day for LMEprecious Options shall be the Business Day which is one Business Day before the Expiry Day. (For example, if the Expiry Day is on a Monday, the Last Trading Day shall be on the preceding Friday.)

## 2.10 Minimum Price Movement

(a) the minimum fluctuation in the Strike Price for LMEprecious Options shall be as follows:

| <u>Contract</u>                  | <u>Minimum Strike Price movement</u> |
|----------------------------------|--------------------------------------|
| <u>LMEprecious Gold Option</u>   | <u>\$5 per fine troy ounce</u>       |
| <u>LMEprecious Silver Option</u> | <u>\$0.25 per troy ounce</u>         |

(b) the minimum fluctuation in premiums for LMEprecious Options shall be as follows:

| <u>Contract</u>                  | <u>Minimum premium movement</u>   |
|----------------------------------|-----------------------------------|
| <u>LMEprecious Gold Option</u>   | <u>\$0.01 per fine troy ounce</u> |
| <u>LMEprecious Silver Option</u> | <u>\$0.001 per troy ounce</u>     |

## 2.11 Settlement Basis: Automatic Exercise into Underlying Future

2.12 LMEprecious Options are European-style options.

2.13 An LMEprecious Option shall be automatically exercised on its Granter at the Expiry Time on the Expiry Day for the relevant LMEprecious Option if at that time it is:

(a) either a Call Option or a Put Option and is In the Money; or

(b) a Call Option and is At the Money.

and in each case forms part of a Member's open registered position with the Clearing House.

2.14 Notification of automatic exercise of a Client LMEprecious Option shall be made in such manner as has been agreed between Granter and Taker.

2.15 Any LMEprecious Option not exercised as prescribed shall be deemed after its Expiry Time on its Expiry Day to have been abandoned.

## 3. EXERCISE REFERENCE PRICE

3.1.1 The Exercise Reference Price for LMEprecious Options shall be the Settlement Price determined by the Exchange between 15:00 and 15:02 on the Expiry Day (or such later time on the Expiry Day that the Exchange may specify by Notice), where such Settlement Price is calculated using a VWAP from transactions on LME Select between such periods as shall be specified by way of Notice. Such Exchange Reference Price shall be published by the Exchange following its determination.

The Exchange may specify a minimum volume threshold with respect to each LMEprecious Option that is subject to this Settlement Price process, which shall be advised to the market from time to time by way of Notice.

3.1.2 In the event that the minimum volume threshold requirement is not reached, then the Exercise Reference Price shall be determined as follows:

- (a) it shall be the last traded price within the bid/offer on the close of the pricing period, unless any of the following apply;
- (b) if the last traded price is outside of the bid/offer on the close of the pricing period, then the closest price to the last trade that falls within the bid/offer will be used;
- (c) if no trades have occurred during the pricing period, then the mid-point of the bid/offer on the close of the pricing period will be used;
- (d) if no trades have occurred during the pricing period and no bid/offer exists on the close of the pricing period, then the last traded price may be used but there is no obligation on the Exchange to determine that Exercise Reference Price at that level;
- (e) if no trades have occurred during that day and no bid/offer exists, then the Exercise Reference Price will be determined with reference to market activity in related Prompt Dates (in respect of the underlying LMEprecious Future) and/or market activity during the pricing period on the previous Business Day; and
- (f) where no such pricing information exists, then the Exercise Reference Price will be determined by the Exchange in its absolute discretion.

#### 4. EFFECT OF AUTOMATIC EXERCISE

4.1 On the automatic exercise of an LMEprecious Option on the Expiry Day an LMEprecious Future Contract, in the form representing the underlying for the LMEprecious Option, shall arise between Granter and Taker of the declared LMEprecious Option, the price of such LMEprecious Future Contract being the Strike Price in the LMEprecious Options Contract.

4.2 Upon such automatic exercise:

- (a) a Cleared LMEprecious Option Contract shall be closed automatically and simultaneously replaced with a Cleared LMEprecious Future in accordance with these Rules and the Clearing House Rules;
- (b) a Client LMEprecious Option Contract shall be closed automatically and simultaneously replaced with a Client LMEprecious Option, in accordance with these Rules;
- (c) in respect of such Contracts as are described in (a) and (b) above:
  - (i) where a Call Option is exercised:
    - (1) the Granter under the Option Contract shall be the Seller under the Future Contract; and
    - (2) the Taker under the Option Contract shall be the Buyer under the Future Contract; and

(ii) where a Put Option is exercised:

(1) the Granter under the Option Contract shall be the Seller under the Future Contract; and

(2) the Taker under the Option Contract shall be the Buyer under the Future Contract; and

(d) the corresponding positions in respect of the LMEprecious Future Contract(s) shall be recorded by the Clearing House in the relevant account(s) of the Clearing Member at the Clearing House (which may, for the avoidance of doubt, include a "house" or "proprietary" account and a "client" account that is either segregated on an "omnibus" basis or an "individual client" basis).

4.3 Prompt Dates for LMEprecious Futures Contracts resulting from the automatic exercise of LMEprecious Options shall be the third Wednesday in the relevant month or, if that day is not a Business Day, the next succeeding day which is a Business Day.

4.4 LMEprecious Futures Contracts which arise on the automatic exercise of an LMEprecious Option shall be settled in accordance with the Trading Regulations and the LMEprecious Future Regulations.

## 5. PREMIUMS

5.1 The amount of the premium payable on opening every LMEprecious Option shall be the premium input into the Matching System, as determined via LME Select or by the Granter and the Taker in the inter-office market.

(a) Payment of the premium by the Taker of a Cleared LMEprecious Option to the Granter shall be effected through the payment system, in accordance with Clearing House Rules, prior to 12.00 hours on the next Business Day following the day on which the LMEprecious Option is traded.

(b) Payment of the premium by the Taker of a Client LMEprecious Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the LMEprecious Option is traded.

5.2 The Taker of a Cleared LMEprecious Option may apply the value of such LMEprecious Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open Cleared Contracts of the said Taker, subject to, and in accordance with the Clearing House Rules.

5.3 The Taker of a Cleared LMEprecious Option or Client LMEprecious Option shall not be permitted to receive cash payment in respect of any positive value of such Option nor apply any credit arising therefrom to the purchase of another LMEprecious Option.

5.4 For the avoidance of doubt, this paragraph 4 has no relevance to any premium (including any Premium Contract Price) under a Premium Contract.





## APPENDICES

### I Listed Brands

This appendix is no longer reproduced in the LME Rulebook but is available on the LME website at <http://www.lme.com/trading/warehousing-and-brands/brands/approved-brands/> or in hard copy from the Exchange.

### II Listed Samplers and Assayers

This appendix is no longer reproduced in the LME Rulebook but is available on the LME website at <http://www.lme.com/trading/warehousing-and-brands/brands/samplers-and-assayers/> or in hard copy from the Exchange.

### III Listed Warehouses

This appendix is no longer reproduced in the LME Rulebook but is available on the LME website at <http://www.lme.com/trading/warehousing-and-brands/warehousing/approved-warehouses/> or in hard copy from the Exchange.

### IV Miscellany

Market Calls – LME trading times are no longer reproduced in the LME Rulebook but are available on the LME website at <http://www.lme.com/trading/times-and-dates/>



## **APPENDIX IV**

### **MISCELLANY**

In this section may be stored sheets of additional information from time to time distributed. Provided with this book is an example – the current timetable of LME market calls. Users of the book may, as they choose, install further items, recording their titles on the contents table on the following page.



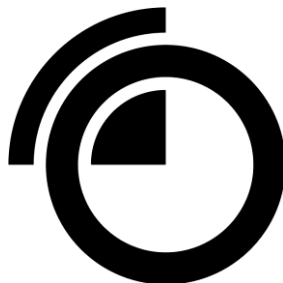
## CONTENTS

Section

Page

|     |                   |      |
|-----|-------------------|------|
| 1.  | Market Calls..... | IV-1 |
| 2.  | .....             |      |
| 3.  | .....             |      |
| 4.  | .....             |      |
| 5.  | .....             |      |
| 6.  | .....             |      |
| 7.  | .....             |      |
| 8.  | .....             |      |
| 9.  | .....             |      |
| 10. | .....             |      |
| 11. | .....             |      |
| 12. | .....             |      |
| 13. | .....             |      |
| 14. | .....             |      |
| 15. | .....             |      |
| 16. | .....             |      |
| 17. | .....             |      |
| 18. | .....             |      |
| 19. | .....             |      |
| 20. | .....             |      |
| 21. | .....             |      |
| 22. | .....             |      |
| 23. | .....             |      |
| 24. | .....             |      |





# **LONDON METAL EXCHANGE RULES AND REGULATIONS**

**AS AUTHORISED BY THE BOARD OF DIRECTORS**





## PREFACE

Parts 1 – 13 of this book set forth the Rules and Regulations of the London Metal Exchange, and the Appendices include further information, as on brands, assayers and warehouses listed in accordance with stated regulations.

These rules, as amended from time to time, are available on the LME website.



# OUTLINE OF CONTENTS

|             |  |
|-------------|--|
| Part 1:     | Definitions and General Rules                                    |
| Part 2:     | Membership, Enforcement and Discipline                           |
| Part 3:     | Trading Regulations  |
| Part 4:     | Contract Regulations   |
| Part 5:     | 5A Metal Options Regulations                                     |
|             | 5B Traded Average Price Options Regulations                      |
|             | 5C Index Options Regulations                                     |
| Part 6:     | Special Contract Rules for Metals                                |
|             | 6A Special Contract Rules for the Construction of the Index      |
|             | 6B Special Contract Rules for LMEmini Contracts                  |
|             | 6C Special Contract Rules for Cash-Settled Futures – Ferrous     |
|             | 6D Special Contract Rules for Cash-Settled Futures – Non-Ferrous |
| Part 7:     | Requirements for the Listing of Brands                           |
| Part 8:     | Arbitration Regulations  |
| Part 9:     | Default Regulations  |
| Part 10:    | LMESword Regulations   |
| Part 11:    | Monthly Average Future Regulations                               |
| Part 12:    | Premium Contract Regulations                                     |
| Part 13:    | LMEPrecious Regulations  |
|             | 13A LMEprecious Future Regulations                               |
|             | 13B LMEprecious Option Regulations                               |
| Appendices: | I Listed Brands  |
|             | II Listed Samplers and Assayers                                  |
|             | III Listed Warehouses  |
|             | IV Miscellany  |

For more detailed lists of contents, turn  
to pages introducing the Parts

**PART 1**  
**DEFINITIONS AND GENERAL RULES**

\*

**CONTENTS**

| <b>Section</b> |             | <b>Page</b> |
|----------------|-------------|-------------|
| 1              | Definitions | 1-1         |
| 2              | General     | 1-34        |



## **PART 1: DEFINITIONS AND GENERAL RULES**

### **1. DEFINITIONS**

1.1 In these Rules, the following words and expressions shall, unless the context otherwise requires, bear the meanings set opposite them:-

|  |   |
|--|---|
| "Account Holder"                       | the Clearing House and any person admitted as an Account Holder by the Exchange, and which has not withdrawn or ceased to be an Account Holder, under Regulation 2 of the LMEsword Regulations;   |
| "Acceptance Criteria"                  | the criteria to be satisfied under the Clearing House Rules in order for a Cleared Contract to come into effect in respect of the relevant Agreed Trade;  |
| "Administrative Procedure" or "Notice" | a notice sent to such class or classes of Member to whom they apply, containing a procedure for implementing the Rules or any part thereof. In the case of LME Select this may also be posted on the market messages screen;  |
| "Affiliate"                            | in relation to a person, another person in the same Group;  |
| "Agreed Trade"                         | the particulars of a transaction in a Contract agreed between two parties (or otherwise instructed by one or more Member(s) and confirmed within LME Select), as further specified in Trading Regulation 2.2.3;   |
| "Algorithmic Trading"                  | trading in financial instruments (as such term is defined in Article 4(1)(15) of the MiFID II Directive) where a computer algorithm automatically determines individual parameters of orders such as whether to initiate the order, the timing, price or quantity of the order or how to manage the order after its submission, with limited or no human intervention, but excluding any system that is only used for the purpose of routing orders to one or more trading venues (as such term is defined in Article 4(1)(24) of the MiFID II Directive) or for the processing of orders involving no determination of any trading parameters or for the confirmation of orders or the post-trade processing of executed transactions; |
| "Aluminium Premium Contract"           | a Premium Contract for aluminium having the characteristics set out in the Premium Contract   |

|                                   |   |
|-----------------------------------|---|
|                                   | Regulations (and a "type" of Aluminium Premium Contract shall mean one of the classes of such Contracts distinguished by its applicable Premium Warrant Jurisdiction);  |
| "Appeal Committee"                | a committee appointed pursuant to Regulation 11 of the Membership Regulations;  |
| "Application"                     | means any application (including a code for each application) receiving LME Information for Non-Display Usage;  |
| "Arbitration Regulations"         | the regulations set out in Part 8 of the Rules;   |
| "Articles"                        | the Articles of Association for the time being of the Company;  |
| "At the Money"                    | in relation to an LMEprecious Option, that on the Expiry Day, the Exercise Reference Price for the LMEprecious Option is equal to the Strike Price;   |
| "Average Price Call Option"       | a Traded Average Price Option pursuant to which the Granter gives the Taker the right to buy from the Granter;  |
| "Average Price Put Option"        | a Traded Average Price Option pursuant to which the Granter gives the Taker the right to sell to the Granter;   |
| "Business Day"                    | any day except Saturday, Sunday or any public or bank holiday in England or a day during which trade on the Exchange has been suspended by or under the authority of any enactment or a day which the Exchange declares not to be a Business Day; |
| "B Shares"                        | class B shares in LME Holdings having a nominal value of 1p each;   |
| "Call Option"                     | an Option Contract pursuant to which the Granter gives the Taker the right to buy from the Granter or, in the case of an Index Option, a notional right to buy, to be cash settled;   |
| "a Candidate"                     | a candidate for Membership of the Exchange;   |
| "Capital Requirements Regulation" | Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms as from time to time amended;  |



|                                 |  |       |   |
|---------------------------------|--|-------|---|
| "Carry"                         | <p>(a) in respect of a Metal Future, Premium Contract, LMEmini Future or LMEprecious Future for the purchase or sale of a specific number of Lots for one Prompt Date coupled with one or more Futures Contracts of the same type for the sale or, as the case may be, purchase comprising in aggregate the same number of Lots between the same parties for a more distant Prompt Date or Prompt Dates; or</p> <p>(b) in respect of a Monthly Average Future, a Contract for the purchase or sale of a specific number of Lots for one Prompt Date for a specified metal coupled with one or more Contracts for the sale or, as the case may be, purchase comprising in aggregate the same number of Lots for the same metal between the same parties for a more distant Prompt Date or Prompt Dates;</p> |       |   |
| "Cash"                          | in relation to the period between 19.31 hours on one Business Day and 19.30 hours on the next Business Day and Contracts entered into in that period, the first Settlement Business Day which falls after the next following Business Day (also referred to as " <b>SPOT</b> ");   |       |   |
| "Cash-Settled Settlement Price" | Future   | Daily | in respect of each Cash-Settled Future, the relevant price determined for margining and daily settlement purposes of such Cash-Settled Future as determined in accordance with Regulation 5.7 of the Trading Regulations; |
| "Cash-Settled Settlement Price" | Future   | Final | in respect of each Cash-Settled Future, the relevant price determined for final settlement purposes of such Cash-Settled Future as determined in accordance with Regulation 5.7.3 of the Trading Regulations;             |
| "Cash-Settled Future"           | a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay or receive in cash the difference between the level of the relevant Cash-Settled Future Final Settlement Price on the Prompt Date and the level agreed in the Contract, multiplied by the Contract size, settled on the relevant Settlement Business Day specified in the relevant Special Contract Rules Cash-Settled Futures and subject   |       |   |

|   |  |
|---|--|
|   | to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange, including the specific features for the relevant type of Contract set out in the relevant Special Contract Rules for Cash-Settled Futures (and not including, for the avoidance of doubt, an LMEmini Future or an Index Future);                           |
| "Cash-Settled Future Index"             | in respect of each Cash-Settled Future, the relevant index (or indices, as applicable) or other reference-value specified for the specific type of Cash-Settled Future in the relevant Special Contract Rules for Cash-Settled Futures;  |
| "Cash-Settled Future Last Trading Time" | in respect of each Cash-Settled Future, the last time on the Last Trading Day for such Cash-Settled Future as specified in the relevant Special Contract Rules for Cash-Settled Futures, or as otherwise prescribed by the Exchange from time to time;   |
| "Cash Today"                            | in relation to Contracts entered into in the period between 19.31 hours on one Business Day and 12.30 hours on the next Business Day, the first Settlement Business Day after the latter Business Day save that there will be no Prompt Date for Cash Today where Cash Today is a Business Day but not a Settlement Business Day (also referred to as " <b>TOM</b> " or " <b>tomorrow</b> ");            |
| "Category 1 Member"                     | <p>a Member who is:</p> <ul style="list-style-type: none"> <li>(a) authorised by the Directors to trade in the Ring;</li> <li>(b) a member of the Clearing House;</li> <li>(c) authorised by the Directors to clear Cleared LME Base Contracts;</li> <li>(d) authorised by the Directors to issue Client LME Base Contracts; and</li> <li>(e) granted Category 1 Membership by the Directors;</li> </ul> |
| "Category 2 Member"                     | <p>a Member who is:</p> <ul style="list-style-type: none"> <li>(a) not authorised by the Directors to trade in the Ring;</li> </ul>  |

- (b) a member of the Clearing House;
- (c) authorised by the Directors to clear Cleared LME Base Contracts;
- (d) authorised by the Directors to issue Client LME Base Contracts; and
- (e) granted Category 2 Membership by the Directors;

"Category 3 Member"

a Member who is:

- (a) not authorised by the Directors to trade in the Ring;
- (b) a member of the Clearing House;
- (c) authorised by the Directors to clear Cleared LME Base Contracts;
- (d) not authorised by the Directors to issue Client LME Base Contracts; and
- (e) granted Category 3 Membership by the Directors;

"Category 4 Member"

a Member who is:

- (a) not authorised by the Directors to trade in the Ring;
- (b) not authorised by the Directors to clear Cleared LME Base Contracts;
- (c) authorised by the Directors to issue Client LME Base Contracts; and
- (d) granted Category 4 Membership by the Directors;

"Category 5 Member"

a Member who is:

- (a) not authorised by the Directors to trade in the Ring;
- (b) not authorised by the Directors to clear Cleared Contracts;
- (c) not authorised by the Directors to issue Client Contracts; and
- (d) granted Category 5 Membership by the Directors;

|                               |  |
|-------------------------------|--|
| "Category 6 Member"           | <p>a Member who is:</p> <ul style="list-style-type: none"> <li>(a) not authorised by the Directors to trade in the Ring;</li> <li>(b) not authorised by the Directors to clear Cleared Contracts;</li> <li>(c) not authorised by the Directors to issue Client Contracts;</li> <li>(d) not an Undertaking or a member of an Undertaking; and</li> <li>(e) granted Category 6 Membership by the Directors;</li> </ul>   |
| "Category 7 Member"           | a Member who is granted honorary Membership of the Exchange by the Directors;  |
| "Chief Executive"             | includes the Deputy Chief Executive and any other person for the time being appointed to perform the duties of Chief Executive of the Company;   |
| "Claimant"                    | the person commencing an arbitration by serving a Notice to Arbitrate;   |
| "Cleared Cash-Settled Future" | a Cleared Contract which is a Cash-Settled Future;   |
| "Cleared Contract"            | <ul style="list-style-type: none"> <li>(a) the Contract or Contracts which may result from the process of acceptance set out in the Clearing House Rules, upon or following Execution;</li> <li>(b) any other Contract or Contracts which may be created between the Clearing House and a Clearing Member in relation to an Agreed Trade by operation of the Clearing House Rules, including, without limitation, any Contract that results from any process under the Clearing House Rules that varies, modifies, transfers, replaces, novates or ports any Contracts within (a) above or any Contract that results from any netting or settlement-to-market process under the Clearing House Rules;</li> </ul> |
| "Cleared Index Contract"      | a Cleared Contract which is an Index Contract;   |
| "Cleared Index Future"        | a Cleared Contract which is an Index Future;   |

|                                   |  |
|-----------------------------------|--|
| "Cleared Index Option"            | a Cleared Contract which is an Index Option;   |
| "Cleared LME Base Contract"       | a Cleared Contract which is not a Cleared LMEprecious Contract;  |
| "Cleared LMEmini Future"          | a Cleared Contract which is an LMEmini Future;   |
| "Cleared LMEprecious Contract"    | a Cleared Contract which is an LMEprecious Contract;   |
| "Cleared LMEprecious Future"      | a Cleared Contract which is an LMEprecious Future;   |
| "Cleared LMEprecious Option"      | a Cleared Contract which is an LMEprecious Option;   |
| "Cleared Metal Contract"          | a Cleared Contract which is a Metal Contract;  |
| "Cleared Metal Future"            | a Cleared Contract which is a Metal Future;  |
| "Cleared Metal Option"            | a Cleared Contract which is a Metal Option;  |
| "Cleared Monthly Average Future " | a Cleared Contract which is a Monthly Average Future;  |
| "Cleared Option Contract"         | a Cleared Contract which is an Option Contract;  |
| "Cleared Premium Contract"        | a Cleared Contract which is a Premium Contract;  |
| "the Clearing House"              | such Clearing-house for the time being appointed by the Exchange to clear Contracts;   |
| "the Clearing House Rules"        | the rules of the Clearing House that are binding on Clearing Members, as for the time being in force in relation to the Exchange, and the procedures of the Clearing House with respect thereto;   |
| "Clearing Member"                 | a Member that is permitted by the Clearing House to clear Cleared Contracts, being: <ul style="list-style-type: none"> <li>(a) in respect of the LME Base Service, a Category 1, 2 or 3 Member; or</li> <li>(b) in respect of the LMEprecious Service, an LMEprecious General Clearing Member or an LMEprecious Individual Clearing Member;</li> </ul> |
| "Clearing Member Transferee"      | means a Clearing Member to whom a Client-Related Cleared Contract is transferred in accordance with the Clearing House Rules;  |
| "Clearing Member Transferor"      | means a Clearing Member from whom a Client-  |

Related Cleared Contract is transferred in accordance with the Clearing House Rules, being the Clearing Member that was the counterparty to the Clearing House under such Cleared Contract immediately prior to the time of such transfer;

"Client"

a person who:

- (a) is or may be a party to a Client Contract, other than the person who issues the Client Contract; or
- (b) otherwise has a client relationship with a Member in relation to any transaction represented by a Contract;

"Client Cash-Settled Future"

a Client Contract which is a Cash-Settled Future;

"Client Contract"

- (a) in respect of the LME Base Service, each of:
  - (i) an LME Base Contract between a Category 1 or 2 Member and a Category 4 Member; or
  - (ii) an LME Base Contract between a Category 1, 2 or 4 Member and any other person (as a Client); or
  - (iii) a Post-Compression Client Contract that is an LME Base Contract; or
  - (iv) any Contract formed pursuant to the application of a netting, aggregation and/or settlement to market process, applied to any Contract in (i), (ii) or (iii) above,

in each case that is not a Cleared Contract; and

- (b) in respect of the LMEprecious Service:
  - (i) an LMEprecious Contract between an LMEprecious General Clearing Member and an LMEprecious Non-Clearing Member; or
  - (ii) an LMEprecious Contract between an LMEprecious General Clearing Member or LMEprecious Non-Clearing Member and any other person (as a Client); or

- (iii) any Contract formed pursuant to the application of a netting, aggregation and/or settlement to market process, applied to any Contract in (i) or (ii) above,

in each case that is not a Cleared Contract;

|                                      |   |
|--------------------------------------|---|
| "Client Index Contract"              | a Client Contract which is an Index Contract;   |
| "Client Index Future"                | a Client Contract which is an Index Future;   |
| "Client Index Option"                | a Client Contract which is an Index Option;   |
| "Client LME Base Contract"           | a Client Contract which is not a Client LMEprecious Contract;   |
| "Client LMEmini Future"              | a Client Contract which is an LMEmini Future;   |
| "Client LMEprecious Contract"        | a Client Contract which is an LMEprecious Contract";  |
| "Client LMEprecious Future"          | a Client Contract which is an LMEprecious Future;   |
| "Client LMEprecious Option"          | a Client Contract which is an LMEprecious Option;   |
| "Client Metal Contract"              | a Client Contract which is a Metal Contract;  |
| "Client Monthly Average Future"      | a Client Contract which is a Monthly Average Future;  |
| "Client Option Contract"             | a Client Contract which is an Option Contract;  |
| "Client Premium Contract"            | a Client Contract which is a Premium Contract;  |
| "Client-Related Cleared Contract"    | means a Cleared Contract that came into effect between the Clearing House and a Clearing Member pursuant to the Execution of an Agreed Trade, and which corresponds to a Client Contract that came into effect under these Rules at the same time as such Cleared Contract came into effect (and including any Post-Compression Cleared Contracts that may arise following Compression at the Clearing House of any such Cleared Contract); |
| "Client Traded Average Price Option" | a Traded Average Price Option where either Granter or Taker or each of them is not a Clearing Member;   |
| "Close of Pleadings"                 | the end of a period of 28 days after the time for submission of the points of reply, unless   |

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|                                 | otherwise ordered by the Tribunal;  |
| "Closing Prices"                | the prices determined for margining purposes on each Business Day by the Quotations Committee in accordance with Regulation 6.1 of the Trading Regulations or by the Clearing House in accordance with Regulation 15 of the Trading Regulations;  |
| "the Company" or "the LME"      | the London Metal Exchange, a company registered in England and Wales under company number 02128666;   |
| "Compression"                   | <p>means the replacement of multiple Contracts between the same two parties with a smaller number of Contracts by the aggregation of Contracts having the same direction, together with the netting of Contracts having opposite directions, and which may occur, as the context requires:</p> <ul style="list-style-type: none"> <li>(a) "at the Clearing House", in relation to Cleared Contracts, subject to and in accordance with the Clearing House Rules; and</li> <li>(b) "under the Exchange Rules", in relation to Underlying Client Contracts that relate to such Cleared Contracts, subject to and in accordance with Regulation 14 of the Contract Regulations,</li> </ul> <p>and the terms "same direction" and "opposite direction" shall be construed in accordance with Regulation 1.5 of this Part 1;</p> |
| "Constituent Metals"            | the metals underlying the Index, being copper, lead, nickel, primary aluminium, tin and zinc;   |
| "Contingent Agreement to Trade" | an agreement between two parties to an Agreed Trade made in the inter-office market, having the characteristics specified in Regulation 2.10 of the Trading Regulations;  |
| "Contract"                      | <ul style="list-style-type: none"> <li>(a) a contract for the purchase and sale of one or more Lots of a metal for the time being dealt in on the Exchange in respect of which: <ul style="list-style-type: none"> <li>(1) either the buyer or the seller or each of them is a Category 1, 2, 3 or 4 Member; and</li> </ul> </li> </ul>   |



- (2) the delivery date is a Prompt Date for the time being permitted by the Rules; and
  - (3) the price is expressed in a currency for the time being permitted by the Rules; and
  - (4) the quality and other characteristics of the metal concerned are expressly or impliedly to be as prescribed by the Exchange; or
- (b) a Metal Option or Traded Average Price Option which has the characteristics prescribed by or pursuant to the Metal Options Regulations or, as the case may be, the Traded Average Price Options Regulations to enter into a contract falling within (a) above; or
  - (c) an Index Future or an Index Option which has the characteristics prescribed by the Rules and, as the case may be, the Index Option Regulations; or
  - (d) an LMEmini Contract which has the characteristics prescribed by the Rules; or
  - (e) a Monthly Average Future which has the characteristics prescribed by the Rules;
  - (f) a Cash-Settled Future which has the characteristics prescribed by the Rules;
  - (g) a Premium Contract which has the characteristics prescribed by the Rules;
  - (h) an LMEprecious Future which has the characteristics prescribed by the Rules and, as the case may be, the LMEprecious Future Regulations;
  - (i) an LMEprecious Option which has the characteristics prescribed by the Rules and, as the case may be, the LMEprecious Option Regulations,
- but
- (j) shall not include any contract which, by virtue of provisions agreed between the parties at or before the time they enter into

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|                                  | the contract as to delivery or otherwise, is clearly intended to be performed otherwise than as prescribed by the Rules;   |
| "Contract Regulations"           | the Regulations set out in Part 4 of the Rules;  |
| "Counterparty"                   | in relation to a party to a Contract, the other party to the same Contract;  |
| "Counter Notice"                 | a notice served by the Respondent pursuant to Regulation 2.5 of Part 8 of the Rules;   |
| "Daily Settling Client Contract" | has the meaning set out in Regulation 9.7.1 of the Trading Regulations;  |
| "Dealer"                         | a person duly authorised to trade on behalf of a Category 1 Member or in respect of LME Select, a person permitted to deal on LME Select on behalf of an LME Select Participant; |
| "Dealing Area"                   | the Ring and surrounding area and corridors (not including booth offices sublet to Category 1 Members) on the relevant floor of the Exchange's premises;                         |
| "Dealing On Own Account"         | trading against proprietary capital resulting in the conclusion of transactions in one or more Contracts on the Exchange;  |
| "Declaration Day"                | in relation to a Traded Average Price Option for a particular month, the last Business Day in that month;  |
| "Defaulter"                      | a person whom the Exchange has determined, in accordance with Regulation 2 of the Default Regulations, to be a defaulter;  |
| "Default Notice"                 | notice of a determination by the Exchange issued pursuant to Regulation 4.1 of the Default Regulations;  |
| "Default Regulations"            | the Regulations contained in Part 9 of the Regulations;  |
| "Default Settlement Amount"      | the amount payable by one party to the other in respect of an Unsettled Contract to which a Defaulter is a party which is settled under or pursuant to the Default Regulations;  |
| "Default Settlement Price"       | (a) in relation to a Metal Future or a Premium Contract or an LMEmini Future, the Settlement Price or Unofficial Closing Price for the relevant metal and Prompt                 |

Date published next after the time of issue of the Default Notice (determined where necessary by reference to the Settlement Price or Unofficial Closing Price so published for other Prompt Dates); or

- (b) in relation to an Index Future, the Index Futures Closing Price for the Prompt Date published next after the time of issue of the Default Notice (determined where necessary by reference to the Index Futures Closing Price so published for other Prompt Dates); or
- (c) in relation to a Metal Option which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option determined, pursuant to Regulation 5.8 of the Trading Regulations next after the time of issue of the Default Notice; or
- (d) in relation to a Traded Average Price Option Contract which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option Contract determined, pursuant to Regulation 5.8 of the Trading Regulations next after the time of issue of the Default Notice; or
- (e) in relation to an Index Option which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option determined pursuant to Regulation 5.8 of the Trading Regulations next after the time of issue of the Default Notice; or
- (f) in relation to a Monthly Average Future, the difference between the Monthly Average Settlement Price for the relevant tradeable month for the relevant underlying metal as published after the time of issue of the Default Notice, and the fixed price agreed between the buyer and the seller in the Contract multiplied by the Contract size; or
- (g) in relation to a Cash-Settled Future, the Cash-Settled Future Daily Settlement Price for the Business Day next after the

time of issue of the Default Notice (determined where necessary by reference to the Cash-Settled Future Daily Settlement Price(s) so determined for other relevant Business Days within the prompt month); or

- (h) in relation to an LMEprecious Future, the LMEprecious Daily Settlement Price for the Business Day next after the time of issue of the Default Notice (determined where necessary by reference to the LMEprecious Daily Settlement Price(s) so determined for other relevant Business Days within the prompt month); or
- (i) in relation to an LMEprecious Option which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option determined pursuant to Regulation 5.8 of the Trading Regulations next after the time of issue of the Default Notice;
- (j) such other price or prices as the Exchange may, in its absolute discretion, determine;

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| "Delta Hedged Strategy"    | has the meaning set out in Regulation 2.14.2 of the Trading Regulations;   |
| "Delivery Point"           | a specific geographic area within which warehouses may be listed and approved by the Exchange for the issue of Warrants;   |
| "Deposit"                  | such sum as may be specified by Administrative Procedure from time to time;  |
| "Designated Non-Member"    | a person (other than a Member) designated from time to time by the Exchange as a person in respect of whom action may be taken under the Default Regulations or a person (other than a Member) falling within a description of persons so designated;        |
| "Direct Electronic Access" | an arrangement where a Member permits a Client to use its trading code so the Client can electronically transmit orders relating to a financial instrument (as such term is defined in Article 4(1)(15) of the MiFID II Directive) directly to the Exchange; |
| "the Directors"            | each person who is a director of the Company;  |

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| "Disciplinary Committee"                            | a committee appointed pursuant to Regulation 14 of the Membership Regulations;   |
| "EMIR"  | means Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, as from time to time amended;  |
| "Enforcement Committee"                             | shall comprise four members chosen from the Directors of the LME, appointed by the Head of Market Operations in consultation with the Chairman. The quorum for the Enforcement Committee shall be three members. The Enforcement Committee shall not be quorate unless there is at least one independent Director present; |
| "ESMA"  | the European Securities and Markets Authority;   |
| "Event of Default"                                  | any of the events set out in Regulation 1 of the Default Regulations;  |
| "the Executive" or "Executive Committee" or "EXCOM" | is a sub-committee of the board of directors of the Company, to which the board may from time to time delegate certain powers and responsibilities as it sees fit;   |
| "Expiry Day"  | in relation to an LMEprecious Option, the Business Day on which the Contract shall automatically exercise or be abandoned, as specified in the LMEprecious Option Regulations;   |
| "the Exchange"                                      | according to context, the London Metal Exchange administered by the Company, or the premises where Ring trading is conducted;  |
| "Exchange Messaging Policy"                         | means the electronic messaging functionality within the Exchange's systems, as established by Notice;  |
| "Exchange Traded Average Price Option"              | a Traded Average Price Option where both Granter and Taker are Clearing Members;   |
| "Execution"   | the execution of an Agreed Trade, being the point at which the transaction represented by the Agreed Trade is concluded, resulting in the formation of one or more Contracts (and " <b>Executed</b> " shall be interpreted accordingly);   |
| "Execution Time"                                    | the time at which Execution occurs, as specified for each Execution Venue in Regulation 2.3, 2.4,  |

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|   | 2.5 or 2.11.2 (as applicable) of the Trading Regulations (and such time being the "Acceptance Time" for the purposes of the Clearing House Rules);  |
| "Execution Venue"                       | has the meaning set out in Regulation 2.2.2 of the Trading Regulations;   |
| "Exercise Reference Price"              | the price by reference to which an LMEprecious Option shall be exercised on its Expiry Day;   |
| "FCA"                                   | The Financial Conduct Authority;  |
| "Ferrous Future"                        | a Cash-Settled Future, the Cash-Settled Final Settlement Price for which is determined by reference to a ferrous metal-based index or indices or other reference-value, and which has the features specified in the relevant Special Contract Rules for Cash-Settled Futures - Ferrous;   |
| "Financial OTC Booking Fee Policy"      | means the policy of the Exchange specifying the basis on which Members and other persons shall be required to report to the Exchange certain transactions in financial instruments that are executed outside the facilities of the Exchange, and to pay to the Exchange fees in respect of such transactions, subject to, and in accordance with, the requirements of such policy, as such policy may be updated by the Exchange from time to time in accordance with the requirements and processes set out therein; |
| "Firm Quote"                            | an order or quote that under these Rules can be matched against an opposite order or quote;   |
| "FSMA"                                  | the Financial Services and Markets Act 2000, as from time to time amended;  |
| "Futures Contract"                      | a Metal Future, Premium Contract, LMEmini Future, Index Future, Cash-Settled Future or LMEprecious Future;  |
| "Global Legal Entity Identifier System" | the global system operated under the oversight of the LEI ROC to register legal entities and assign legal entity identifiers to such entities;  |
| "Gold"                                  | Loco London Fine Gold held in London and complying with standards relating to good delivery and fineness acceptable to the Precious Metal Clearer of the Clearing House for the purpose of effecting settlement with the Clearing House, as such standards are in effect from time  |

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|                                | to time;   |
| "Granter"                      | the seller under a Traded Option;  |
| "Group"                        | in relation to any company, any company that is a "group undertaking" of that company, as defined in section 1161 of the Companies Act 2006;   |
| "Head of Market Operations"    | the Head of Market Operations and any other person within the Market Operations division of the Exchange for the time being appointed to perform the duties of the Head of Market Operations;  |
| "In The Money"                 | <p>(a) in relation to a Metal Option, that the Strike Price is, in the case of a Put Option, above or, in the case of a Call Option, below the last published Settlement Price at the relevant time for the relevant metal and Prompt Date; or</p> <p>(b) in relation to a Traded Average Price Option, that the Strike Price is, in the case of an Average Price Put Option, above or, in the case of an Average Price Call Option, below the last published Moving Monthly Average Settlement Price or Monthly Average Settlement Price at the relevant time for the relevant metal and Prompt Date; or</p> <p>(c) in relation to an Index Option, that the Strike Price is, in the case of a Put Option, above or, in the case of a Call Option, below the Settlement Price or last published Closing Price at the relevant time for the relevant Index Option and Prompt Date;</p> <p>(d) in relation to an LMEprecious Option, that the Strike Price is, in the case of a Put Option, above or, in the case of a Call Option, below the Exercise Reference Price at the relevant time for the relevant LMEprecious Option and Expiry Day;</p> |
| "Incentive Programme"          | has the meaning set out in Regulation 22.2 of the Membership Regulations;  |
| "Incentive Programme Benefits" | has the meaning set out in Regulation 22.3 of the Membership Regulations;  |

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| "Incentive Programme Requirements" | has the meaning set out in Regulation 22.3 of the Membership Regulations;  |
| "Index"                            | an index denominated in US dollars the level of which is determined in accordance with the Special Contract Rules for the Construction of the Index;   |
| "Index Contract"                   | an Index Future or an Index Option;  |
| "Index Future"                     | a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay or receive in cash the difference between the level of the Index on the Prompt Date and the level agreed in the Contract, multiplied by the Contract size, settled on the Settlement Business Day next following the Prompt Date and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange; |
| "Index Futures Closing Price"      | the Closing Price of an Index Future as determined in accordance with Regulation 6 of the Trading Regulations;   |
| "Index Option"                     | a cash-settled Exchange-traded option contract over the Index pursuant to which the Granter grants the Taker a right to receive in cash from the Granter the difference between the level of the Index on the Prompt Date and the Strike Price, multiplied by the Contract size, settled on the Settlement Business Day next following the Prompt Date and conforming to the other specifications prescribed by the Exchange;  |
| "Index Options Regulations"        | the Regulations set out in Part 5C of the Rules;   |
| "Indirect Client"                  | means an indirect Client of a Clearing Member, being a Client of a Category 4 Member, where such Category 4 Member is a Client of the Clearing Member;   |
| "Indirect Client Account"          | means a segregated account maintained by a Clearing Member in respect of the Client business of a single Category 4 Member, such that it records positions only in respect of Client-Related Cleared Contracts that have been created pursuant to the registration of Client Contracts relating to one or more Clients of that Category 4 Member (such Clients being Indirect Clients of the Clearing Member);   |



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| "Initial Margin"               | <ul style="list-style-type: none"> <li>(a) in relation to a Cleared Contract, the sum of money fixed by the Clearing House in consultation with the Exchange and in respect of which Members may be required to provide to the Clearing House cover in accordance with the Clearing House Rules;</li> <li>(b) in relation to a Client Contract, such sum as may be agreed between the parties provided that such sum is equal to or greater than the amount in (a) above;</li> </ul>  |
| "Intellectual Property Rights" | <p>patents, trade marks, rights in logos, get-up, trade names, internet domain names, rights in designs, copyright (including rights in computer software) and moral rights, database rights, rights of confidentiality, semi-conductor topography rights, utility models, trade secrets, inventions, rights in know-how and other intellectual property or proprietary rights, in each case whether registered or unregistered and including applications for registration, and all rights or forms of protection having equivalent or similar effect to the foregoing which may now or in the future subsist in, apply to or are enforceable in, any jurisdiction in the world;</p> |
| "Invoicing Back"               | <p>the procedure so described in the Clearing House Rules;</p>  |
| "Last Declaration Day"         | <ul style="list-style-type: none"> <li>(a) in relation to a Metal Option for a particular month, the first Wednesday in that month or, if that is not a Business Day, the next day which is a Business Day;</li> <li>(b) in relation to an Index Option for a particular month, up to 16.35 hours on the second Wednesday in that month or, if that is not a Business Day, the next day which is a Business Day;</li> </ul>   |
| "Last Trading Day"             | <ul style="list-style-type: none"> <li>(a) in relation to a Metal Option, the Business Day preceding the Last Declaration Day for that Option;</li> <li>(b) in relation to a Traded Average Price Option, the Business Day preceding the Declaration Day of the relevant month for that Traded Average Price Option;</li> </ul>   |

- (c) in relation to an Index Option, the Last Declaration Day for that Index Option;
- (d) in relation to an LMEmini Future, the Business Day which is two Business Days before the Prompt Date;
- (e) in relation to a Monthly Average Future, the last Business Day of the relevant tradeable month;
- (f) in relation to a Cash-Settled Future, the day specified as the relevant "Last Trading Day" in the Special Contract Rules for Cash-Settled Futures;
- (g) in relation to a Premium Contract, the Business Day which is two Business Days before the Prompt Date; or
- (h) in relation to an LMEprecious Future, the Business Day which is one Business Day before the Prompt Date;
- (i) in relation to an LMEprecious Option, the Business Day which is one Business Day before the Expiry Day;

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| "LEI ROC"           | the Legal Entity Identifier Regulatory Oversight Committee;   |
| "Lending Rules"     | paragraph 13.24 of Market Aberrations: The Way Forward, published by the Exchange in October 1998, setting out the behaviour required of the holders of dominant long positions in the Exchange's markets, including any clarification, revision or explanation of that behaviour issued by the Exchange from time to time; |
| "LME Base Contract" | a Contract that is not an LMEprecious Contract;   |
| "LME Base Member"   | a Category 1 Member, Category 2 Member, Category 3 Member, Category 4 Member, Category 5 Member or Category 6 Member;   |
| "LME Base Service"  | the availability of the facilities of the Exchange for the trading of LME Base Contracts;   |
| "LME Data"          | all data relating to trading on the Exchange, including, without limitation, data relating to Closing Prices, Contracts, Default Settlement Amounts, Default Settlement Prices, Indexes, Official Prices, Settlement Prices, Strike Prices,   |

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|                                 | Unofficial Closing Prices, Warrants and Weightings;  |
| "LME Holdings"                  | LME Holdings Limited, a company registered in England and Wales under company number 4081219, being the sole member of the Company;  |
| "LME Information"               | means any information or data (including LME Data) made available by the Exchange to Members, Member API Clients and/or Member API Sub-Clients via the API from the Exchange's systems;  |
| "LMEmini Contract"              | an LMEmini Future;   |
| "LMEmini Future"                | a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay or to receive in cash the difference between the Settlement Price of the underlying metal on the Prompt Date and the price of the underlying metal agreed in the Contract, multiplied by the Contract size, settled on the Prompt Date and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange; |
| "LMEmini Futures Closing Price" | the Closing Price of the relevant underlying Metal Future as determined in accordance with Regulation 6 of the Trading Regulations;  |
| "LMEmini Last Trading Time"     | the last trading time on the Last Trading Day for LMEmini Contracts as specified in the Special Contract Rules for LMEmini Contracts or as otherwise prescribed by the Exchange from time to time;   |
| "LMEprecious Clearing Member"   | an LMEprecious General Clearing Member or an LMEprecious Individual Clearing Member;   |
| "LMEprecious Contract"          | a Contract that is: <ul style="list-style-type: none"> <li>(a) an LMEprecious Future; or</li> <li>(b) an LMEprecious Option,</li> </ul> and any other type of Exchange-traded derivative contract having Precious Metal as its underlying instrument, that the Exchange may specify from time to time;   |
| "LMEprecious Daily Settlement"  | the price determined for margining and daily   |

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| Price"                                   | settlement purposes of an LMEprecious Future as determined in accordance with Regulation 5.7 of the Trading Regulations;   |
| "LMEprecious Final Settlement Price"     | the price determined for final settlement purposes of an LMEprecious Future as determined in accordance with Regulation 5.7.5 of the Trading Regulations;  |
| "LMEprecious Future"                     | a physically settling Exchange-traded futures contract pursuant to which the seller agrees to sell to the buyer one or more Lots of Precious Metal for delivery on a specified Prompt Date, and conforming with the other specifications prescribed by the Exchange;   |
| "LMEprecious Future Regulations"         | the regulations set out in Part 13A of the Rules;  |
| "LMEprecious General Clearing Member"    | <p>a Member that is:</p> <ul style="list-style-type: none"> <li>(a) a member of the Clearing House;</li> <li>(b) authorised by the Directors to clear Cleared LMEprecious Contracts;</li> <li>(c) authorised by the Directors to issue Client LMEprecious Contracts; and</li> <li>(d) granted LMEprecious Membership, with the categorisation as an LMEprecious General Clearing Member;</li> </ul>        |
| "LMEprecious Individual Clearing Member" | <p>a Member that is:</p> <ul style="list-style-type: none"> <li>(a) a member of the Clearing House;</li> <li>(b) authorised by the Directors to clear Cleared LMEprecious Contracts;</li> <li>(c) not authorised by the Directors to issue Client LMEprecious Contracts; and</li> <li>(d) granted LMEprecious Membership, with the categorisation as an LMEprecious Individual Clearing Member;</li> </ul> |
| "LMEprecious Member"                     | an LMEprecious General Clearing Member, LMEprecious Individual Clearing Member or LMEprecious Non-Clearing Member;   |
| "LMEprecious Non-Clearing"               | a Member that is:  |

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| Member"                          | <ul style="list-style-type: none"> <li>(a) not authorised by the Directors to clear Cleared LMEprecious Contracts;</li> <li>(b) authorised by the Directors to issue Client LMEprecious Contracts; and</li> <li>(c) granted LMEprecious Membership, with the categorisation as an LMEprecious Non-Clearing Member;</li> </ul> |
| "LMEprecious Option"             | an Exchange-traded, European-style option contract pursuant to which the Granter grants to the Taker the right to buy from or sell to the Granter a Lot of a Precious Metal at a specified Strike Price in a specified month;   |
| "LMEprecious Option Regulations" | the regulations set out in Part 13B of the Rules;   |
| "LMEprecious Regulations"        | the regulations set out in Part 13 of the Rules, and comprising the LMEprecious Future Regulations and the LMEprecious Option Regulations;  |
| "LMEprecious Service"            | the availability of the facilities of the Exchange for the trading of LMEprecious Contracts;  |
| "LME Select"                     | a system provided by the Exchange to enable the anonymous electronic trading of Contracts by LME Select Participants in accordance with the Rules and any Administrative Procedures issued by the Exchange from time to time;   |
| "LME Select API"                 | a FIX protocol application approved by the Exchange which enables LME Select Participants and their Clients to connect to LME Select for the purpose of facilitating the electronic trading of Contracts;   |
| "LME Select Participant"         | a Trading Member who is permitted to use LME Select;  |
| "LMEsword"                       | the system for, inter alia, the electronic transfer of title to Warrants governed and constituted by the LMEsword Regulations;  |
| "LMEsword Regulations"           | the regulations governing the operation of LMEsword issued by the Exchange as amended from time to time in accordance with the terms thereof and forming Part 10 of the Rules;  |
| "Lot"                            | <ul style="list-style-type: none"> <li>(a) in relation to a metal (that is not covered</li> </ul>   |

by another type of Contract specified below), the standard unit of quantity thereof, specified in the Special Contract Rules for that metal, by reference to which settlement is to be made; or

- (b) in relation to the Index, the standard value per point movement for that Index, specified in the Special Contract Rules for the Construction of the Index, by reference to which settlement is made; or
- (c) in relation to an LMEmini Contract, the standard unit of quantity thereof, specified in the Special Contract Rules for LMEmini Contracts, by reference to which settlement is made; or
- (d) in relation to a Monthly Average Future, the standard unit of quantity thereof, specified in the Monthly Average Future Regulations, by reference to which settlement is made; or
- (e) in relation to a Cash-Settled Future, the standard unit of quantity thereof, specified in respect of the specific Cash-Settled Future in the relevant Special Contract Rules for Cash-Settled Futures, by reference to which settlement is made;
- (f) in relation to a Premium Contract, the standard unit of quantity thereof, specified in the Premium Contract Regulations, by reference to which settlement is made; or
- (g) in relation to an LMEprecious Future, the standard unit of quantity of Precious Metal specified in the LMEprecious Regulations, by reference to which settlement is to be made;

"LPMCL"

London Precious Metals Clearing Limited, a company registered in England and Wales under company number 04195299;

"Major Currency"

in respect of a metal, the currency in which the Settlement Price and Closing Price are to be determined;

"Market Making Strategy"

a strategy performed by a Member or Client, when Dealing On Own Account, that involves

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|                               | posting Firm Quotes that are simultaneous two-way quotes of comparable size and at competitive prices relating to one or more Contracts, with the result of providing liquidity on a regular and frequent basis to the overall market;   |
| "Matching Period"             | a period prescribed pursuant to Regulation 3.4 of the Trading Regulations;   |
| "Matching Rules"              | means the LME's matching rules governing the use of the Matching System as published by the LME, by Notice from time to time;  |
| "Matching System"             | the system operated by or on behalf of the Exchange for the matching and confirmation of Contracts, or such other system as may from time to time be adopted by the Exchange for such purposes;  |
| "Matching System RIB Screens" | means the RIB-specific sub-screens of the Matching System, which are accessible to (i) Members, for the purposes of RIB permissioning and management of RIB-arranged trades; and (ii) RIBs, for the purposes of inputting the details of Agreed Trades into the Matching System; |
| "Member"                      | an Undertaking or individual admitted to Membership of the Exchange in accordance with the Rules;  |
| "Member API Client"           | means any Client or Affiliate of a Member to which the Member provides access to LME Information via the LME Select API;   |
| "Member API Sub-Clients"      | means any Client or Affiliate of a Member LME Select API Client;   |
| "Membership"                  | <p>(a) the state of being a Member;</p> <p>(b) having the status of a Member; and/or</p> <p>(c) the total body of Members,</p> <p>as the context of the Rules requires.</p>  |
| "Membership Regulations"      | the Regulations set out in Part 2 of the Rules;  |
| "Metal Contract"              | a Metal Future or Metal Option;  |
| "Metal Future"                | an Exchange-traded futures contract pursuant to which the seller agrees to sell to the buyer one or more Lots of metal for delivery on a specified   |

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|                                      | Prompt Date (excluding any Cash-Settled Future, Premium Contract or LMEprecious Contract);  |
| "Metal Option"                       | an Exchange-traded option contract pursuant to which the Granter grants to the Taker the right to buy from or sell to the Granter a Lot of a specified metal at a specified Strike Price in a specified month (excluding any LMEprecious Option);   |
| "Metal Options Regulations"          | the Regulations set out in Part 5A of the Rules;  |
| "MiFID"                              | Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments, as from time to time amended;  |
| "MiFID II"                           | <p>the package of legislative measures comprising</p> <ul style="list-style-type: none"> <li>(a) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments;</li> <li>(b) Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending EMIR; and</li> <li>(c) any delegated regulations made by the European Commission thereunder,</li> </ul> <p>as from time to time amended;</p>                         |
| "Monthly Average Future"             | a cash-settled Exchange-traded contract pursuant to which the buyer and seller agree to pay or to receive in cash the difference between (i) the Monthly Average Settlement Price for a specified metal and for a specified tradeable month and (ii) the fixed price agreed between the buyer and the seller in the Contract, multiplied by the Contract size, settled on the Prompt Date and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange; |
| "Monthly Average Future Regulations" | the Regulations set out in Part 11 of the Rules;  |
| "Monthly Average Settlement Price"   | (a) in relation to an Average Price Call Option, the price at which the Taker will sell to the Granter if the Traded Average  |



Price Option is declared;

- (b) in relation to an Average Price Put Option, the price at which the Taker will buy from the Granter if the Traded Average Price Option is declared;
- (c) in relation to a Monthly Average Future for a particular tradeable month, the aggregate of the Settlement Prices for the relevant metal for every Business Day in the relevant tradeable month divided by the number of Business Days for that month and which is calculated and published by the Exchange; and
- (d) in relation to a Traded Average Price Option for a particular month, the aggregate of the Settlement Prices for the relevant metal for every Business Day in the relevant tradeable month divided by the number of Business Days for that month and which is calculated and published by the Exchange.

"Moving Monthly Average Settlement Price"

in relation to a Traded Average Price Option or a Monthly Average Future for a particular month, the aggregate of the Settlement Prices for the relevant metal for every Business Day to date in the relevant tradeable month divided by the number of Business Days to date for that month and which is calculated and published by the Exchange;

"New Contract"

has the meaning set out in Regulation 15.1 of the Contract Regulations;

"Non-Display Usage"

means any use of LME Information in electronic trading systems for the purpose of generating orders or executing transactions in an automated and/or semi-automated manner without the display of the original LME Data, including, for example, the use of LME Data for algorithmic trading, program trading or the automatic monitoring of trading activities;

"Non-Ferrous Future"

a Cash-Settled Future, the Cash-Settled Final Settlement Price for which is determined by reference to non-ferrous metal-based index (or indices, as applicable) or other reference-value, and which has the features specified in the relevant Special Contract Rules for Cash-Settled

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|                                       | Futures - Non-Ferrous;  |
| "Non-LME Multi Dealer Trading System" | <p>means:</p> <ul style="list-style-type: none"> <li>(a) an exchange or other trading venue which is not operated by the Exchange or its Affiliates; or</li> <li>(b) any other system, granting access to more than one trading party, to facilitate the arrangement and/or execution of bilateral contracts between such parties, outside the trading venue or systems operated by the Exchange or its Affiliates,</li> </ul> <p>but shall not include a Single Dealer to Client Platform;</p> |
| "Non-LME Platform Contract"           | means any contract or product that is traded on, executed on, or otherwise arranged or agreed via a Non-LME Multi Dealer Trading System;  |
| "Non-Material Amendment"              | has the meaning set out in Regulation 15.1 of the Contract Regulations;   |
| "Notice"                              | an Administrative Procedure;  |
| "Notice to Arbitrate"                 | a notice served by the Claimant pursuant to Regulation 2.1 of Part 8 of the Rules;  |
| "Notional Average Price"              | in relation to each metal for a particular month, the aggregate of the Settlement Prices for Cash and, where no Settlement Prices for Cash have been established, the Closing Prices established by the Exchange for each Business Day in a month, divided by the number of Business Days in that month. Where a Business Day in a month is not a valid Prompt Date the Exchange will use a linear interpolation to derive a price for that Business Day.                                       |
| "Official Prices"                     | the prices determined in accordance with Regulation 5 of the Trading Regulations;   |
| "Opening Hours"                       | means the hours on each Business Day during which the Matching System is open and able to receive information regarding Agreed Trades, as specified by the Exchange by Administrative Procedures from time to time;   |
| "Operating Procedures"                | the manual issued by the Exchange pursuant to the LMEsword Regulations setting out detailed procedures and information relating to the  |

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|                                     | operation of LMEsword;   |
| "Option Contract"                   | a Metal Option or an Index Option or an LMEprecious Option;  |
| "Overseas Undertaking"              | an undertaking which is a body corporate incorporated outside of the United Kingdom or if not itself a body corporate, its principal or managing member is a body corporate incorporated outside of the United Kingdom;  |
| "Panel"                             | the Arbitration Panel of the Company;  |
| "Panel Committee"                   | a committee appointed by the Directors to oversee the conduct of arbitrations pursuant to the Arbitration Regulations, and in particular to perform the functions and powers referred to in the Arbitration Regulations;   |
| "Parent Undertaking"                | the same meaning as set out in section 1162 of the Companies Act 2006;   |
| "Position Limits"                   | the position limits applied by the Exchange on any Contract or Contracts from time to time in accordance with requirements specified by the Exchange by Notice sent to the Members;  |
| "Position Netting"                  | <p>means the netting of multiple Contracts between the same two parties to a smaller number of Contracts (which may take effect through the netting of long and short positions or the aggregation of long positions and short positions respectively) and/or the close out by netting of multiple Contracts, (in each case) in accordance with such process as may be specified in the Clearing House Rules, and which may occur, as the context requires:</p> <ul style="list-style-type: none"> <li>(a) "at the Clearing House", in relation to Cleared Contracts, subject to and in accordance with the Clearing House Rules; and</li> <li>(b) "under the Exchange Rules", in relation to Underlying Client Contracts that relate to such Cleared Contracts, subject to and in accordance with Regulation 9.7.7 of the Trading Regulations;</li> </ul> |
| "Post-Compression Cleared Contract" | a Cleared Contract that comes into effect between the Clearing House and a Clearing Member upon Compression at the Clearing House, which represents the positions under pre-   |

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|                                      | Compressed Cleared Contracts, as compressed by the Clearing House in accordance with the Clearing House Rules;  |
| "Post-Compression Client Contract"   | a Client Contract that comes into effect upon Compression under the Exchange Rules, in accordance with Regulation 14 of the Contract Regulations, which shall replace the Client Contracts that were subject to such Compression and which shall come into effect between the same parties as were parties to such original Client Contracts; |
| "Precious Metal"                     | Gold or Silver;   |
| "Precious Metal Clearer"             | a member of LPMCL (or any successor company or association) that is an "Approved Delivery Facility" for the purposes of the Clearing House Rules;   |
| "Precious Metal Clearing System"     | the system operated by LPMCL (or any successor company or association), or any successor system, for the electronic settlement of unallocated Precious Metal between Precious Metal Clearers);  |
| "Pre-Execution Checks"               | the checks applied to an Agreed Trade within the systems of the Exchange and the Clearing House prior to confirmation that the Agreed Trade may be Executed, as specified in Regulation 2.8 of the Trading Regulations;   |
| "Premium Contract"                   | an Exchange-traded futures contract having the features described in the Premium Contract Regulations;  |
| "Premium Contract Closing Price"     | the Closing Price for each Premium Contract;  |
| "Premium Contract Last Trading Time" | the last trading time on the Last Trading Day for Premium Contracts as specified in the Premium Contract Regulations or as otherwise prescribed by the Exchange from time to time;  |
| "Premium Contract Price"             | the cash consideration payable under a Premium Contract, as agreed at the time of formation of the Premium Contract;  |
| "Premium Contract Regulations"       | the Regulations set out in Part 12 of the Rules;  |
| "Premium Warrant"                    | a Warrant issued by a Qualifying Premium Warrant Warehouse;   |

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| "Premium Warrant Jurisdiction"         | a geographical jurisdiction specified as such in the Premium Contract Regulations;   |
| "Product Specifications"               | means the specifications, features and/or terms of any Contract listed for trading on the Exchange, as described in the Rules and Administrative Procedures;   |
| "Prompt Date"                          | <ul style="list-style-type: none"> <li>(a) in relation to a Metal Future, LMEmini Future, Premium Contract or a Monthly Average Future, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations, the Contract is to be settled;</li> <li>(b) in relation to an Index Contract, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations, the Settlement Price of the Index is determined, with settlement of the Contract on the next Settlement Business Day;</li> <li>(c) in relation to a Cash-Settled Future, the date specified as the relevant "Prompt Date" in the Special Contract Rules for Cash-Settled Futures;</li> <li>(d) in relation to an LMEprecious Future, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations and the LMEprecious Regulations, the Contract is to be settled; or</li> <li>(e) in relation to an LMEprecious Option, the Prompt Date of the underlying LMEprecious Future, as determined in accordance with the LMEprecious Option Regulations, and comprising the Business Day on which such LMEprecious Future is to be settled;</li> </ul> |
| "Put Option"                           | an Option Contract pursuant to which the Granter gives the Taker the right to sell to the Granter or in the case of an Index Option, the notional right to sell to be cash settled;  |
| "Qualifying Premium Warrant Warehouse" | a listed warehouse for the storage of metal which satisfies the criteria specified by the Exchange from time to time and which is located in a   |

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|   | Premium Warrant Jurisdiction;   |
| "Quotations Committee"                      | a committee authorised by the Directors to be responsible for determining Closing Prices and Settlement Prices;   |
| "RAO"                                       | means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), as amended from time to time and any successor legislation thereto;  |
| "REC"                                       | the FCA's Recognition Requirements Sourcebook, as amended from time to time, and any successor regulations thereto;   |
| "Recognition Requirements Regulations"      | The Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges, Clearing Houses and Central Securities Depositories) Regulations 2001 (SI 2001/995), as amended from time to time, and any successor legislation thereto;   |
| "Registered Intermediating Broker" or "RIB" | <p>a Member that is:</p> <ul style="list-style-type: none"> <li>(a) authorised by the Directors to arrange Agreed Trades in Contracts between Clients, and to input the details of such Agreed Trades into the Matching System on behalf of the Member(s) that will, upon Execution, become party to the resulting Contracts; and</li> <li>(b) granted Registered Intermediating Broker Membership by the Directors;</li> </ul> |
| "Regulator"                                 | in relation to any person, any regulatory body that has responsibility for regulating the conduct of that person's business and/or which has the power to impose regulatory requirements upon a person's business (and including, where applicable, the FCA or ESMA);   |
| "Relevant Daily Settlement Price"           | has the meaning set out in Regulation 9.7.4 of the Trading Regulations;   |
| "Relevant Office Holder"                    | has the meaning attributed thereto by section 189 of the Companies Act 1989;  |
| "Respondent"                                | the person receiving a Notice to Arbitrate served by the Claimant;  |

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| "RIB Product"                       | a Contract that is a RIB Tier 1 Product or a RIB Tier 2 Product;   |
| "RIB Scope of Authority"            | has the meaning set out in Regulation 2.12.5(b)(ii) of the Trading Regulations;  |
| "RIB Tier 1 Member"                 | a Registered Intermediating Broker that is authorised by the Directors to arrange Agreed Trades in both RIB Tier 1 Products and RIB Tier 2 Products;   |
| "RIB Tier 1 Product"                | a Contract determined to be a RIB Tier 1 Product, and specified as such, by the Exchange from time to time by way of Notice;   |
| "RIB Tier 2 Member"                 | a Registered Intermediating Broker that is authorised by the Directors to arrange Agreed Trades in only RIB Tier 2 Products;   |
| "RIB Tier 2 Product"                | a Contract determined to be a RIB Tier 2 Product, and specified as such, by the Exchange from time to time by way of Notice;   |
| "Ring"                              | an Exchange open-outcry trading session in a type of Contract, of such duration and at such times as are laid down by the Directors, or the ring area of the Exchange as the context requires;   |
| "Ring Committee"                    | a committee appointed by the Directors to oversee trading in the Ring;   |
| "Ring Disciplinary Committee"       | a committee appointed by the Directors to enforce discipline on the premises of the Exchange;  |
| "Ring Discipline Supervisory Panel" | Directors appointed by the Directors to enforce discipline on the premises of the Exchange;  |
| "Rules"                             | means these rules and regulations as the same may be amended in accordance with the Articles;  |
| "Sanctions"                         | any applicable law executing foreign policy, security, sanction, trade embargo, boycott, export control, foreign trade control, non-proliferation or anti-terrorism objectives or similar restrictions on any business with a sanctioned jurisdiction, certain types of business or activity, or specified persons that is imposed, administered or enforced from time to time by: (i) the European Union; (ii) the United Kingdom; (iii) the United States of America; (iv) |

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|                           | the United Nations Security Council; or (v) any of their respective successors;  |
| "Secretary"               | any person appointed to perform the duties of Secretary of the Company, and for the purpose only of Part 8 of the Rules, any person to whom the functions and powers of the Secretary referred to therein may be delegated from time to time;  |
| "Service Agent"           | has the meaning set out in Regulation 11.4 of Part 2;  |
| "Settlement Business Day" | a Business Day on which commercial banks are open in New York City for the settlement of international transactions in US dollars;   |
| "Settlement Price"        | <p>the Cash offered price or other settlement price determined:</p> <ul style="list-style-type: none"> <li>(a) by the Quotations Committee in accordance with Regulation 5.1.1 of the Trading Regulations and in the circumstances specified in Regulation 5.3 of the Trading Regulations (in respect of Metal Contracts), or Regulation 5.6 of the Trading Regulations (in respect of Index Contracts); or</li> <li>(b) in accordance with Regulation 5.1.2 of the Trading Regulations (in respect of Premium Contracts); or</li> <li>(c) in accordance with Regulation 5.7 of the Trading Regulations (in respect of Cash-Settled Futures and LMEprecious Futures); or</li> <li>(d) in accordance with Regulation 5.8 of the Trading Regulations (in respect of Metal Options, Traded Average Price Options, Index Options and, for the purposes of daily settlement and margining, LMEprecious Options); or</li> <li>(e) in accordance with the LMEprecious Option Regulations, for the purpose of determining the Exercise Reference Price for LMEprecious Options; or</li> <li>(e) by the Clearing House in accordance with Regulation 15 of the Trading</li> </ul> |



## Regulations;

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| "Silver"  | Loco London Fine Silver held in London and complying with standards relating to good delivery and fineness acceptable to the Precious Metal Clearer of the Clearing House for the purpose of effecting settlement with the Clearing House, as such standards are in effect from time to time;  |
| "Single Dealer to Client Platform"                              | means any system operated by a Member for the purpose of arranging bilateral contracts between: (i) such Member; and (ii) its customers by means of either a "Request For Quote" or continual price streaming from the Member to customers, but not including a system operating an order book where one customer may trade against another customer's price or order; |
| "Special Committee"   | the Committee to whom the Directors have delegated the emergency powers under Regulation 17 of Part 3 as permitted by the Articles;  |
| "Special Contract Rules for Cash-Settled Futures"               | <p>(a) in relation to Ferrous Futures, the Special Contract Rules for Cash-Settled Futures Futures - Ferrous; and</p> <p>(b) in relation to Non-Ferrous Futures, the Special Contract Rules for Cash-Settled Futures Futures - Non-Ferrous;</p>  |
| "Special Contract Rules for Cash-Settled Futures - Ferrous"     | the Regulations set out in Part 6C of the Rules;   |
| "Special Contract Rules for Cash-Settled Futures - Non-Ferrous" | the Regulations set out in Part 6D of the Rules;   |
| "Special Contract Rules for LMEmini Contracts"                  | the Regulations set out in Part 6B of the Rules;   |
| "Special Contract Rules for Metals"                             | the Regulations set out in Part 6 of the Rules;  |
| "Special Contract Rules for the Construction of the Index"      | the Regulations set out in Part 6A of the Rules;   |
| "Standard Warrant"  | a Warrant that is not a Premium Warrant;   |
| "Strike Price"  | (a) in relation to a Call Option which is a Metal Option, the price at which the Taker will buy from the Granter if the Option is declared;  |

- (b) in relation to a Put Option which is a Metal Option, the price at which the Taker will sell to the Granter if the Option is declared;
- (c) in relation to an Average Price Call Option, the price at which the Taker will buy from the Granter if the Traded Average Price Option is declared;
- (d) in relation to an Average Price Put Option, the price at which the Taker will sell to the Granter if the Traded Average Price Option is declared;
- (e) in relation to an Option Contract which is an Index Option, the agreed level of the Index which shall be compared with the Settlement Price of the Index on the Prompt Date to determine the amount payable to the Taker (if any);
- (f) in relation to a Call Option which is an LMEprecious Option, the price at which the Taker will buy from the Granter if the Option is automatically exercised;
- (h) in relation to a Put Option which is a LMEprecious Option, the price at which the Taker will sell to the Granter if the Option is automatically exercised;

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| "Subsidiary Undertaking"      | the same meaning as set out in section 1162 of the Companies Act 2006;   |
| "Taker"                       | the buyer under a Traded Option;   |
| "Terminal"                    | means a terminal through which a Member API Client and/or Member API Sub-Client has access to LME Information from a Member via an API; and  |
| "Trade Mark"                  | means any trade mark (i) belonging to or used by the Company from time to time; or (ii) that the Company may register or apply to register from time to time;  |
| "Traded Average Price Option" | an Exchange-traded option contract pursuant to which the Granter grants to the Taker the right to buy from the Granter a Lot of a specified metal at a specified Strike Price in a specified month and to sell to the Granter a Lot of a specified metal at the Monthly Average Settlement Price |

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|                                      | in that same specified month, or vice versa, the declaration of which will take place automatically if the Monthly Average Settlement Price is, in the case of an Average Price Call Option, greater than the Strike Price or, in the case of an Average Price Put Option, less than the Strike Price for the relevant tradeable month; |
| "Traded Option"                      | an Option Contract or a Traded Average Price Option;  |
| "Traded Options Committee"           | the committee appointed by the Directors for the purpose of administering trading in Traded Options;  |
| "Traded Options Regulations"         | the Regulations set out in Part 5 of the Rules in relation to Metal Options, Traded Average Price Options and Index Options;  |
| "Trading-Only Member"                | a Trading Member that is not a Clearing Member;   |
| "Trading Member"                     | a Member permitted to trade in Contracts, being: <ul style="list-style-type: none"> <li>(a) in respect of the LME Base Service, a Category 1, 2, 3 or 4 Member; or</li> <li>(b) in respect of the LMEprecious Service, any LMEprecious Member;</li> </ul>   |
| "Trading Regulations"                | the regulations set out in Part 3 of the Rules;   |
| "Tribunal"                           | the tribunal of one, two or three arbitrators appointed in accordance with Regulation 3 of Part 8 of the Rules;   |
| "Unallocated Precious Metal Account" | an account maintained with a Precious Metal Clearer for the settlement of unallocated Precious Metal through the Precious Metal Clearing System;  |
| "Undertaking"                        | the same meaning as set out in section 1161 of the Companies Act 2006;  |
| "Underlying Client Contract"         | means: <ul style="list-style-type: none"> <li>(a) the Client Contract that has resulted from the Execution of an Agreed Trade and that, upon such Execution, resulted in the formation of a Client-Related Cleared Contract pursuant to the Clearing House Rules; and</li> </ul>  |

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|                            | <p>(b) any Post-Compression Client Contract that may arise upon Compression under the Exchange Rules of any Underlying Client Contract,</p> <p>and any reference to "the Underlying Client Contract" in the context of any reference to a Cleared Contract means the Underlying Client Contract that, upon Execution, resulted in the formation of such Cleared Contract, or any Post-Compression Client Contract relating to such Cleared Contract;</p>   |
| "Unofficial Closing Price" | a price determined by the Quotations Committee in accordance with Regulation 5.5 of the Trading Regulations;   |
| "Unsettled Contract"       | a Contract in respect of which the obligations of the parties have not been discharged whether by performance, set-off or otherwise;   |
| "User"                     | means a user at a Member API Client and/or Member API Sub-Client who has access to LME Information from a Member via a graphical user interface (GUI).   |
| "Variation Margin"         | <p>(a) in relation to a Cleared Contract, the sum of money determined by the Clearing House under the Clearing House Rules;</p> <p>(b) in relation to a Client Contract, the sum of money determined by the relevant Category 1 or Category 2 Member or LMEprecious Clearing Member (or, where no such Member is a party, by the relevant Category 4 Member or LMEprecious Non-Clearing Member) representing the amount of variation margin called by the Clearing House in respect of the Client-Related Cleared Contract that corresponds to such Client Contract or such larger sum as may be agreed between the parties;</p> |
| "Warrant"                  | a warehouse warrant for the storage of metal, issued by a listed warehouse and in a form approved by the Exchange;   |
| "Weighting"                | the factor determined by the Exchange from time to time which, when multiplied by the Settlement Price of a Constituent Metal, determines the contribution to the Index of that  |

Constituent Metal;

"Working Day"

any weekday, Monday to Friday inclusive, which is not a public holiday in England and Wales.

- 1.2 In Part 8 and Part 10 of these Rules, the additional definitions set out therein shall apply for the purpose of construing the relevant words and expression in those Parts.
- 1.3 Words importing the singular shall, where the context permits, include the plural and vice versa. Words importing gender shall include each gender. Words importing persons shall, where the context permits or requires, include partnerships and corporations.
- 1.4 Where reference is made to a Regulation in any Part of the Rules it shall be deemed to be a reference to a Regulation in that Part unless the context otherwise requires.
- 1.5 Where reference is made in these Rules to the "direction" of a Contract, such term shall be construed as follows:
- (a) multiple Contracts have the "same direction" where, under each such Contract (i) the same party is the buyer; and (ii) the same party is the seller; and
  - (b) multiple Contracts have the "opposite direction" where the buyer under one Contract is the seller under the other Contract.
- 1.6 Any reference in the Rules or in any Administrative Procedure issued pursuant to the Rules to any European Union Regulation or Directive or any EU-level rules or legislation made pursuant to any such Regulation or Directive shall be construed to include any national law or regulation made in the United Kingdom that replaces or supersedes such Regulation, Directive, rule or legislation. For the avoidance of doubt, this rule of interpretation shall apply to the definitions of the Capital Requirements Regulation, EMIR and MiFID II.
- 1.7 For the avoidance of doubt, the Directors may delegate any powers and responsibilities under the Rules to EXCOM; EXCOM may then delegate any such powers and responsibilities from the Directors to employees and/or representatives of the Company as appropriate in the circumstances.

## **2. GENERAL**

- 2.1 The Rules are made and subject as provided by law may be altered by the Directors in accordance with the powers conferred on them by the Articles.
- 2.2 Administrative Procedures may be issued by (a) the Chief Executive, or those empowered by him for this purpose, in relation to commercial matters, and (b) by the Head of Market Operations, or those empowered by him for this purpose, in relation to regulatory and compliance matters, and shall have the same force as Rules.
- 2.3 Where any Administrative Procedure refers to any Rule then:
- (a) where such Rule has been amended subsequent to the issuance of such Administrative Procedure, the Administrative Procedure shall, to the extent possible, be construed in a manner consistent with the amended Rule (so that, by

way of example, where a specific Rule referred to in an Administrative Procedure is later numbered differently, or contained in a different section or Part of the Rulebook, or has been updated, the Administrative Procedure shall be deemed to refer to the current Rule); and

- (b) where the effect of the amendment of such Rule is to render any aspect of an Administrative Procedure to be redundant or manifestly inconsistent with the Rule, such aspects of the Administrative Procedure shall be deemed to have been repealed to the extent of such redundancy or manifest inconsistency, subject that (a) or (b) shall not apply where and to the extent that the Exchange amends, replaces or repeals any Administrative Procedure in order to address any inconsistency between the Rules and the Administrative Procedure.

- 2.4 Administrative Procedures shall be sent to such class or classes of Member to whom they apply.
- 2.5 The Rules and Administrative Procedures shall be binding on all Members. Failure to comply with any of them or with any decision of the Directors or direction of the Exchange made pursuant to them shall constitute a breach of the Rules for the purposes of disciplinary procedures.
- 2.6 The Directors or the Head of Market Operations may grant to a Member a waiver of particular requirements of these Rules in such circumstances and subject to such conditions as either think fit, provided that the Directors or the Head of Market Operations are satisfied that compliance with the relevant requirements would be unduly burdensome to the Member and that the waiver would not create unacceptable risks for the Exchange, or the market generally, and would not result in unreasonable or inequitable discrimination between Members. Waivers granted by the Head of Market Operations shall be subsequently notified to the next meeting of the Directors.
- 2.7 Unless otherwise stated, all times in the Rules refer to London time.



**PART 2**

**MEMBERSHIP, ENFORCEMENT AND DISCIPLINE**

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**CONTENTS**

| <b>Section</b> |   | <b>Page</b> |
|----------------|---|-------------|
| 1              | Admission to Membership   | 2-1         |
| 2              | Membership of the LME Base Service  | 2-1         |
| 3              | Membership of the LMEprecious Service                                     | 2-5         |
| 3A             | Registered Intermediating Broker Membership                               | 2-8         |
| 4              | Common Eligibility Criteria   | 2-8         |
| 5              | Applications for Membership   | 2-9         |
| 6              | Change in Class or Category of Membership                                 | 2-10        |
| 7              | Requirements of the Financial Services and Markets Act 2000               | 2-11        |
| 8              | Change in Ownership of a Member   | 2-13        |
| 9              | Designation of Members  | 2-14        |
| 10             | Withdrawal from Membership  | 2-14        |
| 11             | Committees  | 2-16        |
| 12             | Provision of Information and Obligations of Members                       | 2-16        |
| 13             | Investigation   | 2-18        |
| 14             | Discipline  | 2-19        |
| 15             | Disqualification and Expulsion  | 2-27        |
| 16             | Forfeiture of Rights on Cessation of Membership                           | 2-28        |
| 17             | Disputes Between Members  | 2-28        |
| 18             | Intellectual Property Rights  | 2-28        |
| 19             | Financial OTC Booking Fee Policy  | 2-30        |
| 20             | Restrictions on use of LME Property or Systems for Non-Exchange Contracts | 2-31        |



|    |                              |      |
|----|------------------------------|------|
| 21 | Confidentiality              | 2-31 |
| 22 | Fees & Incentive Programmes  | 2-33 |
| 23 | Recording of Telephone Calls | 2-36 |

## **PART 2: MEMBERSHIP, ENFORCEMENT AND DISCIPLINE**

### **1. ADMISSION TO MEMBERSHIP**

- 1.1 The Directors may grant admission to Membership in accordance with these Rules.
- 1.2 The requirements set out in Regulation 2 of these Membership Regulations shall apply to Candidates applying to participate in the LME Base Service, other than as Registered Intermediating Brokers.
- 1.3 The requirements set out in Regulation 3 of these Membership Regulations shall apply to Candidates applying to participate in the LMEprecious Service, other than as Registered Intermediating Brokers.
- 1.4 The requirements set out in Regulation 3A of these Membership Regulations shall apply to Candidates applying to participate in the LME Base Services and/or the LMEprecious Service in the capacity of Registered Intermediating Brokers.
- 1.5 The requirements set out in Regulation 4 onwards within these Membership Regulations shall apply in respect of all Candidates or Members, regardless of the service in which they are applying to participate, or already participate, save to the extent that any Regulation specifies that it is limited to any particular category of Membership or any particular service.

### **2. MEMBERSHIP OF THE LME BASE SERVICE**

#### **2.1 Eligibility for Membership**

- 2.1.1 The Membership categories described in this Regulation 2 apply to the LME Base Service.
- 2.1.2 To be eligible for Membership of the LME Base Service, a Candidate must satisfy the eligibility criteria set out below for the class or category of Membership for which he is applying.

#### **2.2 Category 1 Membership:**

A Candidate for Category 1 Membership must satisfy the Directors:-

- (a) that it is:
  - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
  - (2) an Overseas Undertaking;
- (b) that it satisfies the requirements for Category 1 Members set out in Regulation 7 of these Membership Regulations;
- (c) that it is capitalised at or above the level for the time being prescribed by the Directors;
- (d) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for Ring Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;

- (e) that the persons to be responsible for trading on its behalf in the Ring have sufficient and relevant experience and qualifications to become Authorised Dealers; in considering experience the Directors may take into account indications given by a Candidate as to the level and type of trading it intends to conduct in the Ring;
- (f) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for Category 1 Membership;
- (g) that it is a member of the Clearing House or will, subject to election as a Category 1 Member, become a member of the Clearing House authorised to clear Cleared Contracts;
- (h) that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants;
- (i) that it becomes an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations; and
- (j) that it satisfies any and all other criteria for Category 1 Membership, and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

## 2.3 **Category 2 Membership:**

### 2.3.1 A Candidate for Category 2 Membership must satisfy the Directors:-

- (a) that it is:
  - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
  - (2) an Overseas Undertaking;
- (b) that it satisfies the requirements for Category 2 Members set out in Regulation 7 of these Membership Regulations;
- (c) that it is capitalised at or above the level for the time being prescribed by the Directors;
- (d) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for Category 2 Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for Category 2 Membership;
- (f) that it is a member of the Clearing House or will, subject to election as a Category 2 Member, become a member of the Clearing House authorised to clear Cleared Contracts;
- (g) that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants;

- (h) that it becomes an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations; and
- (i) that it satisfies any and all other criteria for Category 2 Membership, and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

## 2.4 **Category 3 Membership:**

2.4.1 A Candidate for Category 3 Membership must satisfy the Directors:-

- (a) that it is:
  - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
  - (2) an Overseas Undertaking;
- (b) that it satisfies the requirements for Category 3 Members set out in Regulation 7 of these Membership Regulations;
- (c) that it is capitalised at or above the level for the time being prescribed by the Directors;
- (d) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for Category 3 Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for Category 3 Membership;
- (f) that it is a member of the Clearing House or will, subject to election as a Category 3 Member, become a member of the Clearing House authorised to clear Cleared Contracts;
- (g) that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants;
- (h) that it becomes an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations; and
- (i) that it satisfies any and all other criteria for Category 3 Membership, and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

## 2.5 **Category 4 Membership:**

2.5.1 A Candidate for Category 4 Membership must satisfy the Directors:-

- (a) that it is:
  - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or

- (2) an Overseas Undertaking;
- (b) that it satisfies the requirements for Category 4 Members set out in Regulation 7 of these Membership Regulations;
- (c) that it enjoys a financial business standing which, in the opinion of the Directors, is suitable for Category 4 Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (d) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for Category 4 Membership; and
- (e) that it satisfies any and all other criteria for Category 4 Membership and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

2.5.2 A Category 4 Member may, if it is eligible in accordance with Regulation 2.4 of the LMEsword Regulations, apply to become an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations. Any such Category 4 Member that applies to become an Account Holder must also satisfy the Directors that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants.

## 2.6 **Category 5 Membership:**

2.6.1 A Candidate for Category 5 Membership must satisfy the Directors:-

- (a) that it is:
  - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
  - (2) an Overseas Undertaking;
- (b) that it enjoys a financial business standing which, in the opinion of the Directors, is suitable for Category 5 Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives; and
- (c) that it satisfies any and all other criteria for Category 5 Membership and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

2.6.2 A Category 5 Member need not hold shares in LME Holdings.

2.6.3 A Category 5 Member may, if it is eligible in accordance with Regulation 2.4 of the LMEsword Regulations, apply to become an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations. Any such Category 5 Member that applies to become an Account Holder must also satisfy the Directors that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants.

## 2.7 **Category 6 Membership:**

A Candidate for Category 6 Membership:-

- (a) may not, unless the Directors in the circumstances of any particular application decide otherwise, be a director or employee of (a) an Undertaking which either is a Member or, although not a Member, would be eligible to become a Member nor (b) a Subsidiary Undertaking or Parent Undertaking of any such Undertaking; and
- (b) must satisfy the criteria for Category 6 Membership which the Directors may from time to time prescribe.

## 2.8 **Category 7 Membership:**

Category 7 Membership may be conferred on individuals at the discretion of the Directors.

## 3. **MEMBERSHIP OF THE LMEPRECIOUS SERVICE**

### 3.1 **Eligibility for Membership**

- 3.1.1 The Membership categories described in this Regulation 3 apply to the LMEprecious Service.
- 3.1.2 To be eligible for Membership of the LMEprecious Service, and to become an LMEprecious Member, a Candidate must satisfy the eligibility criteria set out below for the class or category of Membership for which he is applying.
- 3.1.3 For the avoidance of doubt, the requirements for certain LMEprecious Members to hold B Shares is not cumulative with the requirements for certain LME Base Members to hold B Shares (and *vice versa*). For example: if the Directors have prescribed that a Category 1 Member is required to hold 25,000 B Shares and that an LMEprecious General Clearing Member is required to hold 10,000 B Shares, a Candidate seeking to become both a Category 1 Member and an LMEprecious General Clearing Member would be required to hold 25,000 B Shares in total (not 35,000 B Shares).

### 3.2 **LMEprecious General Clearing Member:**

A Candidate for LMEprecious General Clearing Membership must satisfy the Directors:

- (a) that it is a member of the Clearing House, or will, subject to election as an LMEprecious General Clearing Member, become a member of the Clearing House with permission to clear LMEprecious Contracts; and
- (b) that it has established one or more Unallocated Precious Metal Accounts of the appropriate type, at a Precious Metal Clearer, to enable the LMEprecious General Clearing Member to make and receive deliveries of unallocated Precious Metal, through the Precious Metal Clearing System, in settlement of LMEprecious Contracts; and
- (c) that it is a Member of the LME for the LME Base Service having a Category 1 or 2 Membership; or
- (d) if (c) does not apply:
  - (i) that it is:
    - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or

managing member is a body corporate incorporated in the United Kingdom; or

- (2) an Overseas Undertaking;
- (ii) that it satisfies the requirements for LMEprecious General Clearing Members set out in Regulation 7 of these Membership Regulations;
- (iii) that it is capitalised at or above the level for the time being prescribed by the Directors; and
- (iv) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for LMEprecious General Clearing Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for LMEprecious General Clearing Membership; and
- (f) that it has met any additional criteria for use of the LMEprecious Service and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

### 3.3 **LMEprecious Individual Clearing Member:**

A Candidate for LMEprecious Individual Clearing Membership must satisfy the Directors:

- (a) that it is a member of the Clearing House, or will, subject to election as an LMEprecious Individual Clearing Member, become a member of the Clearing House with permission to clear LMEprecious Contracts; and
- (b) that it has established one or more Unallocated Precious Metal Accounts of the appropriate type, at a Precious Metal Clearer, to enable the LMEprecious Individual Clearing Member to make and receive deliveries of unallocated Precious Metal, through the Precious Metal Clearing System, in settlement of LMEprecious Contracts; and
- (c) that it is a Member of the LME for the LME Base Service having a Category 1, 2 or 3 Membership; or
- (d) if (c) does not apply:
  - (i) that it is:
    - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
    - (2) an Overseas Undertaking;
  - (ii) that it satisfies the requirements for LMEprecious Individual Clearing Members set out in Regulation 7 of these Membership Regulations;

- (iii) that it is capitalised at or above the level for the time being prescribed by the Directors; and
- (iv) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for LMEprecious Individual Clearing Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for LMEprecious Individual Clearing Membership; and
- (f) that it has met any additional criteria for use of the LMEprecious Service and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

### 3.4 **LMEprecious Non-Clearing Member:**

3.4.1 A Candidate for LMEprecious Non-Clearing Membership must satisfy the Directors:

- (a) that it has appointed one or more LMEprecious General Clearing Members to clear Agreed Trades in LMEprecious Contracts effected by such LMEprecious Non-Clearing Member;
- (b) that it is a Member of the LME for the LME Base Service having a Category 1, 2 or 4 Membership; or
- (c) if (b) does not apply:
  - (i) that it is:
    - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
    - (2) an Overseas Undertaking;
  - (ii) that it satisfies the requirements for LMEprecious Non-Clearing Members set out in Regulation 7 of these Membership Regulations; and
  - (iii) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for LMEprecious Non-Clearing Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (d) that it has met any additional criteria for use of the LMEprecious Service and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

3.4.2 An LMEprecious Non-Clearing Member must have at all times one or more LMEprecious General Clearing Members appointed to clear Agreed Trades in LMEprecious Contracts effected by such LMEprecious Non-Clearing Member.



- 3.4.3 For the avoidance of doubt, an LMEprecious Non-Clearing Member shall not be required to use to clear LMEprecious Contracts the same Clearing Member that it uses to clear Contracts subject to the LME Base Service.
- 3.4.4 An LMEprecious Non-Clearing Member must at all times maintain appropriate arrangements to enable the settlement of any LMEprecious Contract to which it is party. For the avoidance of doubt, such arrangements may include the maintenance of settlement and custody accounts for Precious Metals with: (a) an LMEprecious General Clearing Member; or (b) a Precious Metal Clearer; or (c) a custodian having an account for the settlement of unallocated Precious Metals.

### **3A. REGISTERED INTERMEDIATING BROKER MEMBERSHIP**

#### **3A.1 Eligibility for Membership**

- 3A.1.1 The Membership categories described in this Regulation 3A apply to Registered Intermediating Brokers.
- 3A.1.2 To be eligible for Membership as a Registered Intermediating Broker, and to become an RIB Member, a Candidate must satisfy the eligibility criteria set out below for the class or category of RIB Membership for which he is applying.
- 3A.1.3 For the avoidance of doubt, the requirements for certain RIB Members to hold B Shares is not cumulative with the requirements for certain LME Base Members and/or LMEprecious Members to hold B Shares (and vice versa).

#### **3A.2 Common Criteria for RIB Membership:**

3A.2.1 A Candidate for RIB Membership must satisfy the Directors:-

- (a) that it is:
  - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
  - (2) an Overseas Undertaking;
- (b) that it satisfies the requirements for RIB Members set out in Regulation 7 of these Membership Regulations; and
- (c) that it satisfies any and all other criteria for RIB Membership and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

#### **3A.3 RIB Tier 1 Membership:**

3A.3.1 A Candidate for RIB Tier 1 Membership must satisfy the Directors:-

- (a) that it enjoys a financial business standing which, in the opinion of the Directors, is suitable for RIB Tier 1 Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;

- (b) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for RIB Tier 1 Membership; and
- (c) that it satisfies any and all other criteria for RIB Tier 1 Membership which the Directors may from time to time prescribe.

#### **3A.4 RIB Tier 2 Membership:**

3A.4.1 A Candidate for RIB Tier 2 Membership must satisfy the Directors:-

- (a) that it enjoys a financial business standing which, in the opinion of the Directors, is suitable for RIB Tier 2 Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (b) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for RIB Tier 2 Membership; and
- (c) that it satisfies any and all other criteria for RIB Tier 2 Membership which the Directors may from time to time prescribe.

#### **3A.5 Authorisation of RIB Members in respect of specific Contract Types:**

3A.5.1 A Registered Intermediating Broker may be authorised by the Directors to arrange Agreed Trades in both LME Base Contracts and LMEprecious Contracts, and to thereby participate in both the LME Base Service and the LMEprecious Service, in its capacity as a RIB.

3A.5.2 Notwithstanding Regulation 3A.5.1 above:

- (a) a Registered Intermediating Broker shall not be permitted to act as a Trading Member in respect of any Agreed Trade for which it is also acting as a RIB;
- (b) a Registered Intermediating Broker shall be permitted to arrange Agreed Trades in Contracts comprising:
  - (i) RIB Tier 1 Products and RIB Tier 2 Products, where such Member has RIB Tier 1 Membership; or
  - (ii) RIB Tier 2 Products only, where such Member has RIB Tier 2 Membership;
- (c) a Registered Intermediating Broker shall only be required to satisfy the eligibility criteria for the class or category of RIB Membership for which he is applying (including the number of B Shares prescribed by the Directors for the relevant class of RIB Membership), regardless of whether he is applying to arrange Agreed Trades in LME Base Contracts and/or LMEprecious Contracts;
- (d) a Registered Intermediating Broker shall not be required to satisfy the eligibility criteria for LME Base Membership (as set out in Regulation 2 above) or LMEprecious Membership (as set out in Regulation 3 above); and
- (e) A Member shall be permitted to hold Registered Intermediating Broker Membership in addition to being a Trading Member, provided that such Member:
  - (i) shall satisfy the eligibility criteria applicable to all relevant categories of Membership;

- (ii) shall comply with the Rules separately as they apply to each such category of Membership;
- (iii) shall ensure that it is at all times clear to its Client whether it is acting in its capacity as Trading Member or as Registered Intermediating Broker;
- (iv) shall not, in respect of any Agreed Trade, act as both (1) Registered Intermediating Broker and (2) Trading Member and/or Clearing Member; and
- (v) shall have established appropriate systems and controls to ensure segregation (to the extent required by applicable law and regulation) of its activities as a Registered Intermediating Broker from its other LME activities.

3A.5.3 The Exchange may, by the issue of a Notice, recategorise a RIB Tier 1 Product as a RIB Tier 2 Product (or vice versa). In doing so, the Exchange shall consider such factors as, in its discretion, are relevant to a decision to recategorise a RIB Tier 1 Product or a RIB Tier 2 Product. The factors that the Exchange shall have regard to may include, without limitation: (i) average trading volumes; (ii) levels of open interest; (iii) the availability of Incentive Programmes to support liquidity; and (iv) factors specific to the relevant Contract.

3A.5.4 In the event that the Exchange recategorises a RIB Tier 2 Product as a RIB Tier 1 Product, a RIB Tier 2 Member shall cease to be permitted to arrange Agreed Trades in such RIB Tier 1 Products. In order to be able to continue arranging Agreed Trades in such recategorised Contracts, a RIB Tier 2 Members must first obtain RIB Tier 1 Membership, in accordance with the requirements set out in Regulation 3A.3.

3A.5.5 For the avoidance of doubt, any recategorisation of a RIB Tier 1 Product as a RIB Tier 2 Product (or vice versa) shall not affect the permission of a RIB Tier 1 Member to arrange Agreed Trades in such Contract, in accordance with Regulation 3A.5.2(b) above.

3A.5.6 For the avoidance of doubt, the Exchange shall not be required to determine that any Contract should be a RIB Product. Furthermore, the Exchange may, by the issue of a Notice, determine that a Contract shall cease to be a RIB Product. Where a Contract has not been categorised as a RIB Product, or has ceased to be categorised as a RIB Product, a Registered Intermediating Broker shall not be permitted to arrange, or to continue to arrange (as applicable), Agreed Trades in such Contract.

#### 4. **COMMON ELIGIBILITY CRITERIA**

##### 4.1 **Share Capital**

4.1.1 The amount prescribed by the Directors, from time to time, as the minimum Net Worth Requirement for each category of Membership shall be met by permanent capital plus additional capital less disallowables.

4.1.2 Permanent capital shall be issued and fully paid ordinary shares, issued and fully paid preference shares, share premium and other reserves not available for distribution. A deficit in reserves available for distribution will be deducted when calculating permanent capital.

4.1.3 Additional capital shall be other equity reserves (distributable or otherwise) profit and loss reserves and subordinated loans.

- 4.1.4 Disallowable items are intangible fixed assets such as goodwill, development costs etc., investments in subsidiaries and/or other group companies, shares in the Clearing House and the value of exchange Memberships.

#### 4.2 **Overseas Undertakings**

- (a) A Candidate that is an Overseas Undertaking may not be admitted to Membership in the event that the Exchange does not have any necessary licences, authorisations or regulatory permissions to enable the Exchange to lawfully provide investment exchange services to a person having the same characteristics as the Candidate from that Candidate's (or, where applicable, its principal or managing member's) place of incorporation or any other relevant jurisdiction.
- (b) A Candidate that is an Overseas Undertaking may not be admitted to Membership in the event that the jurisdiction of the Candidate's place of incorporation or other relevant jurisdiction is not satisfactory to the Exchange, on the grounds of legal or regulatory risk relating to that jurisdiction.

#### 4.3 **AML Procedures**

A Candidate must have appropriate anti-money laundering and financial crime systems, controls and procedures, the adequacy of which must be satisfactory to address the risk that the facilities of the Exchange may be used for any improper purpose and to address any applicable legal or regulatory requirements. The Exchange reserves the right to request from any Candidate or Member from time to time (a) details of such systems, controls and procedures and/or (b) a reasoned legal opinion from a reputable law firm that such systems, controls and procedures are appropriate to address any applicable legal or regulatory requirements, in such format and addressing such concerns as the Exchange may specify.

#### 4.4 **Discretion to Refuse Application on Grounds of Compliance or Risk**

The Directors shall be permitted to refuse any application for Membership by a Candidate that satisfies the criteria set out above where the Directors have reasonable grounds for considering that:

- (a) the Candidate is unlikely to be capable of complying with its obligations as a Member under these Rules or any Administrative Procedures; or
- (b) the Candidate is subject to any legal or regulatory requirement or restriction that may prevent the Candidate from complying fully with any obligation it may have as a Member under these Rules or any Administrative Procedure; or
- (c) the admission of the Candidate as a Member would be likely to expose other Members and/or the Exchange and/or the Clearing House to a materially increased level of risk than is generally presented by other Members having the same category of Membership for which the Candidate is applying; or
- (d) the Candidate is subject to any form of Sanctions or the directors, officers, employees or agents of it or any of its Affiliates are subject to any form of Sanctions; or

- (e) the admission of a Candidate as a Member would expose the Exchange or the Clearing House or any other Member to any risk of infringement of any applicable law, including relevant Sanctions.

## 5. APPLICATIONS FOR MEMBERSHIP

- 5.1 An application for Membership of the Exchange shall be made in the form prescribed from time to time by the Directors, obtainable upon application to the Secretary. Each application must be accompanied by such admission fee as may be prescribed by the Directors. Where required under Regulation 7.5, such application shall include a legal opinion that satisfies the requirements of that Regulation.
- 5.2 The Directors may require from the Candidate such information, and may institute such investigations to verify information submitted by the Candidate, as they deem necessary. The Directors may require the Candidate, or one or more representatives of the Candidate, to attend for interview by the Directors or by a committee of the Directors.
- 5.3 Notice of each application for Membership shall be sent to Members promptly following the date when the application is first considered by the Directors. Within a ten Business Day period thereafter, any Member who objects to the Candidate becoming a Member of the Exchange shall be entitled to submit a written objection for consideration by the Directors. The Directors may take such objections into consideration before confirming their decision whether to admit the Candidate. In the absence of any objections beyond the ten Business Day period, the Directors shall promptly notify the Candidate in writing of their decision to admit the Candidate to the Membership and an approval Notice will be sent to Members.
- 5.4 When the Exchange determines that a Candidate is operationally ready to commence trading on the Exchange, the Directors shall confirm such status by means of a Notice sent to Members, including the designated mnemonic for the Candidate for the purposes of the Matching System.
- 5.5 Upon admission a Member shall pay the Subscription applicable to his class or category of Membership.
- 5.6 An official list of all Members can be seen by any Member on application to the Secretary.
- 5.7 If the Directors decide not to admit a Candidate to Membership they shall notify him with a statement of reasons for the refusal and the Candidate may within 14 days of being notified of the Directors' decision lodge notice of appeal with the Secretary.
- 5.8 Appeal under this Regulation shall be to a single arbitrator ("**the Arbitrator**") to be appointed by the President for the time being of The Law Society. Regulations 1, 4-10, 14 and 16 of Part 8 of the Rules (amended as set out in Regulation 5.9) shall apply to an appeal under this Rule. The Arbitrator shall consider the written statement of reasons given to the Candidate by the Directors and any representations made by or on behalf of the Candidate and by or on behalf of the Company. The Arbitrator shall determine whether or not the Directors correctly interpreted the Membership criteria from time to time applicable in respect of the class of Membership for which the Candidate applied and whether the rules of natural justice were complied with in reaching the decision refusing admission ("**the Decision**"). The Decision shall not otherwise be open for review and the Arbitrator shall have no power to order that the Directors shall admit the Candidate. The decision of the Arbitrator on questions of fact shall be final and binding on the Company

and the Candidate. If the Arbitrator determines that the Directors did not correctly interpret the relevant Membership criteria, or that the rules of natural justice were not complied with in reaching the Decision, the Directors shall reconsider the application. In doing so the Directors shall consider the application afresh and (in particular but without limitation) shall not be obliged to decide the application on the basis only of information available to them prior to the Decision.

5.9 For the purpose only of an appeal under Regulation 5.8, and without prejudice to any powers the Arbitrator may have under English law, the following amendments shall apply to the Arbitration Regulations.

5.9.1 In Regulation 1.1 of Part 8 of the Rules:

- (a) defined terms shall be ignored unless used in the Regulations referred to in Regulation 2.8;
- (b) "Claimant" shall mean the Candidate;
- (c) "Respondent" shall mean the Company;
- (d) "Tribunal" shall mean the arbitrator appointed pursuant to Regulation 2.8.

5.9.2 Regulation 6.3 of Part 8 of the Rules shall not apply.

5.9.3 Regulations 10.1(e), (i), (j), (l), (n), and (p)-(s) of Part 8 of the Rules shall not apply.

5.9.4 In Regulation 14.1 of Part 8 of the Rules the words "or by the Company" and "or the Company" shall be ignored.

5.9.5 Regulation 14.3 of Part 8 of the Rules shall not apply.

## **6. CHANGE IN CLASS OR CATEGORY OF MEMBERSHIP**

6.1 Any Member may change his Membership from any class or category of Membership to any other class or category, or add a new category of Membership in respect of a new service, provided that:-

- (a) the prior consent of the Directors is obtained; and
- (b) he pays any increase in Subscription applicable to his new class or category of Membership. A Member shall pay the full amount of Subscription applicable to his new class or category of Membership, credit being given for the amount of Subscription already paid by the Member in the year of application.

6.2 In deciding whether or not to admit a Member to a different class or category of Membership, the Directors shall determine whether the Member satisfies the criteria for the new class or category of Membership in accordance with Regulations 1 to 4 above (as applicable).

6.3 Any Member having any category of Membership in respect of the LME Base Service may apply to have any category of Membership in respect of the LMEprecious Service (and vice versa), subject in each case to the application of Regulations 6.1 and 6.2 above.

6.4 Regulations 1 to 4 and Regulations 5.2, 5.4 and 5.5 shall apply *mutatis mutandis* to an application under this Regulation 6 save that any reference to a "Candidate" shall be

construed as a reference to the relevant applicant Member. Any change of the type described in Regulation 6.1 shall be effective from the date stipulated in the Notice to Members in accordance with Regulation 5.3.

## **7. REQUIREMENTS OF THE FINANCIAL SERVICES AND MARKETS ACT 2000**

7.1 No person may apply or continue to be a Trading Member or a Registered Intermediating Broker unless he is:

- (a) an authorised person or exempt person within the meaning of Part III of FSMA; or
- (b) an authorised investment firm within the meaning of Article 4 of the MiFID II Directive by the competent authority of an EEA State other than the United Kingdom (including a branch established in the United Kingdom of such a firm); or
- (c) an authorised credit institution within the meaning of Article 4.1(1) of the Capital Requirements Regulation by the competent authority of an EEA State other than the United Kingdom (including a branch established in the United Kingdom of such an institution); or
- (d) a person whose activities in relation to the Exchange as a Member would not constitute regulated activities (as defined in FSMA) on the basis of an appropriate exclusion under the RAO.

In this Regulation 7.1, "competent authority" and "EEA State" have the meanings given to them in the FCA Handbook.

7.2 No Member may undertake any regulated activity (as defined in the FSMA) in relation to the Exchange unless the Member is:

- (a) authorised by the FCA to carry on such a regulated activity; or
- (b) a person whose activities in relation to the Exchange as a Member would not constitute regulated activities (as defined in the FSMA) on the basis of an appropriate exclusion under the RAO; or
- (c) permitted, pursuant to its status as an exempt person within the meaning of Part III of FSMA, to carry on such regulated activities.

7.3 No person may enter into a Client Contract unless he or the other party to the Contract is:

- (a) where such Contract is an LME Base Contract, a Category 1 Member, Category 2 Member or Category 4 Member; or
- (b) where such Contract is an LMEprecious Contract, an LMEprecious General Clearing Member or LMEprecious Non-Clearing Member,

in each case that can validly enter into Client Contracts in accordance with the law of the United Kingdom and any other applicable law or regulation.

7.4 A Member must inform the Exchange immediately of:

- (a) any variation or cancellation of permission to carry on a regulated activity, including the withdrawal of the Member's status as an authorised person by the FCA; or
- (b) any change of circumstances that may result in the Member no longer being able to rely upon an appropriate exclusion under the RAO; or
- (c) any change of circumstances of the Member or any other person (such as the Member's principal under any appointed representative arrangement) that may result in the Member no longer being treated as an exempt person for the purposes of Part III of FSMA, or otherwise no longer being able to rely upon its status as an exempt person to perform any regulated activities in relation to the Exchange.

7.5 A person falling within Regulation 7.1(d) or Regulation 7.2(b) must:

- (a) promptly following a request by the Exchange, provide such information as the Exchange may reasonably request regarding the person's business, regulatory status and the basis on which the person is able to lawfully perform activities in relation to the Exchange in the United Kingdom and any other relevant jurisdictions; and
- (b) where requested by the Exchange, include in that person's application for Membership a reasoned legal opinion from a reputable law firm with demonstrable expertise in United Kingdom financial services regulation that the activities to be performed by that person, taking into account that person's proposed category of Membership, could lawfully be performed by that person under the law of their home jurisdiction and under the law of the United Kingdom, notwithstanding that such person is not an authorised person within the meaning of Part III of the FSMA; and
- (c) following that person's admission to Membership, promptly following a request by the Exchange:
  - (1) (where the person has previously provided a legal opinion pursuant to (b) above) provide to the Exchange an updated reasoned legal opinion, from a law firm meeting the requirements in (b), confirming the continuing validity of the opinion provided under (b); and
  - (2) (where the person has not previously provided a legal opinion pursuant to (b) above) provide to the Exchange a reasoned legal opinion that satisfies the requirements in (b) above.

The Exchange shall be entitled to refuse to accept a legal opinion provided pursuant to this Regulation 7.5 in the event that the Exchange, in its absolute discretion, is not satisfied that the law firm selected by the Candidate or Member has sufficient and appropriate expertise in United Kingdom financial services regulation or where the Exchange, in its absolute discretion, disagrees with the conclusions set out in the legal opinion.

7.6 A person falling within Regulation 7.2(c) must, promptly following a request by the Exchange, provide such information as the Exchange may reasonably request regarding the basis on which the person is able to lawfully perform activities in relation to the Exchange in the United Kingdom and any other relevant jurisdictions, including, where such person is an exempt person pursuant to the maintenance of appointed representative status under section 39 of FSMA:



- (a) the identity and regulatory status of such person's principal (as defined pursuant to section 39 of FSMA);
- (b) a copy of any agreement defining the scope of activities for which such person is permitted to act for its principal within the scope of its agreement with such principal; and
- (c) any limitations of the scope of appointment of such person by such principal.

7.7 Notwithstanding Regulations 7.1, 7.2, 7.5 or 7.6, the Exchange may:

- (a) refuse to admit a Candidate for Membership that is seeking admission on the basis of Regulation 7.1(d) or Regulation 7.2(b) or Regulation 7.2(c) (as applicable) in the event that:
  - (1) the Exchange is not satisfied that the Candidate has demonstrated beyond all reasonable doubt that it is able to lawfully perform the activities that it may, or may be required to, perform as a Member of the Exchange notwithstanding that it is not an authorised person within the meaning of Part II of the FSMA; or
  - (2) the Exchange has reasonable grounds for concern as to the ability of the Candidate to ensure that the activities that it performs as Member in relation to the Exchange shall always fall within the scope of an appropriate exclusion under the RAO;
- (b) where a Member is admitted on the basis of Regulations 7.1(d) or 7.2(b) or 7.2(c) or 7.6, suspend or terminate a Member's Membership, or change the category of a Member's Membership in the event that:
  - (1) the Member fails to comply with Regulations 7.4(b) or 7.5(a) or (c) or 7.6; or
  - (2) the Exchange has reasonable grounds to believe that the Member may not be able to lawfully continue to perform the activities that it may, or may be required to, perform as a Member of the Exchange with the Member's category of Membership.

7.8 Each Member is responsible for ensuring that it and its agents have secured all regulatory approvals needed by them in any jurisdiction in order to perform the activities that the Member may conduct on or in connection with the Exchange and for complying with all applicable laws and regulations applying to such activities.

## 8. **CHANGE IN OWNERSHIP OF A MEMBER**

8.1.1 A Member which is a body corporate shall notify the Exchange in writing of the name of any person for the time being holding, or having a beneficial interest in, 10% or more of any class of the equity share capital of the Member or of any Parent Undertaking of the Member, and of any change in such a holding or interest, within seven days of the holding or interest, or a change therein, coming to the Member's notice.

8.1.2 The members of a partnership or an unincorporated association who are joint Members shall notify the Exchange in writing of the name of any person who becomes or ceases to

be a partner of that partnership or member of that unincorporated association (as the case may be) within seven days of that event coming to that joint Member's notice.

- 8.2 Upon receipt by the Exchange of any notice from a Member under Regulation 8.1.1 or 8.1.2 the Directors may review the suitability of the Member for Membership of the Exchange. The Directors may require the Member to furnish such additional information as the Directors may from time to time consider material in the course of such review. If upon completion of the review the Directors are not satisfied that the Member continues to satisfy the criteria for Membership of the relevant class they shall consider whether to suspend the rights of the Member.

## 9. **DESIGNATION OF MEMBERS**

Members may only describe their Membership of the Exchange on any letter heading, advertisements, brochures, or other written material in the following terms:

| Type of Member                         | Description  |
|--|--|
| Category 1 Member                      | "Ring Dealing Member" or "Category 1 Member" of the London Metal Exchange.                       |
| Category 2 Member                      | "Associate Broker Clearing Member" or "Category 2 Member" of the London Metal Exchange.          |
| Category 3 Member                      | "Associate Trade Clearing Member" or "Category 3 Member" of the London Metal Exchange.           |
| Category 4 Member                      | "Associate Broker Member" or "Category 4 Member" of the London Metal Exchange.                   |
| Category 5 Member                      | "Associate Trade Member" or "Category 5 Member" of the London Metal Exchange.                    |
| Category 6 Member                      | "Individual Member" or "Category 6 Member" of the London Metal Exchange.                         |
| Category 7 Member                      | "Honorary Member" or "Category 7 Member" of the London Metal Exchange.                           |
| LMEprecious General Clearing Member    | "LMEprecious General Clearing Member" of the London Metal Exchange.                              |
| LMEprecious Individual Clearing Member | "LMEprecious Individual Clearing Member" of the London Metal Exchange.                           |
| LMEprecious Non-Clearing Member        | "LMEprecious Non-Clearing Member" of the London Metal Exchange.                                  |
| "RIB Tier 1 Member"                    | "Registered Intermediating Broker Tier 1 " or " RIB Tier 1 Member" of the London Metal Exchange. |
| "RIB Tier 2 Member"                    | "Registered Intermediating Broker Tier 2 " or " RIB Tier 2 Member" of the London Metal Exchange. |

The words London Metal Exchange may be abbreviated to LME.

10. **WITHDRAWAL FROM MEMBERSHIP**

- 10.1 Subject to Regulation 10.2 to 10.7, a Member may at any time withdraw from Membership of the Exchange and, where the Member (other than a Registered Intermediating Broker) participates in both the LME Base Service and the LMEprecious Service, from any individual service.
- 10.2 A Member desiring to withdraw from Membership must lodge a notice in writing to that effect (a "**resignation notice**") with the Secretary. If the resignation notice is not received by the Secretary on or before the 30th day of November of the year in which the Member intends his Membership to cease, he will be liable for payment of the subscription for the following year.
- 10.3 A Member who gives the Exchange a resignation notice must provide the Exchange with such information concerning the circumstances of the resignation as, in the opinion of the Directors, is necessary for the Directors to determine whether:
- (a) to accept the resignation;
  - (b) to postpone the effective date of the resignation;
  - (c) without prejudice to the courses of action available to the Directors under subparagraphs (a) and (b) above, any other measures should be taken by the Exchange before or after the resignation takes effect.
- 10.4 The Directors may, in their absolute discretion, refuse to accept a resignation notice given by a Member or may postpone the effective date if they consider it necessary for the protection of Clients, or otherwise in the interests of the market.
- 10.5 A Member who ceases to be a Member by virtue of Regulations 10 or 15 (a "**former member**") shall remain subject to the Rules and to the jurisdiction of the Exchange including, inter alia, those Rules relating to the retention of records and provision of information, in respect of acts and omissions while he was a Member and in respect of any investigation or disciplinary proceedings relating thereto (including the payment of any fine or application of any other sanction imposed) as if he were a Member, for the longer of:
- (a) the period of six years from the date on which he ceased to be a Member; or
  - (b) the period during which any disciplinary proceedings continue against him, being proceedings started by the Exchange no later than twelve months after the date on which he ceased to be a Member, subject to any extension of the period under Regulation 10.7; or
  - (c) the period until such time as all his obligations under any Contract entered into by him prior to his ceasing to be a Member shall have been discharged.
- 10.6 Disciplinary proceedings following a Member's resignation may be started by giving notice to the former member of an investigation no later than twelve months after the date on which he ceased to be a Member.
- 10.7 In the event that a Disciplinary Committee concludes that there are, or may be additional matters which should be investigated and in respect of which disciplinary proceedings may be taken, the period referred to in Regulation 10.5 shall be extended until such time as such

additional disciplinary proceedings are completed (including the payment of any fine or application of any other sanction imposed).

10.8 Where a Category 5 or Category 6 Member does not pay any Membership fee due to the Exchange and such fee remains unpaid for more than sixty (60) calendar days, the Exchange may deem this to be an indication of the Member's intention to resign from Membership of the Exchange. In such circumstances, the Directors may at their absolute discretion accept such resignation and confirm in writing to the Member, the effective date of such resignation, and the Membership of the relevant Category 5 or Category 6 Member shall terminate on such date.

10.9 Where a Member resigns from an individual service, and remains a Member of any other service, Regulations 10.6 and 10.7 shall be construed to apply only in respect of the service from which the Member has resigned.

## 11. **COMMITTEES**

11.1 The Directors shall appoint such committees with such terms of reference as they may from time to time determine.

11.2 The persons to serve on committees shall be drawn from Category 7 Members, Category 6 Members, directors and employees of other Members and such other persons with relevant experience as the Directors may select.

11.3 No person serving on any committee shall, in the absence of bad faith or wilful default, be under any liability whatsoever whether in contract, in tort or otherwise to any Member for any decision taken or other act or omission of the relevant committee.

## 12. **PROVISION OF INFORMATION AND OBLIGATIONS OF MEMBERS**

12.1 Each Member (other than Category 6 and Category 7 Members) shall provide the following financial and trading information to the Exchange:

12.1.1 annual audited accounts (including balance sheet, profit and loss account and cash flow statement) within four months of the end of its financial year and those of its ultimate Parent Undertaking (if any) as soon as they are sent to any person entitled to receive them; and

12.1.2 such further information in relation to commercial matters as may be required by the Chief Executive or those empowered by him generally or in any specific case; and

12.1.3 such further information in relation to regulatory and compliance matters as may be required by the Head of Market Operations or those empowered by him generally or in any specific case. Where the Head of Market Operations or those empowered by him have cause to suspect the existence or to anticipate the development or likely development of an undesirable situation or undesirable or improper trading practice, the information which may be required shall include information relating to the over-the-counter business of a member or any of its affiliates in metals, including any index thereon, traded on the Exchange.

12.2 The Chief Executive in relation to commercial matters and the Head of Market Operations in relation to regulatory and compliance matters and those empowered by each of them

generally or in any specific case may request trading or other information regarding any Clearing Member from the Clearing House and the Clearing House shall provide the same.

- 12.3 The Chief Executive in relation to commercial matters and the Head of Market Operations in relation to regulatory and compliance matters and those empowered by each of them generally or in any specific case shall be entitled at any time to inspect and take copies of the records, trading information, books of account and other documentation, in whatsoever medium retained, of Members (including, in whatsoever medium retained, any documentation maintained by or in the possession of the Member for any other person) for the purpose of ensuring compliance with the Rules. Where documentation of a Member is maintained for it by a third party, the Member shall procure that access is provided to such documentation as if it were in the possession of the Member.
- 12.4 The Chief Executive in relation to commercial matters and the Head of Market Operations and those empowered by each of them generally or in any specific case shall be entitled at any time to attend at the premises of any Member for the purpose of inspecting any of the matters referred to in Regulations 12.1 and 12.3 and the Member shall ensure that all cooperation is afforded.
- 12.5 The Chief Executive and the Head of Market Operations and those empowered by each of them generally or in any specific case may cooperate with any governmental or international agencies, any investment exchanges, any clearing houses and self-regulatory and other regulatory or enforcement organisations in such manner as each of them think fit and shall, in particular, be permitted to divulge to any of the aforesaid persons or bodies any information for the time being in the possession of the Exchange regarding any Member's financial condition or trading activity including any information obtained pursuant to Regulations 12.1 to 12.4.
- 12.6 A Member shall:
- (a) observe high standards of integrity and fair dealing, and observe high standards of market conduct as reflected in the FCA Principles and Guidance Releases as published from time to time;
  - (b) organise and control its internal affairs in a responsible and effective manner, with appropriate and adequate risk management systems;
  - (c) ensure its internal record-keeping is appropriate and adequate;
  - (d) ensure that it has appropriate and adequate business continuity plans;
  - (e) ensure that all of its Dealers, staff and directors involved in the conduct of business on the Exchange are fit and proper, suitable, appropriately and adequately trained, properly supervised, and, where appropriate, suitably qualified;
  - (f) ensure that any business conducted on the Exchange complies with the Member's obligations under the Rules;
  - (g) ensure that any business conducted by it, or by or through any of its Dealers or staff, shall not cause the Member, its Dealers or the Exchange or Clearing House or any of their respective staff to be in breach of any applicable laws and/or regulations, including without limitation any relevant Sanctions (except to the extent that any obligation or undertaking contemplated by this Regulation 12.6(g)

would be in conflict with any applicable laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts);

- (h) ensure that it does not enter orders into or make trades on LME Select in or from a jurisdiction where the Exchange does not have the relevant regulatory licences or approvals (if such regulatory licence or approval is required) if to do so would bring the Exchange into disrepute with the regulatory authority within such jurisdiction or put the Exchange in breach of any legal or regulatory obligations to which it might be subject within that jurisdiction. A Member shall observe the requirements relating to participants from jurisdictions other than the UK, as set out in the document headed "Jurisdictions" which shall be available on the website of the Exchange, as such document is updated from time to time;
- (i) ensure that any hardware, information technology or any online services provided to it, or any of its Dealers or staff, or made available to it, or any of its Dealers or staff, pursuant to its Membership of the Exchange shall only be used for the purposes of conducting its business and activities as a Member of the Exchange, in accordance with these Regulations;
- (j) retain all relevant documentation, and provide the Exchange with copies thereof on request, in relation to all Contracts arranged, or entered into, by them and also in relation to all other contracts arranged, or entered into, by them for the purchase and sale of primary aluminium, aluminium alloy, cobalt, copper, lead, molybdenum, nickel, steel, tin, zinc, including:
  - any option for the purchase and sale of any such metal; and
  - any contract for difference, swap, or similar contract based on the price of any such metal;
- (k) deal with the Exchange in an open and cooperative manner and keep the Exchange promptly informed of anything concerning the Member which might reasonably be expected to be disclosed to it;
- (l) have, implement and maintain policies and procedures that are adequate to ensure compliance with applicable Sanctions, and, at the request of the Exchange and/or the Clearing House, promptly provide satisfactory evidence of such policies and procedures (including, without limitation, copies thereof) and of the adequate implementation and maintenance of such policies and procedures (except to the extent that any obligation or undertaking contemplated by this Regulation 12.6(l) would be in conflict with any applicable laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts);
- (m) notify the Exchange and the Clearing House as soon as reasonably practicable upon becoming aware of any of the following:
  - (i) any Sanctions of which it has become the target;
  - (ii) any change to the Member such that it is or becomes incorporated, registered, located, organised, domiciled or resident in any jurisdiction subject to Sanctions;

(iii) any of its Affiliates, Clients, directors, officers, employees or agents or any of its Affiliates' directors, officers, employees or agents, to its knowledge:

(1) being the target of any Sanction;

(2) being or becoming incorporated, registered, located, organised, domiciled or resident in any jurisdiction subject to Sanctions,

unless, in any case, the same is permitted pursuant to an exemption or exception in the applicable laws establishing the Sanctions or any regulations thereunder or subject to an applicable license granted by all relevant governmental authorities under that applicable law;

(iv) details of any order or transaction in metal derivatives which if made on, or reported to, the Exchange, would take place in circumstances where the Member would be in breach of Regulation 12.6(g) above.

12.7 No Member shall:

(a) manipulate or attempt to manipulate the market;

(b) create or attempt to create a disorderly market; or

(c) assist its Clients, or any other person, to do either (a) or (b) above.

12.8 Where applicable under Regulation 7.5, a Member shall provide to the Exchange a legal opinion that satisfies the requirements of that Regulation, which shall be updated at such frequency as may be required pursuant to that Regulation.

### 13. **INVESTIGATION**

13.1 Investigation into alleged acts of misconduct must be authorised by the Head of Market Operations.

13.2 In the context of this Regulation 13 and the following Regulation 14, the expression "the Exchange" shall, where appropriate, be taken to mean the Head of Market Operations or any other person or persons being part of the Executive, authorised by the Head of Market Operations to undertake any of the functions described herein.

13.3 In the course of conducting an investigation, the Exchange may appoint professional, legal or accounting advisors to assist, or enlist the assistance of any other external advisor as it thinks fit. Any external adviser appointed by the Exchange shall be required to treat all information obtained in the course of the investigation as confidential and to disclose it only to the Exchange.

13.4 The Exchange shall issue a Notice of Investigation (NoI) notifying the Member concerned that an investigation has been commenced. The NoI shall be in writing to the Member's Compliance Officer, and shall contain a brief description of the matter under investigation.

13.5 Members shall co-operate fully with all investigations (whether or not they are the Member under investigation). In particular, and without limitation, Members shall:

- 13.5.1 Make available for interview such of their officers, employees or agents as may be reasonably requested in order that they may answer questions and explain any matter that the Exchange considers relevant to the investigation;
- 13.5.2 Comply fully with their obligation to provide information in accordance with Regulation 12;
- 13.5.3 Permit an authorised representative of the Exchange to visit their offices at any time, for the purpose of the investigation.
- 13.6 A report detailing the findings of the investigation shall be passed to the Head of Market Operations who may, or may not, recommend to the Enforcement Committee that disciplinary proceedings should be commenced.
- 13.7 Where some or all of the findings of an investigation may be of relevance to the market in general, the Head of Market Operations may publish such findings as he deems appropriate.

#### 14. **DISCIPLINE**

##### Institution of Proceedings

- 14.1 The Enforcement Committee may institute disciplinary proceedings against any Member in respect of any act of misconduct by a Member or employee thereof or any other person for whom the Enforcement Committee deems the Member to be responsible. For the purposes of this Regulation, an act of misconduct is:
- (i) any violation or attempted violation of these Rules and Regulations or participation in conduct by a third party which would be a violation or attempted violation of these Rules and Regulations if that third party were subject to these Rules and Regulations;
  - (ii) a failure to pay an automatic fine or a fine or order for costs imposed by a Disciplinary Committee that has not been overturned by an Appeal Committee;
  - (iii) conduct which has brought or may be likely to bring the Exchange or any of its markets into disrepute;
  - (iv) provision to the Exchange of information (including information for the purpose of obtaining Membership) which is false, misleading or inaccurate in a material particular;
  - (v) ceasing to meet eligibility criteria for Membership as set out in Regulations 1 to 4 without notifying the Exchange;
  - (vi) any other matter of which the Exchange may, from time to time, notify Members through Notices.
- 14.2 Where the Enforcement Committee decides to institute disciplinary proceedings, a Notice, approved by it setting out the alleged act of misconduct together with a summary of the facts relied upon ("the Notice") shall be served on the Member concerned.

##### Defence



- 14.3 The Member has twenty working days from service of the Notice in which to serve a statement of defence ("the Defence") responding to all or any of the allegations, stating its intended pleas and what admissions of fact, if any, it makes.
- 14.4 Where no defence has been served pursuant to Regulation 14.3, and no settlement has been reached, the Member will be deemed to have accepted the facts and matters alleged in the Notice.
- 14.5 Having seen and considered the Defence, the Enforcement Committee, if it deems it appropriate, may choose to discontinue disciplinary proceedings.

#### Pre-hearing Review

- 14.6 Unless decided otherwise by the Disciplinary Committee, and subject to Regulation 14.7, a pre-hearing review shall be convened not later than twenty working days after service of the Defence.
- 14.7 Unless required by the Disciplinary Committee, the Exchange and the Member can agree in writing to postpone or dispense with a pre-hearing review. In the event that they dispense with the pre-hearing review Regulation 14.10 shall apply.
- 14.8 At the pre-hearing review, the Disciplinary Committee may give all such directions and take such other steps as it considers appropriate for the clarification of the facts and issues and for the just and expeditious determination of the case.
- 14.9 The Exchange and the Member shall attend the pre-hearing review and may be legally represented.
- 14.10 Without restriction on its general power to give directions, the Disciplinary Committee may, at the pre-hearing review (or where there is no pre-hearing review, may in writing to the parties):
- 14.10.1 fix a time and place or make arrangements for the hearing;
  - 14.10.2 direct the hearing or any part of the hearing proceed by way of written submissions and written evidence;
  - 14.10.3 direct the Exchange or the Member to disclose and serve copies of any document;
  - 14.10.4 direct the Exchange or the Member to provide the names of all witnesses to be called at the hearing and their statements or an outline of proposed evidence;
  - 14.10.5 make time limits for complying with directions and orders or for any other purpose of the proceedings;
  - 14.10.6 grant leave to the Exchange or the Member to amend any formal documents referred to in these Regulations. Within such period of time of the grant of leave to amend as shall be specified by the Disciplinary Committee, the party granted such leave shall serve the amended document on the other party;
  - 14.10.7 extend or abridge time limits;
  - 14.10.8 make any order for the payment of costs of or in connection with pre-hearing preparation or any pre-hearing review.

- 14.11 In the event that the Member fails to comply with any direction, the Exchange may apply to the Disciplinary Committee for an order that the Member be precluded from contesting the case unless the direction is complied with. In addition, failure by the Member to comply with any direction may be adduced by the Exchange before the Disciplinary Committee for such inferences to be drawn as are proper in all the circumstances. Failure to comply with any direction may render the Member liable for costs, whether or not any charge is found proved.
- 14.12 In the event that the Exchange fails to comply with any direction, the Member may apply to the Disciplinary Committee for an order that the Exchange be precluded from pursuing the case unless the direction is complied with, or an order that the case be dismissed.

#### The Hearing

- 14.13 The date of the hearing shall be set at the pre-hearing review, where held. Where no pre-hearing review has taken place, the hearing shall take place no later than 20 working days after service of the Defence, or on such other date as the Disciplinary Committee shall require.
- 14.14 All parties attending the hearing, including any witnesses to be called by either party, shall be given reasonable notice of the date, time and venue.
- 14.15 The Disciplinary Committee shall determine the procedure to be followed at the hearing having regard to the following:
- 14.15.1 the Exchange to open the case;
- 14.15.2 the Exchange to adduce evidence and to call witnesses whom the Member may then cross-examine, the Exchange re-examine, and who may be asked questions by the Disciplinary Committee;
- 14.15.3 the Member to adduce evidence and to call witnesses whom the Exchange may cross-examine, the Member re-examine and who may be asked questions by the Disciplinary Committee;
- 14.15.4 the Exchange to address the Disciplinary Committee;
- 14.15.5 the Member to address the Disciplinary Committee.

#### The Determination

- 14.16 The Disciplinary Committee shall announce its findings to the parties as soon as practicable.
- 14.17 Where the Disciplinary Committee is satisfied that the Member has committed an act of misconduct it shall provide the parties with an opportunity to make representations before determining the penalty to be imposed.
- 14.18 The Disciplinary Committee shall announce the penalty to be imposed as soon as possible.
- 14.19 Any penalty imposed shall take into account any representations made by the parties, all the circumstances of the offence and may take into account any previous disciplinary record before deciding the penalty to be imposed and the costs to be ordered.

- 14.20 Within twenty business days of announcing its findings, the Disciplinary Committee shall serve on the parties a written decision comprising its findings of fact, its findings as to whether any charges not admitted are proved, the reasons for its decision and any penalties to be imposed on the Member together with an indication as to whether any part of the penalty is compensatory for the benefit of the market generally or of specified individuals, and what part is purely punitive.
- 14.21 Subject to appeal, and unless the Disciplinary Committee determines otherwise, any penalty imposed shall take effect ten business days after service of the written decision.

#### Penalties

- 14.22 The Disciplinary Committee may impose one or more of the following penalties:
- 14.22.1 a reprimand;
- 14.22.2 a fine;
- 14.22.3 an order that the Member make restitution to any person when the Member has profited from an act of misconduct at that person's expense;
- 14.22.4 an order that the Member forfeit to the LME any gains made as a result of a proven Regulation breach;
- 14.22.5 a requirement to comply with such terms and conditions as appropriate;
- 14.22.6 temporary or permanent withdrawal of Dealer or Clerk status or admission rights to the Exchange rooms from any individual;
- 14.22.7 suspension or expulsion from Membership subject to ratification by the Directors.

#### Indicative Penalties

- 14.23 Where appropriate, the Enforcement Committee may submit proposals to the Disciplinary Panel (referred to in Regulation 14.47) for indicative penalties to be attached to certain offences covered by these Regulations. These indicative penalties shall represent the level of penalty the Enforcement Committee considers appropriate for an offence given no aggravating or extenuating circumstances.
- 14.24 Such indicative penalties as are approved by the Disciplinary Panel shall be notified from time to time to all Members, and where relevant Warehouse Companies, by way of an administrative notice.
- 14.25 Penalties so notified shall be indicative only and shall not fetter the discretion of a disciplinary committee or appeal committee to set the penalty it deems appropriate in all the circumstances of the case in question.

#### Costs

- 14.26 Costs are at the discretion of the Disciplinary Committee. It may order any party to pay such costs as it thinks appropriate, including, but not limited to, administration costs, costs incurred in the investigation, preparation and presentation of the case.

#### Appeal

- 14.27 Within ten days of service of the Disciplinary Committee's decision, the Member may appeal to the Disciplinary Appeal Committee ("the Appeal Committee") by serving a Notice of Appeal on the Chairman of the Appeal Panel.
- 14.28 Within ten days of service of the Disciplinary Committee's decision, the Exchange may appeal to the Appeal Committee by serving a Notice of Appeal on the Chairman of the Appeal Panel and the Member.
- 14.29 A Notice of Appeal shall set out the grounds of the appeal and shall contain a brief statement of all matters relied upon by the appellant.
- 14.30 The grounds of the appeal may be any one or more of the following:
- 14.30.1 the Disciplinary Committee misdirected itself;
- 14.30.2 the Disciplinary Committee's decision was
- (a) one which no reasonable Disciplinary Committee could have reached;
  - (b) unsupported by the evidence or was against the weight of the evidence;
  - (c) based on an error of law, or misinterpretation of the Rules.
- 14.30.3 the penalty imposed by the Disciplinary Committee was either excessive or insufficient;
- 14.30.4 new evidence is available and that, had it been adduced, the Disciplinary Committee could reasonably have come to a different decision provided that this will not apply if the evidence could have been adduced before the Disciplinary Committee by the exercise of reasonable diligence.
- 14.31 The Appeal Committee shall determine the procedure at the appeal having regard to the following:
- 14.31.1 the appellant will open the appeal;
- 14.31.2 any witnesses called may be cross-examined and re-examined by the parties and questioned by the Appeal Committee;
- 14.31.3 the other party may make submissions in response;
- 14.31.4 the appellant may make closing submissions.
- 14.32 The Appeal Committee shall announce its decision to the parties as soon as practicable.
- 14.33 The Appeal Committee may dismiss or allow the appeal and may increase or decrease the penalty imposed upon such terms and conditions as it considers appropriate.
- 14.34 Within 20 business days of the conclusion of the hearing, the Appeal Committee shall serve on the parties a written decision setting out its reasons.
- 14.35 Regulation 14.26 in relation to costs shall apply to the Appeal Committee *mutatis mutandis*.

## Settlements

- 14.36 The Exchange and the Member may agree a settlement of disciplinary proceedings at any time up to the commencement of the disciplinary hearing.
- 14.37 A Member wishing to enter into settlement negotiations must submit written proposals for settlement to the Exchange and the Enforcement Committee.
- 14.38 Settlement negotiations shall be on a without prejudice basis.
- 14.39 Any settlement agreement shall be submitted to the Enforcement Committee for ratification. The Enforcement Committee may ratify or refuse to ratify any settlement agreement. A settlement agreement shall not take effect unless ratified by the Enforcement Committee. A settlement agreement so ratified shall have the same status as a decision by a Disciplinary Committee.
- 14.40 Once the hearing has commenced, the Exchange and the Member may reach an agreed finding. Any agreed finding shall be submitted to the Disciplinary Committee for ratification.
- 14.41 The Disciplinary Committee may ratify or refuse to ratify the agreed finding. An agreed finding shall not take effect unless ratified by the Disciplinary Committee. Where the Disciplinary Committee refuses to ratify the agreed finding, the hearing shall proceed as if no agreed finding was reached.

#### Publication of Findings and Penalties

- 14.42 Subject to appeal, where the Disciplinary Committee finds that there has been an act of misconduct, notification of such findings and of any sanction shall be made (once the same has taken effect) by means of a notice to the relevant parties.
- 14.43 Where disciplinary proceedings have been concluded by way of settlement ratified by the Enforcement Committee or an agreed finding ratified by a Disciplinary Committee, notification of the settlement agreement or the agreed finding shall be made by means of notice to the relevant parties. Such notice to be drafted by the Exchange in consultation with the Member.
- 14.44 Relevant parties in this context shall mean:
- 14.44.1 the person or Member found to have committed the act of misconduct;
- 14.44.2 where the misconduct was on the part of a warehouse company or agent thereof, all Members, approved warehouses and their agents;
- 14.44.3 where the misconduct was on the part of any Member or person deemed to be the responsibility of a Member, to all Members;
- 14.44.4 as an exception to Regulation 14.44.3, where the finding is by the Ring Disciplinary Committee or the Ring Discipline Supervisory Committee, all Category 1 Members;
- 14.44.5 in all cases the appropriate regulatory or other authorities, as the Exchange deems appropriate.
- 14.45 The outcome of disciplinary proceedings being notified to all Members shall also be made public by such means as the Exchange shall think fit.

- 14.46 Where the Appeal Committee upholds the finding of the Disciplinary Committee (even in the event that the penalty is altered), the above rules on publication shall apply.

Procedural Provisions applicable to the Exchange Disciplinary Process

*Membership of the Disciplinary Committee and the Appeal Committee*

- 14.47 The Exchange, in consultation with the Chairman of the Appeal Panel, shall from time to time appoint persons, who may be Directors or other persons, to a panel ("**the Disciplinary Panel**"). A member of the Enforcement Committee cannot be appointed to the Disciplinary Panel. Membership of particular Disciplinary Committees shall be drawn only from the Disciplinary Panel.
- 14.48 The Exchange, in consultation with the Chairman of the Appeal Panel, shall from time to time appoint persons, who shall not be Directors, to a panel ("**the Appeal Panel**"). Membership of particular Appeal Committees shall be drawn only from the Appeal Panel.
- 14.49 Membership of the Disciplinary Panel and the Appeal Panel shall be notified to Members from time to time by means of a Notice.
- 14.50 Membership of the Disciplinary Panel shall be for a period of 5 years (the term) renewable. A member of the Disciplinary Panel may not be removed from the Panel prior to the expiration of the term save in the event that he or she ceases to be a Director of the LME, or in the event that he or she is guilty of conduct which has brought or may be likely to bring the Exchange or any of its markets into disrepute.
- 14.51 Membership of the Appeal Panel shall also be for a period of 5 years (the term) renewable. A member of the Appeal Panel may not be removed from the Panel save in the event that he or she is guilty of conduct which had brought or may be likely to bring the Exchange or any of its markets into disrepute.
- 14.52 The Exchange shall appoint one member of the Disciplinary Panel to be the Chairman of the Disciplinary Panel. The Exchange shall appoint one member of the Appeal Panel to be the Chairman of the Appeal Panel.
- 14.53 No person shall be eligible to serve as a member of the Disciplinary Committee or Appeal Committee in relation to any particular case if he has any material interest in the matter under consideration either personally or through any Undertaking with which he may be concerned.
- 14.54 At least one member of the Appeal Committee must be a qualified lawyer.
- 14.55 At the request of the Head of Market Operations, the Chairman of the Disciplinary Panel shall nominate three members of the Disciplinary Panel to sit on a Disciplinary Committee and shall notify the Member and the Exchange of such nomination. The Chairman may nominate himself. If the Member does not agree to one or more of the nominated Disciplinary Committee, the Chairman, if satisfied that the grounds of objection are reasonable, shall nominate a replacement, or replacements, from the Disciplinary Panel, subject to such replacement, or replacements, being willing and able to sit on that Disciplinary Committee.
- 14.56 On receipt of a Notice of Appeal, the Chairman of the Appeal Panel shall nominate three members of the Appeal Panel to sit on an Appeal Committee and shall notify the Member

and the Exchange of such nomination. The Chairman may nominate himself. If the Member does not agree to one or more of the nominated Appeal Committee, the Chairman, if satisfied that the grounds of objection are reasonable, shall nominate a replacement, or replacements, from the Appeal Panel, subject to Regulation 14.54 and subject to such replacement, or replacements, being willing and able to sit on that Appeal Committee.

- 14.57 In the case of a matter set out in Regulations 11.3 to 11.10 of the Trading Regulations (by way of appeal or otherwise) the Appeal Committee shall not include any member of the Ring Discipline Supervisory Panel who was involved in that capacity in the matter.

#### Composition

- 14.58 The Disciplinary Committee or the Appeal Committee shall appoint one of their number to be the Chairman.
- 14.59 The quorum of a Disciplinary Committee or Appeal Committee shall be three, unless decided otherwise by the Disciplinary Committee or Appeal Committee.
- 14.60 The Disciplinary Committee may decide that any pre-hearing review shall be heard by the Chairman sitting alone.

#### Legal Adviser

- 14.61 A legal adviser, who shall be a barrister or solicitor, may be appointed by the Disciplinary Committee or the Appeal Committee to sit throughout the hearing (including any pre-hearing review) and provide legal advice to the Committee.
- 14.62 The same legal adviser may not be appointed to advise both the Disciplinary Committee and Appeal Committee on the same case.

#### Hearings in private

- 14.63 Disciplinary Committee hearings and Appeal Committee hearings shall be held in private, unless the Member elects to hold the hearing in public.

#### Representation

- 14.64 Parties to disciplinary proceedings may be represented.
- 14.65 Where disciplinary action is taken against an individual, he or she may represent himself or herself, or may be represented by his or her employer or may be legally represented.
- 14.66 Where disciplinary proceedings are taken against a Member, it may be represented by one of its officers, employees or may be legally represented.
- 14.67 The Exchange may be represented by one of its officers, employees or may be legally represented.
- 14.68 The availability of a particular legal representative shall not be conclusive when fixing a date for a pre-hearing review or a tribunal.

#### Failure to attend

- 14.69 If either party fails to attend, the hearing may proceed in its absence.

#### Record of hearing

- 14.70 A record shall be made of the hearing, electronically or otherwise. The Member shall be entitled to a transcription or copy of the record on payment of the costs.

#### Burden and standard of proof

- 14.71 The burden of proof shall be on the Exchange. The Disciplinary Committee shall not find a charge proved unless it is satisfied on the balance of probability.

#### Evidence

- 14.72 The Disciplinary Committee may admit any evidence whether oral or written, whether direct or hearsay and whether or not the same would be admissible in a court of law.

#### Notice periods

- 14.73 Any notice periods specified in these rules may be amended by agreement in writing between the Exchange and the Member, unless such notice periods have been set by the Disciplinary Committee or the Appeal Committee.

#### Convictions and findings by other authorities

- 14.74 The findings of fact of any court in the United Kingdom or of the Financial Services Tribunal, which have not been set aside on appeal or otherwise shall be conclusive evidence of the facts so found.
- 14.75 A criminal conviction by any court in the United Kingdom which has not been set aside on appeal or otherwise shall be conclusive evidence of the commission of that offence.
- 14.76 The findings of fact of the following bodies, which have not been set aside on appeal or otherwise, shall be prima facie evidence of the facts so found:
- 14.76.1 any court of competent jurisdiction outside the United Kingdom;
- 14.76.2 any committee or tribunal of the Financial Conduct Authority, and self-regulating organisation, recognised professional body, recognised investment exchange or recognised clearing house or any overseas regulatory authority which the Exchange considers to be relevant exercising regulatory or disciplinary functions;
- 14.76.3 the Competition and Markets Authority ;
- 14.76.4 any other body exercising a regulatory or disciplinary jurisdiction over any persons engaged in financial services business whether in the United Kingdom or elsewhere; and
- 14.76.5 any successor to any body specified in this Regulation 14.76.

#### 15. **DISQUALIFICATION AND EXPULSION**

- 15.1 The criteria for Membership are continuing requirements and if a Member shall cease at any time to satisfy any of the criteria for Membership of his class the Directors may in their discretion re-categorise his Membership to a class the criteria for which he is able to satisfy or, subject to Regulation 15.4, suspend his Membership until such time as he is able to satisfy the criteria, or may seek to expel him from Membership.



- 15.2 Upon the happening of any of the following events the Directors may resolve, with immediate effect, that the Member concerned be suspended from Membership, and, where appropriate, subject to Regulation 15.5, expelled from Membership:-
- 15.2.1 a Member pursuant to disciplinary proceedings held in accordance with these Regulations is found to have committed a serious breach or persistent breach of the Regulations and the Disciplinary Committee has suspended or expelled the Member subject to ratification by the Directors, provided that the Disciplinary Committee's decision has been upheld by an Appeal Committee, or the time for lodging an appeal has elapsed and no appeal has been made;
- 15.2.2 a Member fails to meet his material contractual obligations to another Member and the obligation or the obligations concerned are not being disputed in good faith;
- 15.2.3 a Member is declared a Defaulter pursuant to the Default Regulations;
- 15.2.4 an Event of Default (as defined in the Default Regulations) occurs in relation to a Member (other than a Registered Intermediating Broker) and is continuing; or
- 15.2.5 in relation to a Registered Intermediating Broker, the Exchange becomes aware of any facts or circumstances that indicate that the Registered Intermediating Broker is not a reliable entity to arrange Agreed Trades on behalf of Clients and/or to discharge the obligations of Registered Intermediating Brokers under these Rules. Such facts or circumstances may include, without limitation, any evidence that the Registered Intermediating Broker has input into the Matching System particulars of any Agreed Trade(s) that it did not have the appropriate authorisations to broker (including from its purported Clients, or from any Clearing Member which would become party to any Contract upon Execution of such Agreed Trade).
- 15.3 The Directors shall have the power to suspend a Member where it is considered necessary to ensure an orderly market, or otherwise to enable the Exchange to comply with its statutory obligations.
- 15.4 Save in the case of Regulation 15.2.1, the power to suspend a Member is subject to a right of appeal by the Member to an Appeal Committee convened pursuant to Regulation 14. The Appeal Committee shall, in such circumstance, have full jurisdiction to review the facts of the case as if it were a Disciplinary Committee. Any appeal shall be heard swiftly.
- 15.5 Save in the case of Regulation 15.2.1, where the Directors believe expulsion is warranted, they shall request that an Appeal Committee be convened, pursuant to Regulation 14, to consider the case for expulsion. Such an Appeal Committee shall be convened swiftly. The Directors may suspend the Member with immediate effect pending the outcome of the Appeal Committee so convened. The Appeal Committee shall, in such circumstance, have full jurisdiction to review the facts of the case as if it were a Disciplinary Committee. Where the Appeal Committee agrees that expulsion is justified, the Member shall be expelled with immediate effect.
16. **FORFEITURE OF RIGHTS ON CESSATION OF MEMBERSHIP**
- 16.1 A Member who shall have been expelled or shall otherwise have ceased to be a Member shall not be entitled to any refund of subscription or fees.

- 16.2 All rights and privileges of being a Member and all Cards of Admission issued to a Member or to a Member's directors or employees on his application and all rights appertaining thereto shall ipso facto be cancelled upon the Member's ceasing for any reason to be a Member or losing in any other way the right of entry to the Exchange.

17. **DISPUTES BETWEEN MEMBERS**

Upon the Secretary receiving a notice in writing from a Member that a dispute exists between him and another Member arising out of or in connection with a Contract, he shall send a Notice to Members to this effect. Such memorandum shall be removed by the Secretary when he shall receive notification in writing by the party or parties reporting the existence of such dispute that it has been settled or has been referred to arbitration in accordance with Part 8 of the Rules or otherwise disposed of.

18. **INTELLECTUAL PROPERTY RIGHTS**

- 18.1 As between the Members and the Company, all right, title, interest and Intellectual Property Rights in:-

- (a) the Rules and Administrative Procedures; and
- (b) LME Data;

shall be the property of the Company. To the extent a Member acquires any right, title, interest or Intellectual Property Rights in the same it hereby assigns all such right, title, interest and Intellectual Property Rights (including by way of a present assignment of any future copyright or similar rights) to the Company for the full duration of such right, title, interest and Intellectual Property Rights.

- 18.2 For the avoidance of doubt, the Company hereby expressly reserves any and all rights (including Intellectual Property Rights and any rights of confidentiality), licences and permissions in and to the LME Data, the Trade Marks and the Product Specifications.

- 18.3 Unless explicitly permitted in writing between the Member and the Company, the Member shall not:

- (a) remove the Trade Marks from the LME Data or alter them (unless not practicable to display the Trade Marks and LME Data together);
- (b) use the Trade Marks in conjunction with any other mark, name, logo, symbol or device;
- (c) use the Trade Marks other than in relation to:
  - (i) Contracts; or
  - (ii) any contract to which the Financial OTC Booking Fee Policy applies, and in respect of which the Member shall report such contract to the Company in accordance with the Financial OTC Booking Fee Policy;
- (d) use the Trade Marks in such a way as to damage the goodwill or reputation attaching to such Trade Marks or the name of the Company or to otherwise prejudice the validity or enforceability of any such Trade Marks;

- (e) permit access to, distribute, sub-licence or publish the LME Data or Trade Marks to any third party;
- (f) use the LME Data as a Benchmark or in connection with the determination of a Benchmark or pass the Data to an Administrator in connection with the determination of a Benchmark;
- (g) manipulate the LME Data in any way and/or use the LME Data to create any Derived Data;
- (h) use the LME Data or Trade Marks, or any part of them:
  - (i) in breach of these Rules or the Financial OTC Booking Fee Policy or other applicable laws or regulations;
  - (ii) for any unlawful purpose; or
  - (iii) in any way that may in the Company's absolute opinion be considered to bring the Company, its Affiliates, the LME Data and/or the Trade Marks into disrepute.

18.4 Each Member acknowledges and agrees that LME Data may be provided by the Company to any Member and any third party, and may be used by the Company or such other persons for any commercial or other purpose, subject to any restrictions applicable to particular categories of LME Data in Regulation 21 (Confidentiality). The Company may from time to time grant a licence to Members or third parties to use, copy, modify, distribute or otherwise exploit the LME Data, but, subject to Regulation 18.5 below, in the absence of such a licence, Members may not use, copy, modify, distribute or otherwise exploit the LME Data.

18.5 The Company hereby grants to each Member a non-exclusive, worldwide, perpetual, royalty-free licence, with the right to sub-licence, to use, copy, modify, distribute and otherwise exploit the LME Data relating solely to that Member for any commercial or other purpose, subject in each case to the restrictions in Regulation 21 (Confidentiality).

## 19. **FINANCIAL OTC BOOKING FEE POLICY**

19.1 Each Member shall comply with the Financial OTC Booking Fee Policy. Without prejudice to the generality of the foregoing, each Member shall:

- (a) register with the Exchange, pursuant to the requirements of the Financial OTC Booking Fee Policy;
- (b) report to the Exchange, any trades undertaken by the Member which are required to be reported pursuant to the Financial OTC Booking Fee Policy; and
- (c) pay to the Exchange, any fees due to the Exchange pursuant to the Financial OTC Booking Fee Policy in relation to trades undertaken by the Member.

19.2 Each Member shall procure and otherwise take steps to ensure that their Affiliates comply with the Financial OTC Booking Fee Policy. Where the Affiliate fails to comply with the Financial OTC Booking Fee Policy, whether: (a) registering with the Exchange; (b) reporting any trades undertaken by the Affiliate to the Exchange; or (c) paying to the Exchange, any fees due pursuant to the Financial OTC Booking Fee Policy; or (d)

otherwise, the Member shall be liable to the Exchange for any non-compliance by Affiliate with the Financial OTC Booking Fee Policy.

19.3 Without prejudice to any additional rights of the Exchange under the Financial OTC Booking Fee Policy to require information from any Member or its Affiliate, each Member shall, and shall ensure that its Affiliates shall, within 5 Business Days of any request by the Exchange:

- (a) permit the Exchange and its representatives to have access to any records and information maintained by the Member and/or its Affiliates (as the case may be) in respect of any transactions undertaken by the Member or its Affiliates for the purposes of assessing compliance with the Financial OTC Booking Fee Policy; and
- (b) respond to any reasonable questions from the Exchange which are relevant to assessing the compliance by the Member and its Affiliates with the Financial OTC Booking Fee Policy.

19.4 For the avoidance of doubt, a Member or its Affiliate shall only be entitled to benefit from an exemption from compliance with any aspect of the Financial OTC Booking Fee Policy in the event that such exemption has been granted by the Exchange in accordance with the terms of the Financial OTC Booking Fee Policy.

20. **RESTRICTIONS ON USE OF LME PROPERTY OR SYSTEMS FOR NON-EXCHANGE CONTRACTS**

20.1 The facilities of the Exchange may not be used to facilitate the execution, clearing or settlement of any Non-LME Platform Contract. Without limitation to the foregoing:

- (a) no Member may use any LME Data, Product Specifications or any other Intellectual Property Rights of the Exchange, or any part of them for the formation, trading, pricing, clearing or settlement of any Non-LME Platform Contract;
- (b) LME Warrants may not be used for the purpose of settling any Non-LME Platform Contract;
- (c) the Ex-Cleared settlement functionality of LMEsword may not be used to facilitate the settlement of any Non-LME Platform Contract;
- (d) no Member may use the inter-office market to facilitate the submission to the Matching System of any Non-LME Platform Contract as an Agreed Trade; and
- (e) no Member may bring-onto, or allow its Client to bring-onto, the Exchange any Non-LME Platform Contract, including pursuant to the OTC Bring-On category within the Matching Rules, the submission to the Matching System of an Agreed Trade, or otherwise.

20.2 The Exchange may, in its absolute discretion, by Notice dis-apply any of the restrictions specified in this Regulation 20 in respect of Non-LME Platform Contracts traded on, executed on, or otherwise arranged or agreed via any specific Non-LME Multi Dealer Trading System. Such Notice:

- (a) shall specify the identity of the specific Non-LME Multi Dealer Trading System that is approved by the Exchange as a venue for the formation of Agreed Trades that may be brought-onto the Exchange; and

(b) may specify the categories of Contracts to which such approval shall apply.

20.3 The Exchange shall issue a Notice pursuant to Regulation 20.2 above, publicising the situation where, as determined by the LME in its sole discretion and acting reasonably, any Non-LME Multi Dealer Trading System is lawfully making use of the Intellectual Property Rights of the Exchange, including, without limitation, where such Non-LME Multi Dealer Trading System has: (i) entered into a licence agreement for the use of Intellectual Property Rights belonging to the Exchange; or (ii) been granted open access rights pursuant to prevailing applicable legislation.

## 21. **CONFIDENTIALITY**

21.1 Subject to Regulation 21.2, the Company shall treat as confidential all information received from a Member that concerns the business and affairs of a Member or Client (including any information relating to any Contract).

21.2 The Company may disclose any information which is subject to the confidentiality obligations in Regulation 21.1:-

- (a) to any regulator that has responsibility for regulating the Exchange or the Clearing House;
- (b) to any regulator that has responsibility for regulating the Member;
- (c) to the Clearing House, to the extent that such information is relevant to the performance by the Clearing House of its functions under its own rules or terms of service, or its obligations under applicable law, or its contractual obligations to the Company;
- (d) to the Member itself;
- (e) where the Company acquires or develops the information independently of any information or document provided by the Member;
- (f) to any member of the Company's group, or to any employees, officers, consultants, professional advisers or agents of any of them, in connection with the operation of the Exchange, risk management processes or for the purposes of internal group control or accounting, subject to appropriate confidentiality requirements;
- (g) to any other Member for the purposes of a potential transfer of a Contract to such Member in accordance with the Rules;
- (h) to third parties appointed or engaged by the Company or a Member in connection with the operation of the Company's complaint-handling or discipline processes, where and to the extent that such third parties reasonably need to receive such information in order to discharge their functions in support of such processes;
- (i) with the consent of the Member;
- (j) to potential acquirers (and their advisers) of the Company or an holding company of the Company or of the businesses of the Company, provided that each such potential acquirer has entered into a confidentiality undertaking with respect thereto;

- (k) in a document in relation to a takeover offer conducted under the rules of The Panel on Takeovers and Mergers or any equivalent body in any other relevant jurisdiction;
- (l) if and to the extent the information has come into the public domain through no fault of the Company;
- (m) to the Company's insurer(s), provided that any such insurer has entered into a confidentiality undertaking with respect thereto;
- (n) where necessary for the discharge of the Company's obligations under applicable law;
- (o) where the Company considers it appropriate to disclose such information for the purpose of discharging the Company's obligations under the Rules having due regard to the confidential nature of the information, and taking reasonable care to ensure that the recipient of such information is aware of its confidential nature; or
- (p) where and to the extent that such disclosure is necessary or permitted pursuant to any other Regulation or Administrative Procedure, including for the avoidance of doubt, any Regulation permitting the Company to issue Notices in respect of a Member,

and for the avoidance of doubt, nothing in this Regulation 21 shall prevent the Company from providing LME Data to any third party in accordance with Regulation 18.4 above where and to the extent that any such LME Data that is provided to a third party in respect of a Member is anonymised and/or aggregated with LME Data in respect of other Members.

21.3 Subject to Regulation 21.4, each Member shall treat as confidential all information concerning the business and affairs of the Company.

21.4 A Member may disclose any information which is subject to the confidentiality obligations in Regulation 21.3:-

- (a) to any regulator that has responsibility for regulating the Member where required to do so pursuant to any direction, rule or requirement of the regulator or by applicable law;
- (b) to the Company itself;
- (c) where the Member develops the information independently of any information or document provided by the Company;
- (d) to the Member's group, or to employees, officers, consultants, professional advisers or agents of the Member or its group solely to the extent that such persons need to receive such information in order to assist the Member in properly performing its obligations or exercising its rights under these Rules, and subject, in all cases to their agreement to treat such information as strictly confidential;
- (e) with the consent of the Company;
- (f) if and to the extent the information has come into the public domain through no fault of the Member;

- (g) where necessary for the discharge of the Member's obligations under applicable law; or
- (h) where the Member considers it appropriate to disclose such information for the purpose of discharging the Member's obligations under the Rules having due regard to the confidential nature of the information, and taking reasonable care to ensure that the recipient of such information is aware of its confidential nature.

## 22. FEES & INCENTIVE PROGRAMMES

22.1 Members shall pay such fees to the Exchange as the Exchange shall specify by Administrative Procedure from time to time.

22.2 The Exchange may, from time to time, make available to Members incentive, rebate or market-making programmes that shall operate to provide certain specified benefits and/or modify the fees payable in respect of specified types of Contracts (each such programme being an "**Incentive Programme**").

22.3 The Exchange shall specify, by way of notice issued on the public website maintained by the Exchange:

- (a) the eligibility criteria to be satisfied by any Member and, where applicable, any Client of such Member wishing to participate in each Incentive Programme;
- (b) any information and/or application documentation to be submitted to the Exchange by the Member in respect of itself and, where applicable, any Client of such Member wishing to participate in each Incentive Programme;
- (c) the technical and operational procedures to be followed by any Member and, where applicable, any Client of such Member, in order to qualify for the benefits available under an Incentive Programme;
- (d) any conditions, commitments, minimum transaction volumes, or requirements as to the types of transactions executed that are to be satisfied by any Member and, where applicable, any Client of such Member, in order to qualify for the benefits available under an Incentive Programme;
- (e) any information reporting requirements or other obligations that must be complied with by any Member participating in an Incentive Programme;
- (f) the specific benefits available under an Incentive Programme for any Member that complies with the requirements specified in accordance with (a) to (e) above; and
- (g) any other information, descriptions, explanations or details that the Exchange considers relevant to the manner in which the Exchange intends to operate the Incentive Programme,

such criteria, procedures, conditions and requirements under (a) to (e) being the "**Incentive Programme Requirements**" and such benefits under (f) being the "**Incentive Programme Benefits**". The Exchange may, from time to time, amend, add to or replace any Incentive Programme Requirements and/or Incentive Programme Benefits applying to or under any Incentive Programme, and any other information published pursuant to (h), by updating or replacing the relevant notice published on the public website of the Exchange.

- 22.4 Any Member wishing to participate in an Incentive Programme must satisfy the Incentive Programme Requirements for such Incentive Programme that may be specified by the Exchange, in accordance with Regulation 22.3 above, from time to time.
- 22.5 The Exchange may, in its absolute discretion:
- (a) reject any request by a Member:
    - (1) to participate in any Incentive Programme; or
    - (2) to allow a Client to participate in any Incentive Programme; or
    - (3) to apply the Incentive Programme to the activities of any Client; or
  - (b) terminate the application of any Incentive Programme to any:
    - (1) Member; or
    - (2) Client, or to the activities of any Client, of a Member.
- 22.6 For the avoidance of doubt, the Incentive Programme Benefits available in respect of any Incentive Programme may include:
- (a) the specification of a rebate to any fees payable by a Member in respect of any specified type of Contract; or
  - (b) the specification of a reduction to any fees payable by a Member in respect of any specified type of Contract; or
  - (c) the specification of any other form of monetary or non-monetary benefit that the Exchange may make available to a Member,
- and any such Incentive Programme Benefit may be specified as being limited in duration, or applicable only to specific Contracts or Transactions that satisfy certain Incentive Programme Requirements.
- 22.7 Where any Incentive Programme makes the availability of Incentive Programme Benefits subject to any Incentive Programme Requirements applying to the trading activity of any Client of a Member, or the nature, identity or behaviour of any such Client:
- (a) it shall be the responsibility of the Member to ensure that the relevant Incentive Programme Requirements are satisfied; and
  - (b) it shall be the sole responsibility of the Member to notify its Clients of its participation in the Incentive Programme, and the features of such Incentive Programme, together with the satisfaction of any other disclosure requirements that may be applicable under any relevant law or regulation or the terms of any agreement between the Member and any Client; and
  - (c) for the avoidance of doubt, the Exchange has no responsibility to any Client for ensuring that any of the Incentive Programme Benefits are made available by the Member to the relevant Client; any such arrangement shall be governed solely by the arrangements established between the Member and the Client.



For the avoidance of doubt, any reference in these Rules to any "participation" by a Client in any Incentive Programme does not create, imply or infer the creation of any contractual relationship between the Exchange and any Client in relation to such Incentive Programme, nor confer on any Client any entitlement to receive any benefits (including Incentive Programme Benefits) from the Exchange. If and to the extent that the Exchange provides an Incentive Programme that is intended to provide an entitlement for a Client to receive Incentive Programme Benefits, such entitlement shall be established pursuant to separate contractual documentation between the Exchange and the relevant Client that explicitly establishes the basis for such entitlement.

22.8 Any Clearing Member that participates in any Incentive Programme shall ensure that it shall not, and that any Client shall not, through its participation in the Incentive Programme:

- (a) affect or distort the proper market in any Contract; or
- (b) commit or permit the commission of any market abuse or any other breach of any applicable law or regulation applying to the Member, Client or the trading of any Contract; or
- (c) enter into any Contract that is not compliant with any applicable Incentive Programme Requirements.

22.9 The Exchange may, at any time and from time to time, request from a Member such evidence as the Exchange may consider necessary or appropriate to determine the compliance by the Member, or any Client of the Member, with the Incentive Programme Requirements applicable to any Incentive Programme in which the Member or its Client is participating, and the Member shall, upon receipt of such request, promptly provide such evidence.

22.10 The Exchange may publish the names of any Member or Client participating in any Incentive Programme.

22.11 The Exchange may withdraw any Incentive Programme, together with any Incentive Programme Benefits available thereunder, at any time in its sole discretion. The withdrawal of any Incentive Programme shall not affect any Incentive Programme Benefits that have accrued to a Member prior to the time of such withdrawal.

22.12 Subject to Trading Regulation 21, a Member must not pursue, or permit any Client of the Member to pursue, a Market Making Strategy on the Exchange without first notifying the Exchange and entering into such agreements as the Exchange may specify, including any agreement required to satisfy any applicable legal or regulatory requirement. The Member must ensure that any activity it undertakes on the Exchange in pursuing a Market Making Strategy complies with the term of any such agreement, the Rules, including but not limited to the applicable requirements in Trading Regulation 21, and any relevant administrative procedure.

22.13 Regulation 22.12 above shall apply with effect from 3 January 2018.

## 23. **RECORDING OF TELEPHONE CALLS**

23.1 The Exchange may record:

- (a) telephone calls between representatives of Members and the Exchange; and
- (b) the telephone number from which representatives of Members call the Exchange, together with the time, date and content of the call,

and may maintain records relating to (a) and (b) above, in each case in accordance with the Exchange's policy on telephone recording from time to time and applicable law.

**PART 3**  
**TRADING REGULATIONS**

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**CONTENTS**

| <b>Section</b> |  | <b>Page</b> |
|----------------|--|-------------|
| 1              | General  | 3-1         |
| 2              | Permitted Contracts and Contract Formation                 | 3-2         |
| 3              | The Matching System and Recording of Trades                | 3-8         |
| 4              | Price Information  | 3-14        |
| 5              | Settlement Prices and Other Official Prices                | 3-15        |
| 6              | Closing Prices and Margin                                  | 3-18        |
| 7              | Payment System   | 3-19        |
| 8              | Prompt Dates   | 3-19        |
| 9              | Settlement of Contracts                                    | 3-21        |
| 10             | Delivery – General   | 3-29        |
| 11             | Dealings in the Ring                                       | 3-30        |
| 12             | Dealings on LME Select                                     | 3-37        |
| 13             | Trade Invalidation and Cancellation                        | 3-43        |
| 14             | Prohibited Practices                                       | 3-43        |
| 15             | When the Clearing House May Fix Prices                     | 3-44        |
| 16             | Who May Trade in the Ring or on LME Select                 | 3-44        |
| 17             | Emergencies  | 3-45        |
| 18             | Lending Rules  | 3-47        |
| 19             | Liability  | 3-48        |
| 20             | Position Limits  | 3-49        |
| 21             | Conformance Testing, Algorithmic Trading and Market Making | 3-49        |
| 22             | Order Cancellation and Controls                            | 3-51        |
| 23             | Transaction Reporting                                      | 3-51        |



## **PART 3: TRADING REGULATIONS**

### **1. GENERAL**

- 1.1 Members who wish to access any of the Exchange's systems must meet all prescribed connectivity requirements, as amended by the Exchange from time to time. Members must ensure that any connectivity solutions that are utilised have the appropriate degree of resiliency.
- 1.2 The Exchange may fix and from time to time alter the hours of opening and closing the Exchange, the hours for trading by open outcry in the Ring and the hours for trading on LME Select.
- 1.3 The Exchange may, at its absolute discretion, acting reasonably suspend trading on one or more of the Exchange trading venues for such period it considers necessary in the interests of maintaining a fair and orderly market. Trading will be resumed as soon as reasonably practicable following any such suspension of a trading venue.
- 1.4 Members may:
  - (a) enter into Agreed Trades; or
  - (b) (in relation to Registered Intermediating Brokers) arrange Agreed Trades,at any time on a Business Day notwithstanding that the Exchange may not be open at the time.
- 1.5 The Exchange may establish such arrangements as it considers appropriate to prevent disorderly trading and breaches of capacity limits including, without limitation, procedures to establish the maximum price fluctuations on the market for each Metal Contract, which may as a consequence lead to the restriction or suspension of business.
- 1.6 The making by a Trading Member of Contracts shall be subject to the Rules of the Exchange (of which the Trading Regulations form a part). Cleared Contracts shall in addition be subject to the Clearing House Rules.
- 1.7 Contracts may be written only by Trading Members and accordingly at least one party to every Contract must be such a Member. LME Base Contracts may be written only by Category 1, 2, 3 or 4 Members. LMEprecious Contracts may be written only by LMEprecious Members.
- 1.8 A Contract resulting from an Agreed Trade arranged by a Registered Intermediating Broker must have, as at least one party, a Trading Member, which shall be regarded as the party that has entered into such Contract.
- 1.9 All Contracts shall be governed by the Rules including:
  - (a) the Trading Regulations;
  - (b) the Contract Regulations;
  - (c) the Traded Options Regulations,
  - (d) the Monthly Average Future Regulations;

- (e) the Special Rules for the relevant metal, LMEmini Contract, Cash-Settled Future or for the Construction of the Index;
  - (f) the Premium Contract Regulations;
  - (g) the LMEprecious Regulations; and
  - (h) (in respect of Cleared Contracts) the Clearing House Rules,
- as effectively as if the same had been expressly inserted therein.

## 2. **PERMITTED CONTRACTS AND CONTRACT FORMATION**

### 2.1 **Permitted Contracts**

2.1.1 Members, other than Registered Intermediating Brokers, may act only as principals. In all dealings with non-Members they shall comply with the provisions contained in the Rules which refer to relations with Clients and to dealings with Clients.

2.1.2 All dealing by Members in Metal Contracts, LMEmini Contracts, Index Contracts, Cash-Settled Futures, Monthly Average Futures, Premium Contracts and LMEprecious Contracts made subject to the Rules of the Exchange must be evidenced by:

- (a) a Cleared Contract; and/or
- (b) one or more Cleared Contracts and one or more Client Contracts,

and the details of the Agreed Trade that results in the formation of such Contract(s) must be input into the Matching System by the Member. This Regulation shall not impose on the Clearing House any obligation which is not imposed on it by the Clearing House Rules.

2.1.3 Any Contract, except Index Contracts, Cash-Settled Futures, LMEmini Contracts, Monthly Average Futures, Premium Contracts and LMEprecious Contracts, may be written with the price or premium payable in any one of the following currencies and no other: US dollar, euro, Japanese yen or sterling. Index Contracts, Cash-Settled Futures, LMEmini Contracts, Monthly Average Futures, Premium Contracts and LMEprecious Contracts shall be written with the price or premium payable solely in US dollars.

### 2.2 **Contract Formation**

2.2.1 The basis on which Contracts shall be formed shall be as set out in this Trading Regulation 2.

2.2.2 Agreed Trades may be made:

- (a) in the Ring; or
- (b) in LME Select; or
- (c) in the inter-office market,

(and each of (a), (b) and (c) shall be an "**Execution Venue**"), subject to any restrictions regarding the permissible trading venues for any type of Contract specified in these Rules.

2.2.3 An Agreed Trade shall constitute the agreement of the terms of a transaction for the purpose of enabling Contracts to be formed between each Clearing Member that is:

- (a) party to the Agreed Trade; or
- (b) responsible for the clearing of the Agreed Trade,

and the Clearing House, subject to and in accordance with the Acceptance Criteria of the Clearing House. An Agreed Trade shall not itself constitute a binding contractual agreement between the parties to the Agreed Trade (whether as a Cleared Contract or otherwise) unless and to the extent otherwise specified in these Rules.

2.2.4 A Clearing Member shall be "**responsible for the clearing of an Agreed Trade**" where:

- (a) one party to the Agreed Trade is a Client of the Clearing Member; and
- (b) the Client and the Clearing Member have established arrangements for such Agreed Trade to be cleared by the Clearing Member.

2.2.5 An Agreed Trade shall result in the formation of one or more Contracts when it is Executed, in accordance with the applicable Rules governing Execution for the Execution Venue within which the Agreed Trade was agreed.

## 2.3 **Execution of trades in the Ring**

2.3.1 Where an Agreed Trade is made in the Ring and satisfies the Acceptance Criteria, the following shall apply.

- (a) The time of such agreement between two Clearing Members shall be the Execution Time.
- (b) At the Execution Time, Cleared Contracts shall be automatically and immediately formed between the Clearing House and each Member that is party to the Agreed Trade, subject to and in accordance with the Clearing House Rules.

## 2.4 **Execution of trades in LME Select**

2.4.1 Where an Agreed Trade is made in LME Select, the following shall apply.

- (a) The Agreed Trade made in LME Select shall, provided that it satisfies the Acceptance Criteria, be Executed at the time that LME Select confirms that the Agreed Trade is matched and that all Pre-Execution Checks are satisfied (and such time shall be the Execution Time).
- (b) At the Execution Time, Cleared Contracts shall be automatically and immediately formed between the Clearing House and each Member that is party to, or responsible for the clearing of, the Agreed Trade, subject to and in accordance with the Clearing House Rules.

## 2.5 **Execution of trades in the inter-office market**

2.5.1 Where an Agreed Trade is made in the inter-office market, otherwise than when it is made by a Registered Intermediating Broker, the following process shall apply.

- (a) Upon the agreement of an Agreed Trade in the inter-office market, the parties to the Agreed Trade shall become bound to a Contingent Agreement to Trade.
- (b) The obligations of the parties to the Contingent Agreement to Trade shall be as specified in Regulation 2.10 below.
- (c) The Agreed Trade shall, provided that it satisfies the Acceptance Criteria, be Executed at the time that the Matching System confirms that the Agreed Trade is matched and that all Pre-Execution Checks are satisfied (and such time shall be the Execution Time).
- (d) At the Execution Time:
  - (i) Cleared Contracts shall be automatically and immediately formed between the Clearing House and each Member that is party to, or responsible for the clearing of, the Agreed Trade, subject to and in accordance with the Clearing House Rules; and
  - (ii) the Contingent Agreement to Trade shall be discharged.

2.5.2 Where an Agreed Trade is arranged in the inter-office market by a Registered Intermediating Broker, the following process shall apply:

- (a) The Registered Intermediating Broker shall act as agent for each of its Clients, for the purposes of agreeing the Agreed Trade between such Clients.
- (b) Upon agreement of the particulars of the Agreed Trade by each Client, the Registered Intermediating Broker shall, using the Matching System RIB Screen, submit such particulars to the Clearing Member nominated by each Client as being responsible for the clearing of the Contracts that will arise upon Execution of the Agreed Trade.
- (c) Each such Clearing Member shall promptly review such particulars, and record within the Matching System, within the timescales specified in Regulation 3.5 below, whether such Clearing Member approves the Agreed Trade.
- (d) Upon confirmation within the Matching System that both Clearing Members (or, where both Clients have appointed the same Clearing Member, the Clearing Member) have approved the Agreed Trade, the Agreed Trade shall, provided that it satisfies the Acceptance Criteria, be Executed at the time that the Matching System confirms that the Agreed Trade is matched and that all Pre-Execution Checks are satisfied (and such time shall be the Execution Time).
- (e) At the Execution Time, Cleared Contracts shall be automatically and immediately formed between the Clearing House and each Clearing Member that is party to, or responsible for the clearing of, the Agreed Trade, subject to and in accordance with the Clearing House Rules.

## 2.6 **Formation of Client Contracts**

2.6.1 Where an Agreed Trade is made between:

- (a) a Clearing Member and its Client; or



- (b) a Client of a Clearing Member and any other person, pursuant to an arrangement where the Clearing Member is to be responsible for the clearing of the Agreed Trade,

and upon Execution of the Agreed Trade, one or more Cleared Contracts are formed between the Clearing House and the Clearing Member, then a back-to-back Client Contract shall automatically and immediately come into effect between the Clearing Member and the Client having the same terms as the Cleared Contract and having the same direction as the Cleared Contract, such that:

- (i) where the Member is the Buyer under the Cleared Contract, it shall be the Seller under the Client Contract; and
- (ii) where the Member is the Seller under the Cleared Contract, it shall be the Buyer under the Client Contract.

2.6.2 Where the Client is a Category 4 Member or an LMEprecious Non-Clearing Member, and the Agreed Trade is made by the Category 4 Member or LMEprecious Non-Clearing Member with its own Client, then, in addition to the Client Contract formed pursuant to Regulation 2.6.1 above, an additional back-to-back Client Contract shall automatically and immediately come into effect between the Category 4 Member or LMEprecious Non-Clearing Member and its Client, having the same terms and direction as the Client Contract formed under Regulation 2.6.1, such that:

- (a) where the Member is the Buyer under the Client Contract formed under Regulation 2.6.1, it shall be the Seller under the Client Contract formed under this Regulation 2.6.2; and
- (b) where the Member is the Seller under the Client Contract formed under Regulation 2.6.1, it shall be the Buyer under the Client Contract formed under this Regulation 2.6.2.

2.6.3 A Client Contract shall be deemed to come into effect pursuant to this Regulation 2.6 where both parties to the Client Contract are Members.

2.6.4 Where any party to a Client Contract is not a Member, the back-to-back Client Contract shall come into effect pursuant to the terms of business between the Member and the Client. Any Member seeking to enter into Client Contracts with Clients that are not Members must ensure that its terms of business with such Clients contain provisions giving effect to this Regulation 2.6, and which provide that such Client Contracts shall incorporate and be subject to these Rules.

## 2.7 **LME Select API**

2.7.1 In the event that a Member makes available to a Client the order-routing facility of the LME Select API and due to any use by a Client of the order-routing facility of the LME Select API:

- (a) one or more Cleared Contracts come into effect between the Clearing House and a Clearing Member; and
- (b) one or more Client Contracts comes into effect between:

- (i) the Clearing Member and the Client (in accordance with Regulation 2.6.1); and / or
- (ii) the Clearing Member and a Category 4 Member or LMEprecious Non-Clearing Member (in accordance with Regulation 2.6.1); and / or
- (iii) a Category 4 Member or LMEprecious Non-Clearing Member and its Client (in accordance with Regulation 2.6.2)

then:

- (1) such Client Contract(s) shall be on the same commercial terms as the Cleared Contract, save that the price of the back-to-back Client Contract(s) may be marked-up or down to reflect a commission payable by the Client to the relevant Member, provided that such mark-up or mark-down to the price has been input into the Matching System prior to the Execution Time;
- (2) when the particulars of the Agreed Trade are input into the Matching System, the Clearing Member that is to become party to the Client Contract must ensure that the particulars of the Agreed Trade that will result in the Client Contract are also input into the Matching System, including the identification of the accounts to which the resulting Cleared Contract(s) should be allocated and the identification of any details reflecting the arrangements specified in (1) above, in accordance with Administrative Procedures; and
- (3) Members are reminded that a Metal Future or Premium Contract is a promise by one party to deliver metal to the other party on the specified Prompt Date and a promise by the other party to pay for that metal on the Prompt Date, and that the obligations to take and to deliver metal must remain open until such specified Prompt Date, subject to any provision of these Rules that specifies otherwise.

## 2.8 **Pre-Execution Checks**

2.8.1 The Exchange and/or the Clearing House will conduct the following checks prior to allowing an Agreed Trade made in LME Select or the inter-office market to be Executed:

- (a) the Agreed Trade is for a valid Contract, including having a valid Prompt Date (if applicable);
- (b) each Member that is to be party to a Cleared Contract upon Execution of the Agreed Trade is permitted to clear such Cleared Contract;
- (c) any Member that is to be party to a Client Contract upon Execution of the Agreed Trade is permitted to issue such Client Contract;
- (d) the transaction price or, in the case of a Traded Option, premium, is within an acceptable range, as specified by the Exchange from time to time;

- (e) the Agreed Trade is within any parameters (with respect to the number of Lots and notional value) specified by the Member within the pre-trade risk management functionality within the Matching System;
- (f) the transaction details identifying the correct position keeping account(s) at the Clearing House to which the resulting Cleared Contracts should be allocated have been entered into the Matching System;
- (g) (in respect of Agreed Trades made in the inter-office market), the Clearing Member responsible for the Agreed Trade meets the Acceptance Criteria; and
- (h) such other checks as the Exchange and/or the Clearing House may deem prudent or appropriate from time to time.

## 2.9 **Post-Execution Checks**

- 2.9.1 The Exchange and/or the Clearing House will conduct the checks specified in Trading Regulation 2.8.1(a) to (h) above following the Execution of an Agreed Trade made in the Ring.
- 2.9.2 The Exchange and/or the Clearing House will, following the Execution of an Agreed Trade made in LME Select, check that the Clearing Member responsible for the Agreed Trade has sufficient collateral with the Clearing House to cover the additional risk(s) represented by the Cleared Contract(s) resulting from the Execution of the Agreed Trade.
- 2.9.3 For the avoidance of doubt, where an Agreed Trade falling within Trading Regulations 2.9.1 or 2.9.2 above fails any of the checks specified therein, such failure shall not affect the validity of the Execution of the Agreed Trade or the Contracts that have come into effect upon such Execution.

## 2.10 **Contingent Agreement to Trade**

- 2.10.1 The terms of a Contingent Agreement to Trade shall be as set out below:
  - (a) where both parties to the Contingent Agreement to Trade are Members:
    - (i) the Contingent Agreement to Trade shall be deemed to come into effect at the time of agreement between the Members of the particulars of the Agreed Trade, and shall be subject to, and governed by, these Rules; and
    - (ii) the obligations of the parties to the Contingent Agreement to Trade shall be to submit the particulars of the Agreed Trade to the Matching System within the timescales specified in Regulation 3.5 below;
  - (b) where only one party to the Contingent Agreement to Trade is a Member, the Member shall:
    - (i) be responsible for submitting the particulars of the Agreed Trade into the Matching System in accordance with Regulation 2.10.1(a)(ii);
    - (ii) ensure that its terms of business with the other party (being a Client):

- (1) specify that any Contingent Agreement to Trade shall come into effect pursuant to such terms of business, and shall incorporate and be subject to, these Rules; and
  - (2) oblige the other party to become bound to the Contingent Agreement to Trade on the basis that the other party's obligations shall be to become bound to, and perform, the Client Contract that shall come into effect in accordance with Regulation 2.6 upon Execution of the Agreed Trade.
- 2.10.2 A Member that is party to a Contingent Agreement to Trade must not submit the particulars of the Agreed Trade into the Matching System if such Member has been declared a Defaulter under these Rules.
- 2.10.3 In the event that a Member that is party to a Contingent Agreement to Trade fails to fulfil its obligations to submit the particulars of the Agreed Trade into the Matching System within the timescales specified in Regulation 3.5:
  - (a) the Member may be subject to disciplinary action for an act of misconduct in accordance with Membership Regulation 14;
  - (b) the Member shall be in breach of the Contingent Agreement to Trade and the Member acknowledges that it shall be liable to the other party to the Contingent Agreement to Trade for any loss suffered by such party as a consequence of such breach; and
  - (c) in the event that the Member becomes a Defaulter after entering into the Contingent Agreement to Trade, the Contingent Agreement to Trade shall automatically and immediately be terminated for all purposes, without prejudice to any liability that may have accrued pursuant to Regulation 2.10.3(b) above. For the avoidance of doubt, and in the absence of any specific agreement to the contrary, the references to "all purposes" above shall include the possible existence of any bilateral (OTC) contract.
- 2.10.4 Any dispute between the parties to a Contingent Agreement to Trade shall, unless resolved between the parties, be referred by either party to arbitration in accordance with the Arbitration Regulations.
- 2.10.5 For the avoidance of doubt, a Contingent Agreement to Trade shall not itself be a derivative contract for the purpose of EMIR or MiFID II, although the Cleared Contracts and any Client Contracts that arise pursuant to the Execution of the Agreed Trade to which the Contingent Agreement to Trade relates may be derivative contracts for such purposes.
- 2.11 **Give-Ups**
  - 2.11.1 In the event that a Member agrees an Agreed Trade that is to be the subject of a give-up, such Member must comply with such technical, procedural and timing requirements as may be specified in Administrative Procedures, including any requirements relating to: (i) the specification of the accounts at the Clearing House to which the Cleared Contract(s) resulting from the Execution of the Agreed Trade should be allocated; and (ii) any subsequent cancellation or reversal of such Cleared Contract(s) upon acceptance of the give-up by another Clearing Member.

2.11.2 Where a Clearing Member accepts a give-up:

- (a) such Clearing Member shall comply with such technical, procedural and timing requirements as may be specified in Administrative Procedures to facilitate the acceptance of the give-up; and
- (b) the acceptance of the give-up shall, at the time that the Matching System confirms that the Agreed Trade represented by such acceptance satisfies the Acceptance Criteria and that all Pre-Execution Checks are satisfied (such time being the Execution Time), be deemed to result in the Execution of an Agreed Trade between the Clearing Member and the Client which shall result in the formation of a Client Contract between the Clearing Member and the Client, in accordance with Regulation 2.6 above.

2.12 **Requirements for Registered Intermediating Brokers**

2.12.1 The following requirements apply to Registered Intermediating Brokers and Agreed Trades and Contracts arranged by Registered Intermediating Brokers.

2.12.2 Registered Intermediating Brokers shall be permitted to arrange Agreed Trades only in the inter-office market. Registered Intermediating Brokers shall not be permitted to arrange Agreed Trades in the Ring, or through the facilities of LME Select.

2.12.3 Registered Intermediating Brokers may not arrange, or submit to the Matching System, any Agreed Trade the execution of which would result in such Registered Intermediating Broker becoming a counterparty to any resulting Contract (including as a Client of any other Member).

2.12.4 Registered Intermediating Brokers may arrange Agreed Trades between persons who are either Members or non-Members, and each such person shall in these circumstances be a Client of the Registered Intermediating Broker.

2.12.5 In order to arrange an Agreed Trade between two Clients, a Registered Intermediating Broker must first:

- (a) have established appropriate contractual arrangements with each Client addressing at least the following:
  - (i) the Registered Intermediating Broker must be authorised to act as the agent of such Client for the purposes of arranging Agreed Trades with other Clients of such Registered Intermediating Broker;
  - (ii) the Registered Intermediating Broker must be authorised to submit to the Matching System the particulars of any Agreed Trade, for and on behalf of such Client;
  - (iii) the Registered Intermediating Broker must maintain appropriate technical and operational arrangements with each of its Clients to ensure that details of Agreed Trades are accurately recorded, reflecting a matched transaction all relevant details of which have been agreed by each Client, and capable of being input into the Matching System in accordance with these Rules;

- (iv) the basis on which the parties shall respectively be liable for any Agreed Trade that is input into the Matching System in error or that is inputted inaccurately;
  - (v) the basis on which the Registered Intermediating Broker may otherwise be liable to the Client in connection with its performance of services on such Client's behalf, and any limitations on such liability;
- (b) have established that each Client has:
  - (i) appointed a Clearing Member that will be responsible for clearing the Contract(s) resulting from the Execution of such Agreed Trade on behalf of such Client, and identified such Clearing Member to the Registered Intermediating Broker;
  - (ii) established with such Clearing Member the scope of authority to be exercised by the Registered Intermediating Broker to arrange Agreed Trades on behalf of the Client and to submit such Agreed Trades to the Matching System for clearing by the Clearing Member, including:
    - (1) any requirements, restrictions or limitations imposed by the Client on the Agreed Trades that may be arranged by the Registered Intermediating Broker; and
    - (2) any requirements, restrictions or limitations imposed by the Clearing Member on the Agreed Trades that may be cleared for the Client,

(the "**RIB Scope of Authority**");
  - (iii) established appropriate arrangements with such Clearing Member to ensure that the Clearing Member will accept for clearing any Agreed Trades arranged by the Registered Intermediating Broker that fall within the RIB Scope of Authority;
  - (iv) communicated to the Registered Intermediating Broker the RIB Scope of Authority;
  - (v) where such Client is a Member, and the Execution of the Agreed Trade would result in the creation of one or more Client Contracts between such Member and its own Client (and, where relevant between such Client and any Indirect Clients), that there are appropriate contractual arrangements in place between each party in the chain of Client Contracts; and
- (c) have established to which accounts of the Clearing Member at the Clearing House the Contracts resulting from the Execution of the Agreed Trade should be recorded.

2.12.6 A Registered Intermediating Broker must maintain appropriate systems and controls to ensure that its RIB Scope of Authority for each of its Clients are at all times (i) up-to-date within its own books and records; and (ii) notified to the relevant Clearing Member.

2.12.7 Without prejudice to the generality of Regulation 2.12.6 above, in the event that a Client of a Registered Intermediating Broker withdraws the authorisation of the Registered

Intermediating Broker to arrange Agreed Trades on its behalf and/or to arrange the clearing of such Agreed Trades with any Clearing Member, such Registered Intermediating Broker must immediately notify the relevant Clearing Member.

2.12.8 In the event that a Registered Intermediating Broker inputs the particulars of an Agreed Trade into the Matching System and either:

- (a) the Agreed Trade is not accepted within the Matching System by the Clearing Member within the timescale specified in Regulation 3.5; or
- (b) the Clearing Member rejects the Agreed Trade,

then the Registered Intermediating Broker must promptly take reasonable steps to: (i) liaise with the Clearing Member and the relevant Clients; (ii) identify the cause of the rejection or delay of approval; and (iii) resolve the underlying issue.

2.12.9 Upon the resolution of the underlying issue pursuant to Regulation 2.12.8 above, the Registered Intermediating Broker must promptly re-submit the Agreed Trade to the Matching System through the Matching System RIB Screen. Such re-submission shall be effected within such timescales as are specified in Regulation 3.5, as if the time at which the underlying issue was resolved were treated as the time at which the particulars of the Agreed Trade were agreed.

## 2.13 **Use of Registered Intermediating Brokers: Requirements for Members**

2.13.1 Without prejudice to the obligations of the Registered Intermediating Broker under these Rules, a Member that uses a Registered Intermediating Broker shall retain responsibility for any Agreed Trades input into the Matching System by a Registered Intermediating Broker acting on such Member's behalf.

2.13.2 Where a Member uses a Registered Intermediating Broker to arrange any Agreed Trade that will, upon Execution, result in the creation of one or more Client Contracts (as specified in Regulation 2.12.5(b)(v) above), such Member must, prior to allowing such Registered Intermediating Broker to arrange any such Agreed Trade, provide to the Registered Intermediating Broker a list of the Clients and Indirect Clients of the Member in respect of which the Registered Intermediating Broker may arrange such Client Contracts. The Member must ensure that the Registered Intermediating Broker is at all times in receipt of an accurate and up-to-date list. The Member must provide such list to the Exchange promptly upon request.

2.13.3 A Clearing Member that agrees with any Client to permit a Registered Intermediating Broker to arrange Agreed Trades for such Client that may, upon Execution, be cleared by such Clearing Member, must:

- (a) maintain appropriate systems and controls to ensure that such Clearing Member is at all times able to confirm the RIB Scope of Authority prescribing the scope of permitted activity that such Registered Intermediating Broker may undertake for such Client; and
- (b) upon receipt of an instruction from such Client indicating that such Registered Intermediating Broker is no longer to be authorised to arrange Agreed Trades on its behalf, or to clear such trades through the Clearing Member, promptly take such steps as are prudent and reasonable to ensure that no further Agreed Trades in

respect of such Client that are submitted to the Clearing Member for approval by such Registered Intermediating Broker shall be approved.

- 2.13.4 A Clearing Member may reject an Agreed Trade input into the Matching System by a Registered Intermediating Broker where such Agreed Trade breaches the RIB Scope of Authority (including any limits agreed between the Clearing Member and a relevant Client).
- 2.13.5 In the event that a Registered Intermediating Broker inputs incorrect data into the Matching System in respect of an Agreed Trade and such error is identified prior to the Execution of the Agreed Trade:
- (a) the Registered Intermediary Broker must, upon identifying the error, immediately notify the Clearing Member;
  - (b) the Clearing Member must not allow an Agreed Trade, in respect of which it has received notification of an error pursuant to (a), to proceed to Execution unless and until the error has been resolved and correct information input into the Matching System;
  - (c) following receipt of such notification by the Clearing Member, the Clearing Member and the Registered Intermediating Broker must co-operate in good faith to promptly resolve the error and ensure that the correct data is input into the Matching System prior to the Execution of the Agreed Trade; and
  - (d) in the event that the error is not capable of being corrected within the timescale for approval or rejection of the Agreed Trade pursuant to Regulation 3.5.1(c)(iii), the Clearing Member must reject the Agreed Trade;
  - (e) where an Agreed Trade is to be cleared by more than one Clearing Member and an error relating to an Agreed Trade relates to, or affects, the details of the Agreed Trade that is to be approved by both Clearing Members, both Clearing Members must co-operate with the Registered Intermediating Broker and with each other to resolve the error and ensure that the correct information in respect of the Agreed Trade is input into the Matching System.
- 2.13.6 In the event that a Registered Intermediating Broker inputs incorrect data into the Matching System in respect of an Agreed Trade and such error is not identified prior to the Execution of the Agreed Trade, any liability for losses resulting to the Client and/or the Clearing Member as a consequence of such error shall be determined by the contractual terms between the Client, the Registered Intermediating Broker and, if applicable, the Clearing Member and shall not be prescribed by these Rules.
- 2.14 **Delta Hedging of Option Contracts by Registered Intermediating Brokers**
- 2.14.1 The Matching System provides functionality to enable RIB Tier 2 Members to arrange Agreed Trades in RIB Tier 1 Products that are Futures and/or Monthly Average Futures, subject to complying with the restrictions set out in this Regulation 2.14, and notwithstanding that the RIB Tier 2 Member does not otherwise have authority under these Rules to arrange Agreed Trades in RIB Tier 1 Products.
- 2.14.2 RIB Tier 2 Members may use the functionality described in this Regulation 2.14 in order to arrange Agreed Trades in RIB Tier 1 Products only where such arrangements comprise



part of the same “strategy” in relation to which the RIB Tier 2 Member has arranged Agreed Trades in one or more Traded Option Contracts. The purpose of such strategy must be limited to hedging the initial delta risk arising from the Traded Option Contract(s). An arrangement of the kind described in this Regulation 2.14.2 shall be referred to as a “**Delta Hedged Strategy**”. Delta Hedged Strategies may comprise one or more Agreed Trades in Traded Option Contracts and the relevant RIB Tier 1 Products, but all of the Agreed Trades comprising a Delta Hedged Strategy must be submitted to the Matching System simultaneously.

2.14.3 Where a RIB Tier 2 Member arranges a Delta Hedged Strategy, any RIB Tier 1 Product comprising, or forming part of, such Delta Hedged Strategies shall be deemed to be a RIB Tier 2 Product in respect of which the RIB Tier 2 Member is permitted to arrange Agreed Trades, provided that:

- (a) all of the relevant Agreed Trades comprise part of the same Delta Hedged Strategy;
- (b) all Agreed Trades in RIB Tier 1 Products that comprise, or form part of, the Delta Hedged Strategy must be arranged solely for the purpose of hedging the delta risks arising from, or associated with, the Agreed Trades arranged in the Traded Option Contracts;
- (c) the counterparties to any Agreed Trade in the RIB Tier 2 Products that forms part of the Delta Hedged Strategy must also be the counterparties to the Agreed Trade(s) in the RIB Tier 1 Product(s) that comprise, or form part of, Delta Hedged Strategy;
- (d) the number of Lots of the relevant RIB Tier 1 Products must be consistent with the delta risk exposure within the Delta Hedge for the related RIB Tier 2 Product that is a Traded Options Contract.

2.14.4 In the event that a RIB Tier 2 Member arranges any Agreed Trade in a RIB Tier 1 Product otherwise than pursuant to a legitimate Delta Hedged Strategy, or in breach of the requirements specified in Regulation 2.14.2 and 2.14.3 above, such circumstance shall be an act of misconduct by the RIB Tier 2 Member for the purposes of Regulation 14 of the Membership Regulations, and may result in disciplinary action against the Member by the Exchange. In such circumstances, the disciplinary action available to the Disciplinary Committee may include, in addition to the penalties set out in Membership Regulation 14.22, the suspension of the RIB’s access to the Matching System RIB Screen, or the suspension of access of any one or more individuals acting for, or on behalf of, the RIB, who the Exchange determines was involved in the act of misconduct. Any such suspension shall be for such period as the Exchange may determine.

### 3. **THE MATCHING SYSTEM AND RECORDING OF TRADES**

#### 3.1 **Responsibility for Trade Input**

3.1.1 Each Trading Member shall be responsible for the input into the Matching System of all Agreed Trades by him in relation to Contracts. Where a Registered Intermediating Broker arranges an Agreed Trade for a Trading Member, the Trading Member may permit the Registered Intermediating Broker to input the Agreed Trade into the Matching System on its behalf, but the Trading Member shall remain responsible, for the input of such Agreed Trade into the Matching System.

3.1.2 In all other circumstances where an Agreed Trade is arranged by a Registered Intermediating Broker, the Registered Intermediating Broker shall be responsible for the input into the Matching System of all Agreed Trades arranged by him in relation to Contracts.

3.1.3 For the purpose of input of Agreed Trades, Trading Members and Registered Intermediating Brokers shall install and maintain within their offices such electronic data input and capture systems as may be required and approved by the Exchange for the purpose of using the Matching System. They shall ensure the operational capability of such systems at all times and operate the same in accordance with any terms as may be prescribed by the Exchange.

### 3.2 **Form for Recording of Trades**

3.2.1 Agreed Trades made in the Ring shall be recorded as they are agreed on such form as may be approved by the Exchange, and shall also be input into the Matching System.

3.2.2 All other Agreed Trades made by Trading Members shall be recorded on Trading Members' own recording documentation and shall also be input into the Matching System.

3.2.3 All Agreed Trades arranged by Registered Intermediating Brokers shall be recorded on such Registered Intermediating Brokers' own recording documentation and shall also be inputted into the Matching System, subject to, and following the approval of such Agreed Trade by the Clearing Members that will be responsible for clearing such Agreed Trade.

3.2.4 All Agreed Trades required to be input into the Matching System shall be input in such form and within such time as may be prescribed by the Exchange from time to time.

### 3.3 **Identification of Clearing House Accounts**

3.3.1 Each Clearing Member must, in respect of each Agreed Trade that it inputs, or allows to be input by a RIB, to the Matching System specify to which account at the Clearing House the resulting Cleared Contracts should be allocated. It is the sole responsibility of the Clearing Member to ensure that any Cleared Contract that is to be allocated to a "client account" (whether it is an "omnibus" client account, an "individually segregated" client account or an "indirect" client account) is so allocated through the input of the relevant information into the Matching System. Where an Agreed Trade is:

- (a) entered into by a Category 4 Member or an LMEprecious Non-Clearing Member;  
or
- (b) arranged by a Registered Intermediating Broker on behalf of a Client that has appointed the Clearing Member to clear the Contracts resulting from the Execution of the Agreed Trade,

such Member and the Clearing Member that is responsible for clearing the Agreed Trade shall comply with the Administrative Procedures with respect to the requirements for identifying the account(s) at the Clearing House to which the resulting Cleared Contracts should be allocated.

3.3.2 Members shall comply with any requirements specified by the Clearing House and any requirements under applicable law (including EMIR) regarding the identification and allocation of Cleared Contracts to accounts at the Clearing House.

### 3.3.3 Where:

- (a) an Agreed Trade relates to an LME Base Contract:
  - (i) an Agreed Trade between two Clearing Members shall be allocated to each Clearing Member's house account at the Clearing House;
  - (ii) an Agreed Trade between a Client and the Clearing Member responsible for clearing the Agreed Trade shall result in the allocation of Cleared Contracts to both:
    - (1) the Clearing Member's house account; and
    - (2) the Clearing Member's appropriate client account at the Clearing House;
  - (iii) an Agreed Trade between a Client and any other person shall result in the allocation of Cleared Contracts to both:
    - (1) the house account of the Clearing Member responsible for clearing the Agreed Trade; and
    - (2) the client account of the Clearing Member responsible for clearing the Agreed Trade;
- (b) an Agreed Trade relates to an LMEprecious Contract:
  - (i) an Agreed Trade that is a proprietary trade of an LMEprecious Clearing Member shall be allocated to the house account of the LMEprecious Clearing Member at the Clearing House; and
  - (ii) an Agreed Trade made by a Member, and for which an LMEprecious LMEprecious General Clearing Member is responsible for clearing such Agreed Trade may be allocated to a house account of the LMEprecious General Clearing Member (where the Agreed Trade is a proprietary trade of the LMEprecious General Clearing Member falling within (i) above) or a client account of the LMEprecious General Clearing Member (in any other circumstance).

3.3.4 In the event that a Cleared Contract is allocated by the Clearing House to an administrative account due to any determination by the Clearing House that the details of the Agreed Trade submitted by a Member have incorrectly identified the account at the Clearing House to which the Cleared Contract should be allocated, the Member must, within the Opening Hours on the Business Day following the agreement of the Agreed Trade, submit corrected instructions to LME Clear, specifying the correct account to which the Cleared Contract should be allocated.

## 3.4 **Matching**

3.4.1 For the purpose of matching Agreed Trades the Exchange shall divide each Business Day into "Matching Periods". The Administrative Procedures shall specify the application of the Matching Periods.

3.4.2 Any dispute or difference between Trading Members as to matching of any Agreed Trade or alleged Agreed Trade may be referred to arbitration in accordance with the Rules of the Exchange by either such Trading Member.

### 3.5 **Deadlines**

3.5.1 Each Member responsible for the input of an Agreed Trade and all relevant particulars of the Agreed Trade into the Matching System (and, in (c) below, any Member responsible for approving an Agreed Trade) must do so within the following timescales:

- (a) where the Agreed Trade is made in LME Select, at the time of the input of the order for the Agreed Trade in LME Select;
- (b) where the Agreed Trade is made in the inter-office market (and has not been arranged by a Registered Intermediating Broker):
  - (i) (except where (ii) below applies) within 10 minutes of the Contingent Agreement to Trade in respect of the Agreed Trade having been agreed; or
  - (ii) where the Contingent Agreement to Trade in respect of the Agreed Trade is agreed:
    - (1) during the last 10 minutes of the Opening Hours of the Matching System; or
    - (2) outside the Opening Hours of the Matching System,  
within such timeframe as is specified by the Exchange from time to time; and
- (c) where the Agreed Trade is made in the inter-office market and has been arranged by a Registered Intermediating Broker:
  - (i) (except where (ii) below applies) the Registered Intermediating Broker must input the particulars of the Agreed Trade into the Matching System for approval by the Clearing Members within 10 minutes of the particulars of the Agreed Trade having been agreed;
  - (ii) where the particulars of the Agreed Trade are agreed:
    - (1) during the last 10 minutes of the Opening Hours of the Matching System; or
    - (2) outside the Opening Hours of the Matching System,  
the Registered Intermediating Broker must input the particulars of the Agreed Trade into the Matching System through the Matching System RIB Trade Entry Screen for approval by the Clearing Members within such timeframe as is specified by the Exchange from time to time; and
  - (iii) the Clearing Member must approve or reject such Agreed Trade within the Matching System, within 10 minutes of the input of such particulars into the Matching System; and

- (d) where the Agreed Trade is made in the Ring, within 10 minutes of the close of the Ring trading-period in which the Agreed Trade was Executed.

Any failure by a Member to comply with this Regulation 3.5 shall be an act of misconduct for the purposes of Regulation 14 of the Membership Regulations, and may result in disciplinary action against the Member by the Exchange.

3.5.2 Where an Agreed Trade is made in the inter-office market and its particulars are not entered into the Matching System:

- (a) (except where (b) or (c) below applies) by the close of the Opening Hours for the Business Day on which (as applicable):
  - (i) the Contingent Agreement to Trade in respect of the Agreed Trade has been agreed; or
  - (ii) the particulars of an Agreed Trade arranged by a Registered Intermediating Broker have been agreed; or
- (b) where the Contingent Agreement to Trade in respect of the Agreed Trade is agreed outside the Opening Hours, by the next following close of the Opening Hours; or
- (c) where the particulars of an Agreed Trade arranged by a Registered Intermediating Broker are agreed outside the Opening Hours, by the next following close of the Opening Hours,

the Matching System will not accept the Agreed Trade.

### 3.6 **Presentation of Particulars**

3.6.1 Only Agreed Trades which have been agreed in accordance with these Rules, and which satisfy the Acceptance Criteria of the Clearing House, may give rise to Contracts.

3.6.2 Particulars of an Agreed Trade presented to the Clearing House by the Matching System shall be deemed to be presented by the Clearing Members in whose names it is presented and accordingly, under the Clearing House Rules, presentation of the particulars by the Matching System shall constitute confirmation of the Agreed Trade by those Clearing Members.

3.6.3 Upon such presentation of particulars the Clearing House shall, subject as provided in the Clearing House Rules, send to each Clearing Member in whose name they are confirmed a member-registration statement showing the date and other particulars of each accepted Agreed Trade and the resulting Cleared Contract or a summary thereof. If the Clearing House does not accept an Agreed Trade particulars of which have been presented to it, it shall notify the contracting parties within a reasonable time. This provision is without prejudice to, and subject to, the rights and obligations of the Clearing House under the Clearing House Rules.

### 3.7 **Maintenance of Records**

3.7.1 Every Trading Member and Registered Intermediating Broker shall keep such records, with such content and in such form, as may be required to demonstrate compliance by the Member with the Rules.

In particular, Trading Members shall keep records of all Agreed Trades and resulting Contracts in such form as the Exchange may approve and such records shall include the following details:-

- (a) name of the other party;
- (b) whether the Member has bought or sold or, in the case of a Traded Option, granted or taken;
- (c) the metal or Precious Metal or Index or Cash-Settled Future Index;
- (d) whether the Contract is an LMEmini Contract;
- (e) Prompt Date (if applicable) and, in the case of a Traded Option, maturity or declaration month, Strike Price, and whether the Traded Option is a put or a call,
- (f) whether the Contract is a Monthly Average Future and, if so (i) the tradeable month which is to be used to calculate the Monthly Average Settlement Price; and (ii) the fixed price agreed between the buyer and the seller in the Contract;
- (g) whether the Contract is a Premium Contract;
- (h) in relation to any Premium Contract:
  - (i) the Premium Warrant Jurisdiction; and
  - (ii) the Premium Contract Price; and
  - (iii) any other details specified in the Premium Contract Regulations;
- (i) whether the Contract is an LMEprecious Contract;
- (j) quantity;
- (k) transaction price or, in the case of a Traded Option, premium; and
- (l) date and time of transaction; and
- (m) in relation to any Cleared Contract, the account of the Clearing House to which the Cleared Contract has been allocated by the Clearing Member, which may include for the avoidance of doubt, the Clearing Member's "house" or "proprietary" account, or a relevant "client" account, being either segregated on an "omnibus" basis or an "individual" basis with respect to the Clearing Member's Clients and, where relevant, Indirect Clients of the Clearing Member.

Registered Intermediating Brokers shall keep records of all Agreed Trades that they have arranged, in such form as the Exchange may approve, and such records shall include the following details:-

- (i) the names of the parties to the Agreed Trade (including whether such parties are Members);
- (ii) the identities of the Clearing Member(s) that are responsible for clearing the Contracts resulting from Execution of the Agreed Trade; and

- (iii) the details specified in paragraphs (b) to (m) above (subject that where any such paragraph refers to a Member, the RIB shall record the details relating to each counterparty to the Agreed Trade).

3.7.2 The time of a transaction effected by open outcry in the Ring shall be recorded by denoting the Ring-trading period in which the transaction is effected, using the appropriate abbreviation from below, as detailed further in the Matching Rules:-

"R1" for the first Ring of the first session;

"R2" for the second Ring of the first session;

"K1" for the ensuing kerb;

"R3" for the first Ring of the second session;

"R4" for the second Ring of the second session;

"K2" for the ensuing kerb.

### 3.8 **Post-Compression Contracts**

3.8.1 For the avoidance of doubt, nothing in this Regulation 3 shall require a Post-Compression Client Contract to be separately input into the Matching System as a consequence of its creation pursuant to Compression. The input of the original trade that gave rise to the Contract that was subject to Compression is sufficient to ensure that such trade (and any Contracts and Post-Compression Contracts resulting therefrom) is recorded in the Matching System.

### 3.9 **Pre-Requisites to Contract Formation**

3.9.1 Upon entry into the Matching System of the particulars of any Agreed Trade, each Member that is party to the Agreed Trade (or, in the case of a Registered Intermediating Broker, that has inputted the particulars of the Agreed Trade into the Matching System) must:

- (a) specify the Clearing Member that is responsible for the clearing of the Agreed Trade for such Member;
- (b) specify the relevant account of such Clearing Member at the Clearing House to which the Cleared Contract(s) that will result from the Execution of the Agreed Trade must be allocated;
- (c) have ensured that such Clearing Member has agreed to clear the Agreed Trade and to the allocation of the Cleared Contract(s) in accordance with (b) above;
- (d) have ensured that such Agreed Trade is not agreed or entered into the Matching System unless any prior requirements specified by the Clearing House in accordance with the Clearing House Rules have been satisfied;
- (e) where any Client is to be party to any Client Contract to be formed pursuant to these Rules upon Execution of the Agreed Trade, and such Client is not a Member, have agreed terms of business with such Client providing for:

- (i) the agreement of such Client that the formation and performance of such Client Contract shall be subject to and in accordance with these Rules, as if such Rules were incorporated into such terms of business; and
- (ii) where any such Agreed Trade is made in the inter-office market, the formation of a Contingent Agreement to Trade between the Member and the Client, having the terms described in Trading Regulation 2.10 above.

3.9.2 Each Member must have in place systems and controls to ensure that, before it enters into an Agreed Trade:

- (a) where the Member is a Clearing Member, it can; or
- (b) where the Member is not a Clearing Member, its Clearing Member can

at all times comply with any requirements imposed by, and systems operated by, the Exchange or the Clearing House regarding the verification that the Clearing Member has sufficient collateral.

### 3.10 **Corrections**

3.10.1 In the event that the Matching System determines that an Agreed Trade made in LME Select or the inter-office market has failed to satisfy any Pre-Execution Checks on the basis of the checks (any such failed check being a "**Failed Check**") applied to any Member that is party to the Agreed Trade or that would be party to any Cleared Contract resulting from the Execution of such Agreed Trade, the Member shall comply with the requirements of the Administrative Procedures regarding the correction of such Failed Checks.

3.10.2 Where, as a consequence of a Member having submitted incorrect information to the Matching System in respect of an Agreed Trade, the resulting Cleared Contract(s) are allocated by the Clearing House to the incorrect account of the Clearing Member, the Member must promptly submit corrected information to the Matching System.

### 3.11 **Failure to Input Ring Trade**

3.11.1 In the event that:

- (a) a Member has Executed an Agreed Trade in the Ring;
- (b) the Member subsequently becomes a Defaulter; and
- (c) prior to becoming a Defaulter, the Member has failed to input the particulars of the Agreed Trade into the Matching System, or has input particulars that are incorrect in any respect,

then the Exchange may, where it has evidence of the particulars of the Agreed Trade, input such particulars into the matching system on behalf of the Member in order to ensure that such particulars are recorded within the systems of the Exchange and the Clearing House, and to enable the Clearing House to identify the Cleared Contract(s) that have come into effect from the Execution Time. The Exchange may use such information as it has available to it to determine the relevant particulars, including any information available from recordings of the dealings in the Ring.

### 3.12 **Agreed Trades as Gross Transactions**



Each Member shall ensure that the details of each Agreed Trade arranged in the inter-office market that is input by or on behalf of the Member into the Matching System shall constitute the details of a single, distinct transaction, without the application of any netting, compression or aggregation by the Member of multiple transactions or Agreed Trades, except where:

- (a) the Member has aggregated Agreed Trades representing either multiple buy or multiple sell transactions (being transactions in the same direction); and/or
- (b) where Agreed Trades representing multiple buy or multiple sell transactions (being transactions in the same direction) have their Prompt Date adjusted to another date in accordance with the Rules.

For the avoidance of doubt, this provision is without prejudice to the ability of a Member to participate in the OTC Backloading Service in accordance with the Matching Rules and the Clearing House Rules.

### **3.13 Administrative Procedures**

3.13.1 Administrative Procedures shall apply to determine how Members shall effect certain trading operations using the facilities of the Exchange. The Administrative Procedures containing the "Matching Rules" shall be supplemental to these Trading Regulations.

3.13.2 In the event of any conflict between these Rules and the Administrative Procedures, these Rules shall prevail.

## **4. PRICE INFORMATION**

4.1 For the purpose of disseminating information as to prices obtaining at any time during business hours of any Business Day:-

4.1.1.1 the Exchange shall, during Ring and kerb trading, input current prices for all types of contract traded in the Ring to the Exchange's price-reporting service;

4.1.1.2 the Exchange shall, during LME Select trading hours, input the current best bid and best offer prices shown on LME Select and the aggregated volumes for each, together with the price and volume of each trade transacted, to the Exchange's price-reporting service;

4.2 Representatives of the Exchange shall be in attendance during Ring and kerb trading on each Business Day for the purpose of maintaining a record of trends in prices bid, offered and traded for all Contracts and, in respect of Carries, of price spreads.

4.3 Members shall not supply the aforementioned pricing-information in the form of a video- or data-feed directly or indirectly to any financial information service provider other than the Exchange or any of its authorised agents without prior written consent of the Exchange.

## **5. SETTLEMENT PRICES AND OTHER OFFICIAL PRICES**

5.1.1 At the close of the morning Ring trading session for each metal (for which there is a Ring trading session) and before commencement of kerb trading the Quotations Committee shall determine and post in the Exchange as soon as possible thereafter Official Prices for that metal in its Major Currency. Such prices shall be at the levels which the Quotations Committee determines to have been the last bid and offered prices in the second Ring or, where it determines there were not such prices, at such other level as it may in its discretion decide for Cash, three months and:-

- (a) fifteen months forward in the case of Steel Billet, Cobalt, Molybdenum and Tin;
- (b) the third Wednesday in December of the following calendar year in the case of Aluminium Alloy and North American Special Aluminium Alloy; and
- (c) the third Wednesday in December of each of the following three calendar years in the case of all other metals.

5.1.2 At the close of the morning Ring trading session for Premium Contracts and before commencement of kerb trading the Quotations Committee shall determine and post in the Exchange as soon as possible thereafter the Official Prices for Premium Contracts. Such prices shall be at the levels which the Quotations Committee determines to have been the last bid and offered prices in the second Ring or, where it determines there were not such prices, at such other level as it may in its discretion decide for the third Wednesday in the first, fourth and fifteenth months forward for each type of Premium Contract.

5.2 The Official Prices so determined shall immediately be reported by the Exchange to the Clearing House.

5.3 If the second succeeding Business Day is a Prompt Date:

- (a) the Official Prices for metals as determined under Regulation 5.1.1 above shall be the Settlement Prices for the relevant metal for that Prompt Date; and
- (b) the Official Prices for Premium Contracts as determined under Regulation 5.1.2 above shall be the Settlement Prices for the relevant Premium Contract for that Prompt Date.

5.4 At the same time as the Quotations Committee determines official Settlement Prices, it shall in addition determine Official Prices for all metals in their respective Major Currencies for the Prompt Dates three months and:-

- (a) fifteen months forward in the case of Steel Billet, Cobalt, Molybdenum and Tin;
- (b) the third Wednesday in the December of the following calendar year in the case of Aluminium Alloy and North American Special Aluminium Alloy;
- (c) the third Wednesday in December of each of the following three calendar years in the case of all other metals.

The said prices shall be determined on the basis of trading during the second of that morning's Ring trading-sessions or on such other basis as the Quotations Committee shall, in its discretion, decide.

5.5 At the close of the afternoon Ring trading-session the Quotations Committee shall determine prices for metals in the same manner as provided in Regulation 5.1.1 and 5.1.2 but on the basis of trading in the fourth Ring. Such prices shall be known as "Unofficial Closing Prices" and shall be posted in the Exchange.

5.6 After the close of the afternoon Ring-trading session on the Prompt Date of each Index Contract, the Quotations Committee shall determine and publish the level of the Index based upon the Closing Prices of the Constituent Metals determined and published for that day in accordance with Regulation 6.1 of these Trading Regulations. The level of the Index so determined shall immediately be reported by the Company to the Clearing House

and shall be the Settlement Price for the Index for such Index Contracts and for Cleared Contracts that have come into effect pursuant to the registration of Index Contracts by the Clearing House.

**5.7 Settlement Prices for Cash-Settled Futures and LMEprecious Futures and Closing Prices for Specified Metals**

5.7.1 Each Cash-Settled Futures Daily Settlement Price and the LMEprecious Daily Settlement Price shall be calculated using a volume weighted average price ("VWAP") from transactions on LME Select between such periods as shall be specified by way of Notice.

The Exchange may specify a minimum volume threshold with respect to each Contract that is subject to this daily Settlement Price process, which shall be advised to the market from time to time by way of Notice.

5.7.2 In the event that the minimum volume threshold requirement is not reached, then the relevant Cash-Settled Futures Daily Settlement Price or LMEprecious Daily Settlement Price (as applicable) shall be determined as follows:

- (a) it shall be the last traded price within the bid/offer on the close of the pricing period, unless any of the following apply;
- (b) if the last traded price is outside of the bid/offer on the close of the pricing period, then the closest price to the last trade that falls within the bid/offer will be used;
- (c) if no trades have occurred during the pricing period, then the mid-point of the bid/offer on the close of the pricing period will be used;
- (d) if no trades have occurred during the pricing period and no bid/offer exists on the close of the pricing period, then the last traded price may be used but there is no obligation on the Exchange to determine that Cash-Settled Futures Daily Settlement Price or LMEprecious Daily Settlement Price (as applicable) at that level;
- (e) if no trades have occurred during that day and no bid/offer exists, then the Cash-Settled Futures Daily Settlement Price or LMEprecious Daily Settlement Price (as applicable) will be determined with reference to market activity in related Prompt Dates and/or market activity during the pricing period on the previous Business Day; and
- (f) where no such pricing information exists, then the Cash-Settled Futures Daily Settlement Price or LMEprecious Daily Settlement Price (as applicable) will be determined by the Exchange in its absolute discretion.

5.7.3 Each Cash-Settled Futures Final Settlement Price shall be determined with reference to the corresponding Cash-Settled Future Index.

5.7.4 Errors in the Cash-Settled Future Index

Unless specified otherwise in the relevant Special Contract Rules for Cash-Settled Futures the following shall apply:

- (a) If, not later than 30 minutes after the Cash-Settled Futures Final Settlement Price has been published by the Exchange, any Member of the Exchange notifies the

Exchange of, or it otherwise comes to the attention of the Exchange that there is an alleged or apparent error in the Cash-Settled Future Index, then the Exchange shall promptly request the index provider investigate such alleged or apparent error. If in the index provider's opinion an error has been made, the index provider shall correct any Cash-Settled Future Index value affected thereby and the Exchange shall as soon as reasonably practicable publish a correction to the Cash-Settled Futures Final Settlement Price, as required.

- (b) No correction to the Cash-Settled Future Index shall be made other than may be allowed for in Regulation 5.7.4(a).
- (c) Without prejudice to the generality of Regulation 19 (*Liability*) of these Trading Regulations, neither the Exchange nor its officers, employees, agents or representatives shall have any liability whatsoever in respect of any decision as to whether or not to correct the Cash-Settled Future Index, or as to whether or not to re-determine the Cash-Settled Futures Final Settlement Price.

5.7.5 The LMEprecious Final Settlement Price shall be the last LMEprecious Daily Settlement Price calculated for the relevant Prompt Date that is specified by way of Notice as being determinative of such LMEprecious Final Settlement Price. This price will be established on the Business Day prior to the relevant Prompt Date.

5.7.6 Any reference in these Rules to an LMEprecious Final Settlement Price determined for, pertaining to, or in respect of, a Prompt Date means the last LMEprecious Final Settlement Price determined prior to such Prompt Date in accordance with Regulation 5.7.5 above.

5.7.7 The Exchange may, from time to time in accordance with Regulations 6.1 and subject to Regulation 6.4, specify that the Closing Prices for certain metals may be calculated using a VWAP from transactions on LME Select between such periods as shall be specified by way of Notice. Any minimum volume threshold and the process for determining such Closing Prices if such threshold is not reached, shall be set out by way of Notice.

## 5.8 **The Daily Settlement Price for Metal Options, Traded Average Price Options, Index Options and LMEprecious Options**

5.8.1 The daily Settlement Price for Metal Options, Traded Average Price Options, Index Options and LMEprecious Options shall be determined in accordance with the following, with the Clearing House having overall responsibility for the determination of the daily Settlement Price for Metal Options and LMEprecious Options, and the Exchange having day-to-day responsibility for the determination of such daily Settlement Price on a delegated basis.

5.8.2 For Traded Average Price Options, the Exchange shall input to the screen information service and display thereon the daily Settlement Price, Moving Monthly Average Settlement Price and Monthly Average Settlement Price for the relevant metal during the relevant tradeable month according to the currency in which the Traded Average Price Option is denominated.

5.8.3 For the purpose of enabling the Clearing House to determine Metal Option, Traded Average Price Option, Index Option and LMEprecious Option daily Settlement Prices pursuant to the Clearing House Rules, the Exchange shall, on each Business Day, use such options valuation methodology as may be agreed between the Exchange and the Clearing House from time to time for the purposes of its valuations. Without prejudice to the

generality of the foregoing, the Exchange may determine the volatilities prevailing in the Market at or around 17:15 hours (or such other time as may be prescribed by Notice), for the Strike Price nearest the Closing Price and for such other Strike Prices as may be required by the Exchange in agreement with the Clearing House, of the relevant Metal Option, Traded Average Price Option, Index Option and LMEprecious Option Contract and each relevant month in which the relevant Metal Option, Traded Average Price Option, Index Option and LMEprecious Option is traded, and communicate the above to the Clearing House at or around 18:30 hours. The determination of the Closing Prices will take into account contributions from Members, voluntary contributions from Members and/or Clients, trading activity throughout the day, and/or any such other input data, including data from third party providers, as the Exchange may consider appropriate from time to time.

- 5.8.4 If a Member is active in a particular Metal Option, Traded Average Price Option, Index Option and/or LMEprecious Option at any particular time as determined by the Exchange, it shall be obliged to submit closing volatilities to the Exchange (in consultation, where appropriate, with the Clearing House), for the purpose of the Clearing House valuations if requested by the Exchange, unless the Exchange expressly states in its request that such contribution would be voluntary. The Exchange may specify by Notice that any Member that is active in LMEprecious Options must submit closing volatilities to the Exchange. If a Member fails to comply with such a request or requirement, or provides inaccurate or unreflective submissions, such Member may be subject to Exchange disciplinary procedures.
- 5.8.5 If a Client (who is not also a Member) is active in a particular Metal Option, Traded Average Price Option, Index Option and/or LMEprecious Option at any particular time, such Client may choose to submit closing volatilities to the Exchange on a daily basis for the purpose of the Clearing House valuations. The Exchange (in consultation with the Clearing House) will have absolute discretion to stop using voluntary submissions from any particular Client if they are deemed to be inaccurate or unreflective of volatilities prevailing in the market. Neither Clients nor Members shall be liable for any inaccurate or unreflective submissions made under this Rule 5.8.5.
- 5.8.6 For the avoidance of doubt, the daily Settlement Price for LMEprecious Options may be used for the purpose of margin calculations, but shall not be the price by reference to which the contract shall be exercised or abandoned on the Expiry Day (which price shall be the Settlement Price comprising the Exercise Reference Price, as determined in accordance with the LMEprecious Option Regulations).

## **6. CLOSING PRICES AND MARGIN**

- 6.1 After the close of the afternoon Ring-trading session on each Business Day the Quotations Committee shall determine and publish Closing Prices in the Major Currency for each metal (for which there is a Ring trading session) for each Prompt Date, and the Index Futures Closing Price for each month forward, and the Premium Contract Closing Prices and the Company shall communicate the same to the Clearing House within a reasonable time after close of kerb trading. The Quotations Committee shall at the same time advise the Clearing House of such quoted values of Metal Contracts and Premium Contracts for such other Prompt Dates as may be necessary to enable current prices for all Prompt Dates to be calculated. The Exchange may determine the methodologies and data that will be used by the Quotations Committee to determine Closing Prices, including by specifying the use of electronically-based methodologies and/or sources of data, where deemed to be

appropriate. Regulation 6.4 below shall apply to any such methodology or change of methodology from time to time.

- 6.2 For the purposes of Initial and Variation Margin, Carries shall comprise two or more separately identifiable Contracts each with a different Prompt Date.
- 6.3 Where in any documentation issued by the Exchange in relation to LMEprecious Futures refers to the "Closing Price" of such Contract(s), such reference shall be construed to mean the LMEprecious Daily Settlement Price.
- 6.4 The Exchange:
- (a) shall inform Members by Notice of the methodologies or sources of data to be applied by the Quotation Committee to determine Closing Prices;
  - (b) subject to consultation where appropriate in the circumstances, may determine that the methodology and/or source of data to be used by the Quotations Committee for determining the Closing Prices of any metal or tenor shall be changed, either on a time-limited or on a permanent basis. In the event that the Exchange proposes to make such a change, the Exchange shall, by Notice, provide Members with advance prior notice of the change and the basis on which such Closing Prices shall be determined. The Exchange shall provide such notice as it considers reasonable in the context of the proposed change and any operational impact on Members.

## **7. PAYMENT SYSTEM**

Every Clearing Member shall make such arrangements as may be requisite for his participation in the payment system administered by the Clearing House.

## **8. PROMPT DATES**

- 8.1 Metal Futures may have any of the following Prompt Dates (but subject, where relevant, to sub-paragraph 8.2 and 8.4 of this Regulation):-
- (a) Cash Today;
  - (b) Cash;
  - (c) each other day forward from Cash to the day which is three months forward from the date upon which the Contract is made (the "three-months date");
  - (d) each Wednesday falling after the three-months date until and including the last Wednesday in the sixth calendar month after the calendar month in which the Contract is made;
  - (e) each third Wednesday in each calendar month from and including the seventh calendar month to and including the fifteenth calendar month in the case of Contracts for Cobalt, Molybdenum, Steel Billet and Tin, or the twenty-seventh month in the case of Contracts for Aluminium Alloy and North American Special Aluminium Alloy, or the sixty-third month in the case of Lead, Primary Nickel and Special High Grade Zinc, or the one hundred and twenty-third month in the case of High Grade Primary Aluminium and Copper – Grade A, after the calendar month in which the Contract is made; or

- (f) the second Business Day of each calendar month from and including the fourth calendar month to and including:
  - (i) the twenty fourth calendar month after the calendar month in which the Contract is made, in the case of Contracts for Aluminium Alloy, North American Special Aluminium Alloy, High Grade Primary Aluminium, Copper – Grade A, Primary Nickel and Special High Grade Zinc; or
  - (ii) the fifteenth calendar month after the calendar month in which the Contract is made, in the case of Lead and Tin.

8.2 Index Contracts may have as their Prompt Dates (but subject, where relevant, to subparagraph 8.4 of these Trading Regulations) the second Wednesday in each permitted expiry month.

8.3 No Metal Contract in which the price is denominated in a currency other than sterling, US dollars or euro may be made for Cash Today or with a Prompt Date falling on a day which the Exchange shall have declared to be a day on which commercial banks in the principal financial centre for the currency concerned will not be open for the transaction of foreign exchange business. No Metal Option Contract may be made which, on declaration, would result in a Futures Contract with such a Prompt Date.

8.4.1 Except in relation to Monthly Average Futures, if any Prompt Date would fall on a day which is not a Settlement Business Day it shall instead fall on the next succeeding day which is a Settlement Business Day except:-

- (a) if the Prompt Date would fall on a Saturday and the preceding Friday is a Settlement Business Day;
- (b) if the Prompt Date would fall on Good Friday;
- (c) if the Prompt Date would fall on Christmas Day (and Christmas Day is on a Tuesday, Wednesday, Thursday or Friday); or
- (d) if the Prompt Date would fall on any other day which the Directors have specially declared is not a Business Day.

In the case of (a), (b) and (c) above, the Prompt Date shall instead fall on the preceding Settlement Business Day. In the case of (d) above the Prompt Date shall instead fall on such day as the Exchange in its absolute discretion shall determine.

8.4.2 If any Prompt Date falling within Trading Regulation 8.1(c) would, in spite of or by reason of the provisions of Trading Regulation 8.4.1, fall in the fourth calendar month after the calendar month in which the contract was made, it shall instead fall on the last Settlement Business Day in the third such calendar month.

8.4.3 The Chief Executive or the Head of Market Operations shall be empowered to declare, by way of Administrative Procedure given on such notice as is reasonably practicable, that a particular date shall not be a Prompt Date, for the purposes of facilitating the migration to an alternative Clearing House or for any other reason. In such cases, where trading has already taken place for a Prompt Date which is subsequently declared not to be a Prompt Date, then any open positions will be rolled to the next available Prompt Date or such other date as the Exchange may determine in its absolute discretion.

- 8.5 LMEmini Futures may have the following Prompt Dates:
- (a) if, in any calendar month, the Contract is made on or before the LMEmini Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of that calendar month and on the third Wednesday of each calendar month thereafter for eleven months, subject, where relevant, to Trading Regulation 8.4.1; or
  - (b) if, in any calendar month, the Contract is made after the LMEmini Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of the next eleven calendar months thereafter, subject, where relevant, to Trading Regulation 8.4.1.
- 8.6 Monthly Average Futures may have the following Prompt Dates:
- (a) two Business Days following the last Business Day in the tradeable month which is to be used to calculate the Monthly Average Settlement Price; or
  - (b) where (a) is not a Settlement Business Day, the next Business Day which is a Settlement Business Day.
- 8.7 Cash-Settled Futures Contracts may have the Prompt Dates specified in the relevant Special Contract Rules for Cash-Settled Futures.
- 8.8 Premium Contracts may have the following Prompt Dates:
- (a) if, in any calendar month, the Contract is made on or before the Premium Contract Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of that calendar month and on the third Wednesday of each calendar month thereafter for fifteen months, subject, where relevant, to Trading Regulation 8.4.1; or
  - (b) if, in any calendar month, the Contract is made after the Premium Contract Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of the next fifteen calendar months thereafter, subject, where relevant, to Trading Regulation 8.4.1.
- 8.9 LMEprecious Futures may have the Prompt Dates specified in the LMEprecious Future Regulations.
- 8.10 LMEprecious Options may have the Prompt Dates specified in the LMEprecious Option Regulations.
- 8.11 Except as otherwise provided in these Trading Regulations, the Contract Regulations, the Traded Options Regulations and the Default Regulations each Contract shall be settled on its Prompt Date and, except as aforesaid, Metal Contracts and Premium Contracts shall not be settled earlier notwithstanding that an offsetting Contract for the same tonnage and Prompt Date may have been made. For the avoidance of doubt, this Trading Regulation 8.11 is subject to, and shall be construed in accordance with Regulation 4.4 of the Contract Regulations.
- 8.12 This Trading Regulation 8 is subject to Regulation 3.4.3 of the Default Regulations.



## **9. SETTLEMENT OF CONTRACTS**

### **9.1 Cleared Contracts - General:**

- 9.1.1 In Trading Regulations 9.1 to 9.4, references to "Cleared Contracts", "Cleared Metal Contracts", "Cleared LMEmini Contracts", "Cleared Index Futures", "Index Options", "Monthly Average Futures", "Cleared Monthly Average Futures", "Cleared Cash-Settled Futures", "Cleared Premium Contracts", "Cleared LMEprecious Options" and "Cleared LMEprecious Futures" shall be construed to include any Cleared Contract that arises pursuant to the Clearing House Rules upon the Execution of any Agreed Trade pursuant to these Rules and the Clearing House Rules.
- 9.1.2 Settlement of all Cleared Metal Contracts whether by offset or by delivery and settlement of differences shall be made on the relevant Prompt Date by reference to the Settlement Price determined for that Prompt Date in the currency of the relevant Cleared Metal Contract. Where the currency of the Cleared Metal Contract is not the Major Currency of the relevant metal, settlement shall be made by reference to the Settlement Price translated into the currency of the Cleared Metal Contract at the rate determined by the Company. Settlement of accrued rent and weight differences shall be made by reference to the Settlement Price applicable for that Prompt Date and in the Major Currency of the contract concerned.
- 9.1.3 Settlement of all Cleared LMEmini Contracts shall be made in cash on the relevant Prompt Date by reference to the Settlement Price determined for that Prompt Date for the relevant underlying metal, provided that only the difference between the Settlement Price of the underlying metal on the Prompt Date and the price of the underlying metal agreed in the Contract shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract size.
- 9.1.4 In addition to their settlement on the Prompt Date, all Cleared LMEmini Contracts shall be subject to settlement to market in accordance with the Clearing House Rules.
- 9.1.5 Settlement of all Cleared Index Futures shall be made in cash on the Settlement Business Day following the Prompt Date. Settlement shall be made by reference to the Settlement Price of the Index, determined as provided in Trading Regulation 5.6, provided that only the difference between the Settlement Price of the Index and the Contract price shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract size.
- 9.1.6 In addition to their settlement on the Settlement Business Day following the Prompt Date, all Cleared Index Futures shall be subject to settlement to market in accordance with the Clearing House Rules.
- 9.1.7 Settlement of Index Options exercised in accordance with the Index Options Regulations shall be made in cash on the Settlement Business Day following the Prompt Date. The Granter shall pay to the Taker an amount in cash equal to the difference between the Settlement Price of the Index and the Strike Price multiplied by the Contract size.
- 9.1.8 Settlement of all Monthly Average Futures shall be made in cash on the relevant Prompt Date. Settlement shall be made by reference to the Monthly Average Settlement Price for the relevant tradeable month for the relevant underlying metal, provided that only the difference between the Monthly Average Settlement Price for the relevant tradeable month for the relevant underlying metal and the fixed price agreed by the buyer and seller in the

relevant Contract shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract Size.

- 9.1.9 In addition to their settlement on the Prompt Date, all Cleared Monthly Average Futures shall be subject to daily marking to market in accordance with the Clearing House Rules.
- 9.1.10 Settlement of all Cleared Cash-Settled Futures shall be made in cash on the relevant Settlement Business Day specified in the Special Contract Rules for Cash-Settled Futures. Settlement shall be made by reference to the Cash-Settled Futures Final Settlement Price, determined in accordance with the process specified in the relevant Special Contract Rules for Cash-Settled Futures.
- 9.1.11 In addition to their settlement on the relevant Settlement Business Day specified in the Special Contract Rules for Cash-Settled Futures, all Cleared Client-Settled Futures shall be subject to daily settlement to market in accordance with the Clearing House Rules.
- 9.1.12 Cleared Cash-Settled Futures shall settle in accordance with the relevant Special Contract Rules for Cash-Settled Futures.
- 9.1.13 Cleared Premium Contracts shall settle in accordance with the Premium Contract Regulations.
- 9.1.14 Settlement of Cleared LMEprecious Options exercised in accordance with the LMEprecious Option Regulations shall be made on the Prompt Date by the coming into effect of an LMEprecious Future, in accordance with the LMEprecious Option Regulations and the Clearing House Rules.
- 9.1A **Cleared LMEprecious Futures – Settlement by Delivery**
  - 9.1A.1 Settlement of all Cleared LMEprecious Futures shall be made by delivery of the relevant Lots of Precious Metal on the relevant Prompt Date in exchange for payment in US Dollars, calculated by reference to the LMEprecious Final Settlement Price determined for that Prompt Date and in accordance with the Clearing House Rules.
  - 9.1A.2 In addition to their settlement on the Prompt Date, all Cleared LMEprecious Futures shall be subject to daily settlement to market in accordance with the Clearing House Rules.
  - 9.1A.3 If a Clearing Member fails duly to deliver any amount of Precious Metal due to be delivered to the Clearing House:
    - (a) the Clearing House may take such action as may be specified under the Clearing House Rules;
    - (b) such failure shall constitute an act of misconduct for the purposes of Regulation 14 of the Membership Regulations; and
    - (c) notwithstanding any application of the disciplinary process in Regulation 14 of the Membership Regulations, the Exchange shall co-ordinate with the Clearing House to determine the level of any fine or other penalty to be levied on the Clearing Member and the basis on which such fine or penalty may be imposed. For the avoidance of doubt, any failure by the Exchange to levy a fine or other penalty on the Clearing Member in respect of any failure to deliver Precious Metal shall not prevent the Clearing House from levying any fine or other penalty on the Clearing Member in accordance with the Clearing House Rules (and vice versa).

**9.2 Cleared Metal Contracts - Settlement of Differences:**

Differences shall be established on the relevant Prompt Date, in respect of all Cleared Metal Contracts, between the contract price and the Settlement Price determined for that Prompt Date. The Clearing House shall account to Clearing Members for differences thus established by placing the same to their credit or debit as the case may require in accordance with the Clearing House Rules.

**9.3 Cleared Metal Contracts - Closing by Offset:**

Bought and sold Cleared Metal Contracts of a Clearing Member for the same metal and Prompt Date and in the same currency shall, to the extent that they match each other, be closed on their Prompt Date by offsetting.

**9.4 Cleared Metal Contracts - Settlement by Delivery:**

9.4.1 The net Lots covered by Cleared Metal Contracts remaining following offset under Trading Regulation 9.3 shall be settled on their Prompt Date by payment subject to the Clearing House Rules.

9.4.2 The Clearing House shall raise invoices or credit notes for the contract weight of the net Lots covered by such Cleared Metal Contracts at the Settlement Price and in the currency of the relevant Cleared Metal Contract and shall deliver the same to the relevant Clearing Members. Such invoices and credit notes shall be for the contract weight without allowance for storage rent accrued and differences between contract weight and Warrant weight.

9.4.3 Payments and receipts in respect of the invoices and credit notes raised by the Clearing House under Trading Regulation 9.4.2 shall be effected through the payment system or, in the case of payments to sellers, in such other form as shall be specified by the Clearing House.

9.4.4 The net Lots covered by Cleared Metal Contracts following offset under Trading Regulation 9.3 which match as to metal and tonnage but not as to currency, shall be offset for the purposes of establishing the nett number of Warrants to be settled by delivery subject to the Clearing House Rules. Subject to Trading Regulation 17.8, such delivery of Warrants shall, from the date prescribed by the Exchange for the relevant metal, be effected pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures and the Clearing House Rules.

9.4.5 On the Business Day following the Prompt Date the Clearing House shall call on seller or buyer as requisite in order that allowances for accrued storage rent, and any difference between Warrant weight and contract weight be accounted for in respect of Warrants transferred to the buyer in accordance with the Clearing House Rules.

9.4.6 If a Clearing Member fails duly to deliver a Warrant due to be delivered to the Clearing House, the Clearing House may, without prejudice to its rights under the Clearing House Rules:

9.4.6.1 without prejudice to the accrued rights for damages of the Clearing House and the affected buying Clearing Member(s), direct the Warrant be delivered to and by the Clearing Member on the Business Day next following the Prompt Date, that the Contract terms be adjusted accordingly and the parties' payment obligations and entitlements thereunder be adjusted to give such rate of compensation to the buyer as the Exchange may from time to time direct; or

9.4.6.2 Invoice Back the metal due to be delivered in accordance with Trading Regulation 10.4.

This Trading Regulation 9.4.6 shall apply subject to any directions of the Exchange made under Trading Regulation 17.1 or 17.2 below. The Exchange may prescribe such penalties for non-delivery of Warrants as it may from time to time deem fit in the Operating Procedures or by Notice.

9.4.7 The Exchange may prescribe dates in advance of the dates prescribed under Trading Regulation 9.4.4, following which Clearing Members may deliver only Warrants issued utilising LMEsword and bearing an LMEsword generated barcode.

## 9.5 **Client Contracts – General**

The provisions of this Trading Regulation 9.5 apply to the settlement of Client Contracts as between the Member and its Client. Any Cleared Contract that arises between a Clearing Member and the Clearing House pursuant to the Clearing House Rules that corresponds to a Client Contract, shall be settled in accordance with (i) Trading Regulations 9.1 to 9.4 above and (ii) the provisions of the Clearing House Rules.

## 9.6 **Client Metal Contracts**

9.6.1 Client Metal Contracts shall settle by offset or delivery.

### **Client Metal Contracts - by Offset:**

9.6.2 Offsetting bought and sold Client Metal Contracts with the same Prompt Date and currency shall be settled on contract (round) weights, buyer and seller paying or receiving as the case may be any difference between the Contract prices of the Contracts so offset.

### **Client Metal Contracts - by Delivery:**

9.6.3 Delivery of Warrants and settlement in respect of unmatched Client Metal Contracts shall be effected in accordance with the terms of the Client Metal Contract between the parties and the Contract Regulations. Such terms must require Warrants to be delivered by no later than 09.00 hours on the Prompt Date when a Category 4 Member or non-Member is the seller and transferor, and no later than 13.30 hours (so far as enabled by the seller's best endeavours) when a Clearing Member is the seller and transferor of the Warrants. Delivery shall be effected either pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers or (until further notice) by delivery of the physical Warrant. The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the seller's option.

## 9.7 **Daily Settling Client Contracts**

9.7.1 This Regulation 9.7 of the Trading Regulations shall apply to:

(a) Client Index Futures;

- (b) Client LMEmini Futures;
- (c) Client Cash-Settled Futures;
- (d) Client LMEprecious Futures

(each being a type of "**Daily Settling Client Contract**").

9.7.2 The Daily Settling Client Contracts listed in Regulation 9.7.1 above shall settle on the following basis:

- (a) Client Index Futures shall settle in cash on the Settlement Business Day following the Prompt Date in the same way as Cleared Index Futures as described in Trading Regulation 9.1.5.
- (b) Client LMEmini Futures shall settle in cash on the Prompt Date in the same way as Cleared LMEmini Futures as described in Trading Regulation 9.1.3.
- (c) Client Cash-Settled Futures shall settle in cash on the relevant Settlement Business Day specified in the Special Contract Rules for Cash-Settled Futures in the same way as Cleared Cash-Settled Futures as described in Trading Regulation 9.1.10.
- (d) Client LMEprecious Futures shall settle by the delivery of Precious Metal from the Seller to the Buyer on the Prompt Date.
- (e) Such Daily Settling Client Contracts shall also be subject to daily settlement to market or daily marking to market as agreed between the Member and its Client on the basis set out below.

9.7.3 As agreed between the Member and its Client, the Member shall effect the daily settlement to market of all open Daily Settling Client Contracts of each type. Regulations 9.7.4 to 9.7.6 below shall be subject to the application of Regulations 9.7.7 and 9.7.8, where applicable.

#### **Calculation of Daily Settlement Amounts**

9.7.4 In order to create a daily settlement amount, the Member shall, in respect of each open Daily Settling Client Contract of each type, effect between it and its Client a settlement contract, being a book-entry Contract on the same terms (except as to price) as the open Contract, save that where the Client is a buyer under the terms of the Contract, the Client shall be a seller under the terms of the settlement contract and vice versa, at the relevant price, being:

- (a) in respect of Client Index Futures, the Index Futures Closing Price;
- (b) in respect of LMEmini Futures, the LMEmini Futures Closing Price;
- (c) in respect of Cash-Settled Futures, the Cash-Settled Future Daily Settlement Price;
- (d) in respect of LMEprecious Futures, the LMEprecious Daily Settlement Price,

(each being the "**Relevant Daily Settlement Price**").

For the avoidance of doubt, the settlement contract shall not be registered in the Matching System.

- 9.7.5 The Member shall, upon completion of the procedure in Trading Regulation 9.7.4 above, calculate the daily settlement amounts and the Member and its Client shall (unless otherwise agreed) settle any daily settlement amounts arising.

#### **Daily Settlement to Market and Marking to Market**

- 9.7.6 Subject to the application of Regulation 9.7.7, where applicable, the Member shall, upon completion of the calculation of daily settlement amounts pursuant to Trading Regulation 9.7.5 above:

- (a) In respect of those open Contracts in a Client's name which have been settled pursuant to Trading Regulation 9.7.4 and which are subject to daily settlement to market, enter into and record in its books at the Relevant Daily Settlement Price referred to in Trading Regulation 9.7.4 above, book-entry Contracts in the Client's name as open Contracts on the same terms (except as to price) as the settled open Contracts, save that the Member shall not enter into and record in its books Contracts in the name of the Client if to do so would result in the Client being the purchaser under one type of Daily Settling Client Contract and the seller under another Daily Settling Client Contract of the same type, each such Daily Settling Client Contract having the same maturity month. For the avoidance of doubt, these book-entry Contracts shall not be registered in the Matching System.
- (b) In respect of those open Contracts in a Client's name which have been settled pursuant to Trading Regulation 9.7.4 above and which are subject to daily marking to market enter into and record in its books at the Relevant Daily Settlement Price referred to in Trading Regulation 9.7.4 above, new book-entry Contracts in the Client's name as open Contracts on the same terms (except as to price) as the settled open Contracts. For the avoidance of doubt, these book-entry Contracts shall not be registered in the Matching System.

#### **Position Management where netting, aggregation or close out is applied to Client-Related Cleared Contracts**

- 9.7.7 In the event that any Client-Related Cleared Contracts that are allocated to a client account of a Clearing Member at the Clearing House are subject to Position Netting at the Clearing House, and the corresponding Underlying Client Contracts are Daily Settling Client Contracts, such Underlying Client Contracts shall also be automatically and simultaneously subject to Position Netting under the Exchange Rules, on the following basis:

- (a) the Clearing Member and the Client (each acting as principal) shall be released from further obligations towards one another under such Underlying Client Contracts and their respective rights against one another under such Contracts shall be cancelled; and
- (b) simultaneously, new Client Contracts shall, by operation of this Regulation, come into full force and effect between the Clearing Member and the Client, such that the Clearing Member and the Client (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another under such new Client Contracts; and
- (c) such new Client Contracts shall represent back-to-back Contracts to each post-netting Cleared Contract that is in effect following the Position Netting at the Clearing House, such that:

- (i) for each post-netting Cleared Contract, there shall be a corresponding new Client Contract, having:
  - (1) the same direction; and
  - (2) the same commercial terms, including in relation to the amount of underlying metal and prices; and
- (ii) the Variation Margin applicable to such a new Client Contract shall be the Variation Margin amounts applicable to the post-netting Cleared Contracts or such larger sum as may be agreed between the parties,

save that Position Netting at the Exchange shall not affect any terms or contractual rights or obligations between the Clearing Member and the Client that were not comprised in the terms of any Underlying Client Contract that was subject to Position Netting under the Exchange Rules; and

- (d) where Position Netting results in the close out by netting of Client-Related Cleared Contracts, the Underlying Client Contracts corresponding to such Client-Related Cleared Contracts shall also be automatically and simultaneously closed out by netting.

9.7.8 Each Clearing Member that, under the Clearing House Rules, maintains Client-Related Cleared Contracts allocated to any of its client accounts at the Clearing House on the basis of the application of Position Netting at the Clearing House must:

- (a) have ensured that, prior to the implementation of any Position Netting at the Clearing House, its terms of business or other contractual arrangements with the relevant Clients contain provisions that operate in a manner that is consistent with Regulation 9.7.7 and this Regulation 9.7.8, and do not contain provisions which would conflict with or frustrate the Position Netting of any Underlying Client Contract in accordance with Regulation 9.7.7 and this Regulation 9.7.8;
- (b) ensure that any Client that is party to an Underlying Client Contract that is or may be subject to Position Netting under the Exchange Rules:
  - (i) is notified of the fact that such Position Netting may occur, and when such Position Netting will take effect; and
  - (ii) upon Position Netting under the Exchange Rules, is promptly notified of the effect of Position Netting, such that the Client is at all times on notice of the Client Contracts (including the post-netting Client Contracts) that are in force between the Clearing Member and the Client;
- (c) ensure that its books and records relating to the Client Contracts and Cleared Contracts to which it is a party are at all times reconciled and up to date, such that it is at all times possible to identify which Cleared Contract (including a post-netting Client Contract) represents the clearing of which Client Contract (including a post-netting Cleared Contract); and
- (d) promptly upon request by the Exchange or Clearing House provide a copy of such books and records described in (c) above, in such a format that would easily enable

reconciliation of the Client Contracts with the corresponding Cleared Contracts (including the post-netting Cleared Contracts).

#### **9.8 Client LMEprecious Future Contracts - Delivery**

Delivery of Precious Metal and settlement in respect of Client LMEprecious Futures shall be effected in accordance with the terms of the Client LMEprecious Future between the parties and the Contract Regulations. Such terms must require Precious Metal to be delivered by no later than:

- (a) no later than 16:00 hours on the Prompt Date when an LMEprecious Non-Clearing Member or non-Member is the Seller and transferor of the Precious Metal, and
- (b) no later than 16:00 hours (so far as enabled by the Seller's best endeavours) when an LMEprecious Clearing Member is the Seller and transferor of the Precious Metal,

or such other time as the Clearing House may prescribe from time to time.

Delivery shall be effected by delivery of the unallocated Precious Metal to the Buyer's account at a Precious Metal Clearer or by such other means as the parties may agree. The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the Seller's option.

#### **9.9 Client LMEprecious Option Contracts**

In the Money Client LMEprecious Option Contracts and At the Money Call Options on Client LMEprecious Option Contracts shall be subject to automatic exercise and settlement in the same way as Cleared LMEprecious Option Contracts, in accordance with the LMEprecious Option Regulations.

#### **9.10 Client Index Options**

In the Money Client Index Options shall be subject to automatic exercise and settlement in the same way as In the Money Cleared Index Options.

#### **9.11 Client Premium Contracts**

Client Premium Contract shall settle in accordance with the Premium Contract Regulations.

#### **9.12 Settlement Facility**

Members may designate an alternative settlement facility to the Clearing House for the settlement of a Contract provided that:

- (a) such links and arrangements exist between the designated settlement facility and any other settlement facility as are necessary to ensure the efficient and economic settlement of the Contract; and
- (b) the Exchange is satisfied that the smooth and orderly functioning of the financial markets will be maintained.



9.13      **Compression**

This Regulation 9 of the Trading Regulations shall be read and construed in accordance with Regulation 4.4 of the Contract Regulations.

9.14      **Client Clearing and Indirect Clearing Arrangements**

9.14.1      It shall be the responsibility of a Member, and not the Exchange, to ensure that any client clearing or indirect client clearing arrangement established by a Member is compliant with the Member's obligations under MiFID II, MiFIR and/or EMIR and/or any other applicable law or regulation.

9.14.2      Without prejudice to the specific requirements in Trading Regulations 2.6 and 3.9.1, a Member must not cause or facilitate any Agreed Trade to be made with or for a Client of such Member unless such Member is satisfied that such Client has established appropriate direct and/or indirect clearing arrangements to become counterparty to the cleared transaction resulting from the Execution of such Agreed Trade.

10.        **DELIVERY - GENERAL**

10.1        Acceptance and delivery of documents including Warrants or Premium Warrants under the foregoing procedure shall be without prejudice to any question or dispute relating thereto being referred to arbitration. If any Clearing Member shall have any complaint whatsoever in respect of delivery or acceptance of delivery under a Cleared Contract with the Clearing House, he shall give written notice and particulars of his complaint to the Clearing House in conformity to the Clearing House Rules.

10.2        If there appears to the Clearing House to be a default by either party to a Cleared Contract with the Clearing House in respect of or arising out of a delivery, the Clearing House shall as soon as practicable take such steps as it deems appropriate to achieve an amicable settlement of the issue between the parties. If it appears to the Clearing House that such steps have not led and are not likely to lead to a settlement within a reasonable time, the Clearing House shall refer the dispute to the Directors.

10.3        If upon reference made to them by the Clearing House the Directors are of the opinion that the default is of minor significance, they may thereupon determine the issue upon such evidence before them as they may deem relevant and convey their determination to the parties. All parties shall forthwith accept such determination and shall implement its terms without question, provided that such acceptance and implementation shall be without prejudice to the right of any party to refer the dispute or any related dispute to arbitration under the Rules.

10.4        Where the Clearing House determines to Invoice Back metal in accordance with Trading Regulation 9.4.6.2 or (in the case of a Premium Contract) Premium Contract Regulation 3.9(f) or otherwise in accordance with the Clearing House Rules, it shall Invoice Back the metal in question to the seller at the price fixed by the Exchange. The Exchange may fix such a price as an applicable daily rate generally for the purposes of the Invoicing Back of the metal in question or for the specific case, at their absolute discretion, and such prices or rates may take account of any compensation that the Exchange consider should be paid by either party to the other. This Trading Regulation 10.4 shall apply subject to any directions issued in accordance with Trading Regulation 17.1 or 17.2 below.

- 10.5 An Invoicing Back price fixed under these Trading Regulations shall be binding on the parties. No dispute as to the price may be referred to arbitration but the completion of Invoicing Back shall be without prejudice to the right of any party to refer any other issue to arbitration under the Rules.
- 10.6 References in the Rules to the delivery of Warrants or Premium Warrants shall include a delivery of Warrants or Premium Warrants by way of a transfer within LMEsword in accordance with the LMEsword Regulations and Operating Procedures.
- 10.7 Where, as a consequence of a failure by a Member to deliver Precious Metal in respect of any Cleared Contract that is an LMEprecious Future, the Clearing House determines that it shall postpone its own delivery obligation in respect of such Precious Metal under any Client-Related Cleared Contract that is an LMEprecious Future, the Prompt Date in respect of the Underlying Client Contract that corresponds to such Client-Related Cleared Contract shall be postponed to the same date as revised date for delivery by the Clearing House under the Client-Related Cleared Contract.

## **11. DEALINGS IN THE RING**

- 11.1 Business in the Ring shall be by open outcry and shall be confined within the times laid down for dealings in individual metals and Contract-types and for kerb dealings. Each Category 1 Member must ensure they have a Dealer in each Ring. Dealings shall be for Prompt Dates in accordance with Trading Regulation 8.1 subject to the provisions of any applicable administrative procedures. Those present in the Exchange during Ring and kerb dealings shall at all times conduct themselves in an orderly manner.
- 11.2 The following rules of Ring procedure shall at all times be observed:-
- 11.2.1 Dealings must cease as soon as the bell commences to ring.
- 11.2.2 Offers and bids must be addressed to the Ring at large and not to individuals, and must be clearly audible to the Ring as a whole.
- 11.2.3 There must be no discrimination either in favour of or against any Dealer or the Ring Member for whom he is dealing.
- 11.2.4 Any bid or offer remains valid at the price unless or until there has been a change in price or the bid or offer has been expressly withdrawn. In accordance with this Trading Regulation:
- 11.2.4.1 a change in price occurs when the price that is offered trades and is then bid, or vice versa, or when the price is bid higher or offered lower in conformity with the requirements of Trading Regulation 11.2; and
- 11.2.4.2 if a Dealer who is bidding at a price wishes to offer at a lower price to his current bid, he must withdraw his current bid and immediately offer that same price before quoting a different price, unless a different price is quoted by another Dealer between the withdrawal by the Dealer and the new offer by that Dealer; and
- 11.2.4.3 if a Dealer who is offering at a price wishes to bid at a higher price to his current offer, he must withdraw his current offer and immediately bid that same price before quoting a different price, unless a different price is quoted by another Dealer between the withdrawal by the Dealer and the new bid by that Dealer; and

- 11.2.4.4 if a Dealer wishes to offer a price that is lower than the current bid price, he must sell all the Lots available at the bid price. He must then immediately offer that same price before quoting a different price, unless a different price is quoted by another Dealer between the trade at the bid price and the new offer by that Dealer; and
- 11.2.4.5 if a Dealer wishes to bid a price that is higher than the current offered price, he must buy all the Lots available at the offered price. He must then immediately bid that same price before quoting a different price unless a different price is quoted by another Dealer between the trade at the offered price and the new bid by that Dealer; and
- 11.2.4.6 any Dealer who is trading by open outcry will be deemed to have withdrawn his bid and/or offer should he leave the Ring.
- 11.2.5 Minimum price fluctuations shall be at such levels as the Exchange may from time to time prescribe.
- 11.2.6 Dealers should avoid using such terms as "I will sell only...." or "I will buy only...." if on acceptance they increase the number of Lots so specified, at the same price.
- 11.2.7 The Dealer who says "Yes" must be prepared to deal 50 Lots. Any unfilled balance up to this limit must be sold to or taken from other Dealers if immediately bid or offered. A response to "Yes" must be quantified by tonnage.
- 11.2.8 Bids or offers deemed by the Ring Disciplinary Committee to be frivolous are prohibited and may be deemed to be a prohibited practice pursuant to Trading Regulation 14.
- 11.2.9 The Dealer who is the first to bid or offer at a price must be given priority and is entitled to buy or sell all the Lots available at the price until his requirements are satisfied.
- 11.2.10 A Dealer who simultaneously offers to buy and to sell must be prepared to deal either way.
- 11.2.11 A Dealer must not:
  - 11.2.11.1 bid at or more than the offered price nor offer at or below the bid price at the time of his offer or bid;
  - 11.2.11.2 bid below the bid price nor offer above the offered price at the time of his offer or bid.
- 11.2.12 During each Ring and kerb all opening bids and/or offers for Cash and 3 months in the case of all Contracts must be all the digits of the full price that is quoted.
- 11.2.13 The term "0", when it is in the last digit of the full price, must not be used.
- 11.2.14 During all Ring and kerb trading Dealers must ensure that:-
  - 11.2.14.1 in the case of Copper - Grade A, High Grade Primary Aluminium, Special High Grade Zinc, Lead, North American Special Aluminium Alloy, Steel Billet and Aluminium Alloy the last two digits of the full price are quoted;
  - 11.2.14.2 in the case of Cobalt, Molybdenum, Primary Nickel, Tin and Index Futures the last three digits of the full price are quoted; and
  - 11.2.14.3 in the case of Premium Contracts, the last three digits of the full price is quoted.

- 11.2.15 Dealers must act with due skill, care and diligence at all times whilst dealing by open outcry.
- 11.2.16.1 The Dealer who discloses the tonnage or Lots he is prepared to buy or sell is obliged to trade the full tonnage or Lots unless expressly withdrawn; and
- 11.2.16.2 the Dealer who is bidding and/or offering at a price for Cash or three months for Copper, High Grade Primary Aluminium, Special High Grade Zinc, Lead, Nickel, North American Special Aluminium Alloy and Aluminium Alloy during the second Ring must be prepared to deal 20 lots unless the tonnage is stated. In the case of Tin the Dealer must be prepared to deal 5 lots unless the tonnage is stated. Any unfilled balance up to these limits must be sold or taken from other dealers who immediately respond to the bid or offer.
- 11.2.17 Dealers must ensure that trades are completed in a timely and orderly manner. This applies in particular (but without prejudice to its general application) to business transacted towards the close of any Ring.
- 11.2.18.1 Dealers must not bid or offer at a price which is unknown at the time the bid or offer is made; and
- 11.2.18.2 during the second Ring for each metal and, in respect of each metal, during the last five minutes of kerb trading before that metal ceases to trade, Dealers may not trade behind the Ring at an unknown price for any Prompt Date other than for Carries.
- 11.2.19 Dealers must remain seated at all times whilst dealing by open-outcry in the Ring.
- 11.2.20 It is the duty of sellers or lenders to check their deals not later than 10 minutes after the close of the respective Ring trading session for each metal. kerb deals are to be checked before leaving the Exchange. It is the duty of buyers or borrowers to co-operate.
- 11.2.21 During kerb trading no Dealer may stand behind the Ring in order to trade by open-outcry if there are no Dealers from the same Member seated in the Ring unless the express permission of an employee of the Exchange who is properly authorised by the Chief Executive is obtained. During the last five minutes of kerb trading for the close of each metal:
  - 11.2.21.1 only the Dealer from a Member seated in the Ring may trade that metal; and
  - 11.2.21.2 the Dealer who is bidding and/or offering at a price for a Carry between any two Prompt Dates must be prepared to deal 50 lots unless the tonnage for the Carry is stated. The Dealer who is bidding and/or offering at a price for Cash or three months for Copper, High Grade Primary Aluminium, Special High Grade Zinc, Lead, Nickel, North American Special Aluminium Alloy and Aluminium Alloy must be prepared to deal 20 lots unless the tonnage is stated. In the case of Tin the Dealer must be prepared to deal 5 lots unless the tonnage is stated. Any unfilled balance up to these limits must be sold to or taken from other Dealers who immediately respond to the bid or offer.
- 11.2.22 A dealer must not commit any other act of misconduct of a kind which two or more members of the Ring Disciplinary Committee deem to be a dealing offence.
- 11.2.23 Any breach of Trading Regulation 11.2 will be deemed to be a dealing offence.
- 11.3.1 The Chief Executive and in the event of a fire or similar emergency any two employees of the Executive authorised by the Chief Executive, shall have the power to suspend or

interrupt Ring dealings during any session if in their discretion they consider that such action is in the best interests of the Exchange.

- 11.3.2 An employee of the Executive who is properly authorised by the Chief Executive may take other action relating to discipline on the premises of the Exchange with the approval of any two members of the Ring Disciplinary Committee if in his view it is necessary to prevent a breach of any rule and to ensure the proper running of the market. Similarly, such action may be taken by any member of the Ring Discipline Supervisory Panel or the Chief Executive without the requirement for approval by two members of the Ring Disciplinary Committee.
- 11.4.1 Breaches by Dealers or other persons of the provisions of the Trading Regulations may be categorised by the Ring Disciplinary Committee as minor offences, dealing offences or serious offences.
- 11.4.2 The Ring Disciplinary Committee may refer to the Exchange's video and audio surveillance system of the Ring in determining if any offence has been committed.
- 11.4.3 Where the Ring Disciplinary Committee considers that a Dealer or other person may have committed an offence:
  - 11.4.3.1 the Ring Disciplinary Committee shall notify such person in writing;
  - 11.4.3.2 not later than close of business on the Business Day following receipt of written notice in accordance with Trading Regulation 11.4.3.1, such person and/or their nominated representative shall, on request to the Ring Disciplinary Committee, be entitled to inspect at the Exchange during business hours any relevant video or audio surveillance footage which is available, and the Ring Discipline Committee shall comply with such request.
- 11.4.4 Where, following expiration of the inspection period referred to in Trading Regulation 11.4.3.2, the Ring Disciplinary Committee has determined that a Dealer or other person has committed an offence:
  - 11.4.4.1 the Ring Disciplinary Committee shall notify such person in writing;
  - 11.4.4.2 not later than close of business on the Business Day following receipt of written notice in accordance with Trading Regulation 11.4.4.1, such person and/or their nominated representative shall, on request to the Ring Disciplinary Committee and if they have not already done so in accordance with Trading Regulation 11.4.3.2, be entitled to inspect at the Exchange during business hours any relevant video or audio surveillance footage which is available, and the Ring Disciplinary Committee shall comply with such request; and
  - 11.4.4.3 Where no appeal is lodged by such person in accordance with 11.10.1, the Ring Disciplinary Committee shall notify in writing all Category 1 Members to the nature and circumstances of the offence and any penalty imposed.
- 11.5 Any member of the Ring Disciplinary Committee may impose a penalty for minor offences in accordance with the tables of fines and penalty points listed below:-
  - 11.5.1 Conduct of an unprofessional nature:-

Fine

Penalty Points

|             |       |       |     |
|-------------|-------|-------|-----|
| 1st offence | up to | £500  | 20  |
| 2nd offence | up to | £1000 | 40  |
| 3rd offence | up to | £2000 | 80  |
| 4th offence | up to | £4000 | 160 |

Examples of such acts of misconduct are:-

- (a) Failure to observe the Exchange Dress Code;
- (b) Failure to observe the Exchange Food/Beverages Code;
- (c) Chewing whilst dealing by open-outcry;
- (d) The sale and/or display of non-LME products in the Dealing Area;
- (e) The use of foul and abusive language;
- (f) Reading newspapers or magazines etc. in the Dealing Area;
- (g) Unacceptable behaviour such as slovenly behaviour, overzealous behaviour and drunken behaviour;
- (h) Sitting down in the Dealing Area (other than when dealing in the Ring or using the seat provided in each member's booth);
- (i) Smoking on Exchange premises at any time;
- (j) The use of mobile telephones in the Dealing Area (the use of mobile telephones is prohibited at all times in the Dealing Area);
- (k) Excessive noise from behind the Ring whilst dealings are in progress or the Official Prices are being announced;
- (l) Any other act of misconduct of which the Exchange may, from time to time, notify to Members through Notices.

11.5.2 Conduct likely to interfere with trading activity or to cause disorder or offence or damage on Exchange premises:-

|             |       | Fine  | Penalty Points |
|-------------|-------|-------|----------------|
| 1st offence | up to | £1000 | 20             |
| 2nd offence | up to | £2000 | 40             |
| 3rd offence | up to | £4000 | 80             |
| 4th offence | up to | £8000 | 160            |

Examples of such acts of misconduct are:-

- (a) Failure to comply with the Exchange security procedures or misuse of LME Identity Badges;
- (b) Abuse of the Visiting Regulations;
- (c) The throwing of projectiles;
- (d) The harassment of Exchange staff;
- (e) Any other act of misconduct of which the Exchange may, from time to time, notify to Members through Notices.

11.6 Any two or more members of the Ring Disciplinary Committee may impose a penalty for dealing offences in accordance with the table of fines and penalty points listed below:

|             |       | Fine   | Penalty Points |
|-------------|-------|--------|----------------|
| 1st offence | up to | £5000  | 20             |
| 2nd offence | up to | £10000 | 40             |
| 3rd offence | up to | £20000 | 80             |
| 4th offence | up to | £50000 | 160            |

11.7.1 After a period of six calendar months has elapsed from the time of an offence the number of points accumulated for that offence for that individual will be cancelled.

11.7.2 Any person who accumulates 100 or more penalty points within a period of three calendar months or 180 or more penalty points within a period of six calendar months will be reported to two or more members of the Ring Discipline Supervisory Panel.

11.7.3 Any person who accumulates 60 or more penalty points within a period of three calendar months or 140 or more penalty points within a period of six calendar months shall automatically be suspended from trading in the Ring for two Business Days. In such case, the Ring Disciplinary Committee shall inform the person of the fact of his suspension and the date it shall commence by notice in writing.

11.8.1 Where a serious offence is alleged to have been committed the Ring Disciplinary Committee shall be obliged to refer the matter to two or more members of the Ring Discipline Supervisory Panel.

11.8.2 Examples of such acts of misconduct are:-

- (a) Violent conduct or conduct likely to cause injury to another person on Exchange premises;
- (b) The unauthorised removal of or damage to the Exchange structure or equipment;
- (c) Disobedience in failing to comply with the lawful instruction of a properly authorised employee of the Exchange or a Member of the Ring Disciplinary Committee;
- (d) The wilful disregard of the Rules;

- (e) Aggravated harassment of Exchange staff, including physical contact with Exchange staff or threatening Exchange staff;
  - (f) Preventing Exchange staff from carrying out their duties;
  - (g) Any other act of misconduct of a kind which the Ring Disciplinary Committee deems to fall into this category.
- 11.8.3 Any member of the Ring Disciplinary Committee who believes in good faith in his absolute discretion that a serious offence has been committed by any person may request that such person immediately leave the Exchange premises for the remainder of the trading day, and such person shall comply with any such request.
- 11.9.1 Any two or more members of the Ring Discipline Supervisory Panel may impose a fine of up to £100,000 and suspension of up to twenty Business Days on a person referred to them and/or on the Member which employs him. The provisions of Regulation 14 of the Membership Regulations shall apply *mutatis mutandis* to the procedure of the Ring Discipline Supervisory Panel (save that for the avoidance of doubt, any appeal shall be in accordance with Trading Regulations 11.10.2 and 11.10.3 below, rather than Regulations 14.27 to 14.35 of the Membership Regulations).
- 11.9.2 Any such matter referred to two or more members of the Ring Discipline Supervisory Panel may, at their discretion, be referred to the Enforcement Committee for consideration for disciplinary action pursuant to Regulation 14 of the Membership Regulations.
- 11.9.3 Where two or more members of the Ring Discipline Supervisory Panel find that there has been an act of misconduct, notification of such findings and of any sanction shall be made (once the same have become conclusive and binding after any appeal in accordance with procedures in Regulation 14 of the Membership Regulations) by means of a notice sent by the Secretary to:
- 11.9.3.1 the person found to have committed the act of misconduct;
  - 11.9.3.2 any other person to whom in the Ring Discipline Supervisory Panel's opinion in the circumstances such copy should be sent; and
  - 11.9.3.3 all Members and appropriate regulatory or other authorities.
- 11.9.4 Where the Ring Discipline Supervisory Panel (or, as the case may be an Appeal Committee) find that any allegation of misconduct has not been substantiated, notification of such finding shall be made by means of a notice sent by the Secretary to the persons alleged to have committed the act of misconduct and the persons specified in 11.9.3.2 above and shall, if the Defendant so requests (but not otherwise), be sent to Members and appropriate regulatory or other authorities.
- 11.10.1 Any person who is subject to a finding by the Ring Disciplinary Committee and who is dissatisfied with that finding or with any penalty imposed may, by the close of the Business Day following the day of receiving notice thereof, lodge an appeal in writing with the Chairman of the Enforcement Committee, who shall refer the same to the Ring Discipline Supervisory Panel. Pending determination of any such appeal, the decision of and any sanction imposed by the Ring Disciplinary Committee shall be suspended. The Ring Discipline Supervisory Panel may at its discretion and in the event it determines the



findings of the Ring Disciplinary Committee be upheld, review the penalty imposed and award the costs of the appeal to the unsuccessful appellant.

- 11.10.2 Any person who is subject to a finding by the Ring Discipline Supervisory Panel and who is dissatisfied with that finding or with any penalty imposed may, by the close of the Business Day following the day of receiving notice thereof, lodge an appeal in writing with the Chairman of the Enforcement Committee, who shall refer the same to a Disciplinary Committee constituted and acting in accordance with Regulation 14 of Part 2. Pending determination of any such appeal, the decision and any sanction imposed by the Ring Discipline Supervisory Panel shall be suspended.
- 11.10.3 In the event that the Ring Disciplinary Committee is dissatisfied with a finding or with any penalty imposed by the Ring Discipline Supervisory Panel it may, by the close of the Business Day following the day of receiving notice thereof, lodge an appeal in writing with the Chairman of the Enforcement Committee, who shall refer the same to a Disciplinary Committee constituted in accordance with Regulation 14 of Part 2. Pending determination of any such appeal, the decision and any sanction imposed by the Ring Discipline Supervisory Panel shall be suspended.

## **12. DEALINGS ON LME SELECT**

- 12.1 Business for LME Select shall be in accordance with the Rules.
- 12.2 Only LME Select Participants may have direct access to LME Select and such LME Select Participants must have entered into relevant contractual agreement as stipulated by the Exchange from time to time.
- 12.3 LME Select Participants are required to maintain adequate internal procedures and controls to maintain the confidentiality and anonymity of LME Select trading activity, and to ensure that only internally authorised personnel are able to access data relating to the identity of trading counterparties.
- 12.4 LME Select Participants must advise the Exchange in writing if any Dealer leaves the employment of an LME Select Participant. Until such time as a Dealer's access to LME Select has been revoked, the relevant LME Select Participant shall remain responsible for all activity undertaken by such Dealer.
- 12.5 The Exchange reserves the right, acting reasonably and in its absolute discretion, to suspend or revoke the access of a Dealer and/or a Member and, where applicable, its Clients, to LME Select and/or to any other systems and facilities (including any successor systems or facilities) of the Exchange, as the Exchange deems necessary.
- 12.6 LME Select Participants must ensure that appropriate and adequate training has been provided to all staff that has access to LME Select. All relevant staff should be regularly reviewed, and additional training provided if required or if the Exchange notifies the LME Select Participant that further training of a particular staff member is required.
- 12.7 LME Select Participants and Clients may not distribute, disseminate or share LME Select price, volume, trade and/or any other data, unless they have entered into the appropriate licence agreement with the Exchange to do so.
- 12.8 The following rules of trading procedure shall apply at all times when the central order book is open for order matching:-

- 12.8.1 bids or offers deemed by the Executive to be frivolous are prohibited and may be deemed to be a prohibited practice pursuant to Trading Regulation 14;
- 12.8.2 orders will be matched on a price/time priority basis or such other method as otherwise advised or defined by a Notice issued by the Exchange;
- 12.8.3 an order entered into the central order book will lose priority if the tonnage against any bid or offer is increased or the price is changed;
- 12.8.4 an order entered into the central order book will not lose priority if the tonnage against any bid or offer is reduced and the price remains unchanged;
- 12.8.5 orders entered into LME Select must be in multiples of Lots and with minimum price fluctuations as shall be prescribed by the Exchange from time to time;
- 12.8.6 dealers must act with due skill care and diligence at all times whilst dealing on LME Select; and
- 12.8.7 permitted orders shall be in accordance with those prescribed by the Exchange from time to time.

**Order routing services (Direct Electronic Access)**

- 12.9 LME Select Participants may offer order-routing facilities (also known as direct electronic access under MiFID II) to a Client, but in such cases the LME Select Participant retains responsibility for, and remains liable for, all trading activity conducted by such Client, including all orders submitted and trades executed using the order-routing facility.
- 12.10 LME Select Participants must have in place appropriate pre-trade risk controls and procedures for all orders submitted to LME Select. LME Select Participants offering order-routing facilities to Clients must ensure that all orders submitted by Clients are subject to appropriate pre-trade risk controls and procedures that have been implemented by the LME Select Participant concerned. LME Select Participants may not rely upon any pre-trade risk controls or procedures that Clients may have implemented themselves to satisfy this Regulation.
- 12.11 LME Select Participants offering order-routing facilities to Clients must:
  - (a) comply with the relevant requirements under MiFID II regarding the provision of Direct Electronic Access services;
  - (b) ensure that Clients using their order-routing services comply with MiFID II and all relevant Rules; and
  - (c) meet all of the requirements prescribed by the Exchange for providing order-routing services, including conditions established by Notice, as amended by the Exchange from time to time.
- 12.12 Any LME Select Participant offering order-routing facilities to its Clients must monitor such Clients' use of such facilities and any transactions executed through such facilities in order to identify infringements of the requirements in MiFID II and/or the Rules. In the event that an LME Select Participant identifies any such infringement, it must notify the Exchange.

- 12.13 The Exchange will monitor trading activity carried on via order-routing facilities and may, in the event of (i) an infringement of MiFID II, the Rules, or the requirements prescribed by the Exchange for order-routing services or (ii) any other situation where the Exchange may deem it necessary, acting reasonably and at its absolute discretion:
- (a) stop orders or trading by a person using order-routing services; and/or
  - (b) suspend or terminate the provision of order-routing services by the relevant LME Select Participant.
- 12.14 Trading Regulations 12.10, 12.11 and 12.12 shall apply with effect from 3 January 2018.

#### **LME Select API Client Trades**

- 12.15 Trading Regulation 2.7 shall apply in the event that:
- (a) a Member makes available to a Client the order-routing facility of the LME Select API; and
  - (b) due to any use by a Client of the order-routing facility of the LME Select API, one or more Cleared Contracts come into effect between the Clearing House and a Clearing Member.

#### **Identification of Clearing House Accounts**

- 12.16 LME Select Participants must, when submitting orders into LME Select, correctly identify the appropriate account of the Clearing Member for the resulting Agreed Trade at the Clearing House.
- 12.17 Any failure by:
- (a) an LME Select Participant to comply with Trading Regulation 12.16 above; or
  - (b) a Clearing Member to comply with its obligation to correct an incorrectly allocated Cleared Contract in accordance with the Administrative Procedures,
- shall be an act of misconduct for the purposes of Regulation 14 of the Membership Regulations, and may result in disciplinary action against the Member by the Exchange.

#### **Transparent Reporting of Orders to LME Select**

- 12.18 Where any LME Select Participant:
- (a) submits its own orders into LME Select; or
  - (b) offers Direct Electronic Access services to enable Clients to submit orders into LME Select,
- such LME Select Participant must ensure that:
- (i) all such orders are submitted into LME Select without delay; and
  - (ii) no such order is withheld from submission into LME Select for the purpose of offsetting such order against any other order or orders that would

ordinarily be submitted into LME Select, including but not limited to offsetting one Client order against another Client order.

#### **Use of LME Information through LME Select API**

- 12.19 The Exchange hereby consents, subject to Regulation 12.20 and 12.21 below, to allow a Member to:
- (a) transmit LME Information to Member API Clients;
  - (b) permit Member API Clients to transmit LME Information to their Member API Member API Sub-Clients;
  - (c) use LME Information for Non-Display Usage by such Member; and
  - (d) transmit LME Information to Member API Clients for use by the Member API Clients and/or Member API Sub-Clients for Non-Display Usage by such Member API Client and/or Member API Sub-Client.
- 12.20 It is prohibited for any Member, Member API Client or Member API Sub-Client to:
- (a) store, manipulate or use for Non-Display Usage any LME Information for commercial purposes; and
  - (b) to transmit LME Information to, or otherwise permit access to LME Information by, a Non-LME Multi-Dealer Trading System (without the express prior consent of the Exchange),
- and the Member shall be:
- (i) responsible for procuring compliance by any Member API Client or Member API Sub-Client with such prohibitions; and
  - (ii) liable to the Exchange for any breach of such prohibitions by any Member API Client or Member API Sub-Client as if such breach had been committed by the Member itself;
- 12.21 The consent given pursuant to Regulation 12.19 above is given subject to the following conditions (and the Member shall comply, and be responsible for procuring compliance, with such requirements):
- (a) no Member may transmit LME Information to any Member API Client or permit any Member API Client to transmit LME Information to any Member API Sub-Client unless the following conditions are satisfied:
    - (i) Member API Clients to which LME Information is transmitted by a Member must have entered into a formal client engagement agreement with the Member, reflecting the requirements, conditions and limitations set out in Regulations 12.19 to 12.21 (including, for the avoidance of doubt, the requirement to comply with Regulation 12.21(a)(ii) below); and
    - (ii) Member API Sub-Clients to which LME Information is transmitted must have entered into a formal client engagement agreement with a Member API Client reflecting the requirements, conditions and limitations set out in

Regulation 12.21 (including, without limitation, the prohibitions specified in Regulation 12.20 above);

- (b) without limitation to (a) above, the Member shall procure that each Member API Client that has access to LME Information via the LME Select API shall have entered into an agreement with the Member (to be produced to the Exchange on request) whereby the Member API Client:
  - (i) agrees:
    - (1) to treat such LME Information as confidential information of the Exchange; and
    - (2) that it shall not distribute LME Information to any other person (except as expressly permitted under these Regulations 12.19 to 12.21 or as required by applicable law or regulation);
  - (ii) agrees to comply with the Financial OTC Booking Fee Policy as:
    - (1) an Affiliate of the Member (where such Member API Client is an Affiliate of the Member); or
    - (2) as a Licensee, as such term is defined in the Financial OTC Booking Fee Policy (where such Member API Client is not an Affiliate of the Member);
  - (iii) agrees and confirms that, where the Member API Client intends to transmit LME Information to any Member API Sub-Client, it has in place agreements with such Member API Sub-Client (a “Member API Sub-Client Agreement”):
    - (1) under which the Member API Sub-Client agrees to treat such LME Information as confidential information of the Exchange; and
    - (2) that prohibits such Member API Sub-Client from re-distributing LME Information to any other person (except as required by applicable law or regulation);
  - (iv) agrees to include in every Member API Sub-Client Agreement, an agreement by the Member API Sub-Client to comply with the Financial OTC Booking Fee Policy as:
    - (1) an Affiliate of the Member (where such Member API Sub-Client is an Affiliate of the Member); or
    - (2) as a Licensee, as such term is defined in the Financial OTC Booking Fee Policy (where such Member API Sub-Client is not an Affiliate of the Member);
  - (v) acknowledges that only Category 1 Members and Category 4 Members may issue a Client Contract that is an LME Base Contract;

- (vi) acknowledges that only LMEprecious General Clearing Members and LMEprecious Non-Clearing Members may issue a Client Contract that is an LMEprecious Contract;
- (vii) confirms that, if the Member API Client trades with Member API Sub-Clients, those Member API Sub-Clients have been made to understand that they do not receive Client Contracts;
- (c) the Member shall pay to the Exchange such fees in respect of the access permitted pursuant to Regulation 12.19 as the Exchange shall specify by Notice (as may be amended or updated by the Exchange from time to time);
- (d) the Member shall send to the Exchange such reports, in respect of the access and use of LME Information by the Member and any Member API Clients and/or Member API Sub-Clients, as the Exchange may specify by Notice, in accordance with such requirements as may be specified in such Notice;
- (e) the Member shall comply with the requirements of the Exchange in relation to the identification of Member API Clients and Member API Sub-Clients as notified by the Exchange to the Member from time-to-time;
- (f) (without prejudice to the prohibitions specified in Regulation 12.19, and the Member's liability for any breach by a Member API Client or Member API Sub-Client of any such prohibition) the Member shall use its reasonable endeavours to ensure that each Member API Client and Member API Sub-Client who has access to LME Information does not copy, distribute or transmit it without the prior consent of the Exchange or except as explicitly permitted by these Regulations 12.19 – 12.21, and the Member shall cease to make available LME Information to any Member API Client whom it knows or has reasonable cause to suspect is copying, distributing, transmitting or permitting to be made available LME Information without the consent of the Exchange or except as explicitly permitted by this Regulations 12.19– 12.21;
- (g) the Member shall retain all documents, books and records relevant to the making available of LME Information to Member API Clients as contemplated by these Regulations 12.19 – 12.21 (including a list of the names and address of each Member API Client to whom LME Information is available and the number of Terminals, Users and Applications of that Member API Client, a list of identities of end users and access identifications and such other information as may be required by the LME from time to time) during the currency of the Member's Membership and for a period of six (6) years following the termination of the Member's Membership;
- (h) for the purposes of ensuring compliance by the Member with the terms of these Regulations 12.19 – 12.21, the Member shall permit the Exchange and its representatives to have access on reasonable notice to such of the Member's documents, books and records (including those referred to in paragraph (g)) and personnel as it may reasonably require for audit purposes. This is without prejudice to any other rights of the Exchange, contained elsewhere in the Rules, to inspect documents, books and records of Members;

- (i) the Member undertakes that it will at all times be in compliance with all local, legal and regulatory requirements regarding the arrangements that it has with each Member API Client that the Member permits to transmit LME Information to Member API Sub-Clients;
- (j) subject to paragraph (k) below, the consent granted under Regulation 12.19 shall be automatically withdrawn upon termination of the Member's Membership; and
- (k) the Exchange may withdraw its consent under Regulation 12.19, in whole or in part (including in respect of individual Member API Clients and/or Member API Sub-Clients), on 7 days' written notice to the Member.

### **13. TRADE INVALIDATION AND CANCELLATION**

- 13.1 The Exchange may, in certain circumstances, invalidate transactions in accordance with the relevant procedures established by Notice.
- 13.2 Where an LME Select Participant has made an error in the execution of a transaction undertaken on LME Select, such LME Select Participant may request that the Exchange contact the counterparty(ies) to determine whether such counterparty(ies) would agree to the transaction being cancelled. In the event that the counterparty(ies) do not agree to the request, then the transaction will not be cancelled.
- 13.3 Notwithstanding Trading Regulation 13.2, the Exchange may in its absolute discretion review any transaction undertaken on LME Select and invalidate or adjust the price of any trade in accordance with any policy that the Exchange issues from time to time on erroneous trades.

### **14. PROHIBITED PRACTICES**

- 14.1 No person shall manipulate or attempt to manipulate or otherwise abuse or attempt to abuse the market or create or attempt to create an artificial market.
- 14.2 No person shall enter into or attempt to enter into a transaction or series of transactions designed to create an artificial market whereby prices and turnover do not truly reflect the business transacted.
- 14.3 No person shall undertake or attempt to undertake wash or bogus transactions.
- 14.4 No person shall demonstrate or attempt to demonstrate that a trade has taken place when it has not in fact occurred nor shall any person mislead or attempt to mislead Exchange staff as to the nature of any transaction.
- 14.5 No person shall, either intentionally or unintentionally, create or attempt to create a disorderly market.
- 14.6 No person shall trade, place orders to trade or encourage any other person to trade in the same direction (purchase or sale) as a Client order with a view to realising a profit or avoiding a loss, pursuant to any price movement brought about by such Client order.
- 14.7 No person shall mislead or attempt to mislead Exchange staff as to the nature of any orders or transactions.

14.8 No person shall manipulate or attempt to manipulate any prices or indices set or published by the Exchange.

14.9 No person shall undertake, attempt to undertake, procure that another person undertakes or attempts to procure that another person undertakes any behaviour that is contrary to applicable law or regulation preventing market abuse.

**15. WHEN THE CLEARING HOUSE MAY FIX PRICES**

15.1 If the Quotations Committee fails at any time to determine or announce to the Clearing House a Closing Price or a Settlement Price in accordance with the Trading Regulations, the Clearing House may fix a Closing Price or Settlement Price as the case may require, of such amount as it may in its absolute discretion determine, and may apply the same in accordance with the Trading Regulations and the Clearing House Rules as if it had been determined by the Quotations Committee.

15.2 If the Exchange fails to fix an Invoicing Back price under Trading Regulation 10.4 or Trading Regulation 17.7, then the Closing Price (or, where bid and offered prices are fixed as the Closing Price, the mean of the two) or Settlement Price last fixed under these Trading Regulations (whichever was fixed the later) shall be the Invoicing Back price and such Invoicing Back price shall be deemed to have been fixed by the Exchange.

15.3 A Closing Price, or a Settlement Price or an Invoicing Back price fixed under Trading Regulation 15.1 or 15.2 above shall be binding on the parties to a Contract. No dispute as to such price may be referred to arbitration but, in the case of an Invoicing Back price, the completion of Invoicing Back shall be without prejudice to the right of either party to refer an issue between them to arbitration under the Rules.

**16. WHO MAY TRADE IN THE RING OR ON LME SELECT**

16.1 Every Category 1 Member shall nominate one or more Dealers to trade in the Ring on its behalf, and shall at all times be bound by the actions of such Dealer.

16.2 Names and particulars of proposed Dealers shall be submitted in writing to the Exchange which shall have the right to approve or refuse every such application after such consultation with the Ring Committee as it thinks fit.

16.3 A list of Dealers together with the names of the Category 1 Members whom they represent shall be posted in the Exchange together with names of any Dealers authorised since compilation of such list.

16.4.1 There shall be two categories of Dealer, viz Authorised Dealers and Probationary Dealers. Unless the express permission is obtained from the Executive no Probationary Dealer may trade in the Ring save under the supervision of an Authorised Dealer from the same Member as the Probationary Dealer who has been authorised for a period of not less than one year.

16.4.2 A Probationary Dealer cannot apply for full authorisation until he has dealt in the ring for a period of not less than six months.

16.4.3 If a Probationary Dealer has not gained full authorisation to deal after a period of eighteen months he will be re-registered as a Registered Clerk subject to the discretion of the Ring Committee.



- 16.5 Qualification requirements for Authorised and Probationary Dealers shall be as prescribed by the Exchange after consultation with the Ring Committee and shall be available on application to the Secretary.
- 16.6 The names of proposed Authorised and Probationary Dealers shall be posted in the Exchange not less than 10 Business Days before each application for authorisation is due for consideration by the Exchange, and during this period any Category 1 Member having any objection to the nominee may communicate the same to the Exchange stating the reasons therefor.
- 16.7 Any withdrawal of, or withdrawal of authority from, a nominated Dealer of a Category 1 Member shall likewise be communicated immediately to the Exchange, which shall forthwith advise all other Category 1 Members.
- 16.8 No more than one Authorised Dealer representing a Category 1 Member may trade in the Ring at any one time during official Ring trading sessions.
- 16.9 No person other than a Dealer or other representative of a Category 1 Member shall be admitted to the Ring or the area adjacent thereto for the purposes of or incidental to trading during Ring or kerb trading sessions unless expressly authorised by, or under the authority of, the Chief Executive.
- 16.10 Every LME Select Participant shall nominate one or more Dealers to trade on LME Select on its behalf, and at all times shall be bound by the actions of such Dealers.
- 16.11 The Exchange will grant each Dealer access to LME Select provided such Dealer has met all the requirements for LME Select access that are set out in the Rules.
- 16.12 Applications for Dealer authorisation to trade on LME Select shall be submitted by the relevant LME Select Participant, in writing, to the LME who shall have the right to approve or refuse every such application after such due diligence as it deems appropriate.
- 16.13 Any withdrawal of, or withdrawal of authority from, a nominated Dealer shall likewise be communicated immediately to the Exchange.

## 17. **EMERGENCIES**

- 17.1 In the event of the Special Committee or the Clearing House having cause to suspect the existence or to anticipate the development or likely development of a corner or undesirable situation or undesirable or improper trading practice which in their opinion has affected or is likely to affect the market, the Special Committee after consultation with the Clearing House may take such steps as in their absolute discretion they deem necessary to contain or rectify the situation and they may give directions to Members accordingly. Such directions to a Member may include, but are not limited to:-
- (a) trading out Client Contract positions with one or more particular Clients;
  - (b) trading out Cleared Contract positions or positions otherwise related to Cleared Contracts; and
  - (c) reducing its net trading position.
- 17.2 Without prejudice to the generality of this Trading Regulation, such steps may include the suspension or curtailment of trading for such period or for such Prompt Dates in such

metals or Contracts as may be specified or the direction that trading be limited to the liquidation of open Contracts and deferral of settlement of some or all Contracts with Prompt Dates in the current month or in the two succeeding months thereafter, subject to such compensation (if any) as the Special Committee may determine being paid to sellers or buyers.

- 17.3 Any decision of the Special Committee pursuant to this Trading Regulation shall be effective on the posting of an appropriate Notice in the Exchange and it shall thereafter be incumbent upon the Exchange to ensure that all steps are taken to ensure that normal trading is resumed with the least delay.
- 17.4 Any Member contravening or failing to comply with any direction or instruction issued under the provisions of Trading Regulations 17.1 to 17.3 above shall be liable to the same sanctions as if a breach of the Rules had been committed by him.
- 17.5 The Exchange may at its absolute discretion suspend or remove a Contract from trading, including where the Exchange has determined that the Contract no longer complies with the Rules or for any other reason.
- 17.6 Upon the occurrence of any event outside the Exchange which is outside the control of the Exchange, including the commencement of a state of war, revolution, political or economic disturbance or the enactment of legislation or the commencement, suspension or determination of any international agreement, such as may in the opinion of the Directors prevent free trading in any Contract or so distort the same or the price of any metal (including any Precious Metal), Monthly Average Future, Premium Contract, Warrant, Cash-Settled Future or Cash-Settled Future Index or the level of the Index as no longer to be truly representative of conditions in the international market in any metal, the Directors shall have the authority to order a complete cessation of trading in such metal, LMEmini Contract, Monthly Average Future, Premium Contract, Warrant, Cash-Settled Future, LMEprecious Future or Index Contract until such time as they in their absolute discretion deem it appropriate to resume, or to take any of the steps set out in Trading Regulations 17.1 to 17.3 above as they deem necessary at the time. The Directors shall not take such action as aforesaid without first consulting the Clearing House.
- 17.7 In the event that a cessation or suspension or limitation of trading in any metal, LMEmini Contract, Monthly Average Future, Premium Contract, Warrant, Cash-Settled Future, LMEprecious Future or Index Contract imposed by the Directors in accordance with Trading Regulations 17.1 to 17.3 or 17.5 above be such as to prevent delivery of the said metal (including any Precious Metal) or settlement of the said LMEmini Contract, Monthly Average Future, Premium Contract, Warrant, Cash-Settled Future, LMEprecious Future or Index Contract or to prevent the closing of an open position, any open Contracts so affected shall be closed by Invoicing Back to the seller at special settlement prices to be determined by the Directors on the date of announcement of cessation or suspension or limitation of trading.
- 17.8 Where for any reason the Directors determine that the use of LMEsword for delivery of Warrants is not practicable or appropriate in part or in whole, the Directors shall by Notice specify such other means of performing delivery of Warrants as they deem appropriate having first consulted with the Clearing House.
- 17.9 Notwithstanding anything set out in Trading Regulations 17.1 to 17.7 above:

- (a) neither the Directors nor the Special Committee shall be required to exercise their power to suspend or remove from trading any Contract which no longer complies with the Rules, where in their judgment such step would be likely to cause significant damage to the interests of investors or the orderly functioning of the financial markets; and
- (b) the Directors shall suspend or remove from trading a Contract when required to do so by the FCA.

17.10 The Exchange may notify the FCA of:

- (a) any Notice of the suspension or removal from trading of a Contract which no longer complies with the Rules or which is suspended or removed from trading; and
- (b) any lifting of a suspension or readmission to trading of a Contract that was previously suspended or removed from trading by the Exchange.

17.11 In the event that a Regulator intervenes to prohibit or restrict:

- (a) the marketing, distribution or sale of a specific financial instrument or a type of financial instrument with specific features; or
- (b) a type of financial activity or practice,

the Exchange may be required to halt trading activity, whether on a temporary or indefinite basis, in any Contract that is within the scope of the prohibition or restriction. Nothing set out in these Trading Regulations shall restrict the Exchange from complying with any such requirement.

## 18. **LENDING RULES**

18.1 Members shall comply with the Lending Rules and shall co-operate with the Exchange to ensure that each of their Clients shall comply with the Lending Rules.

18.2 Where the Exchange has reasonable cause to suspect that a Client has failed or is likely to fail to comply with the Lending Rules, the Exchange may give directions to one or more Members with whom that Client has Client Contracts to take action designed to make the same number of Lots available for borrowing in the market as would have been the case if the Client were prepared to abide by the Lending Rules. Such directions to a Member may include but are not limited to:-

- (a) lending or offering to lend, at no more than a level premium, the number of Cleared Contract positions equal to or less than the Client's long position holding of 90% or more as calculated by the Exchange in accordance with the Lending Rules; and/or
- (b) lending or offering to lend, at no more than a premium of 0.25% of the previous day's Cash price, the number of Cleared Contract positions equal to or less than the Client's long position holding of 80% or more but less than 90% as calculated by the Exchange in accordance with the Lending Rules; and/or
- (c) lending or offering to lend, at no more than a premium of 0.50% of the previous day's Cash price, the number of Cleared Contract positions equal to or less than the

Client's long position holding of 50% or more but less than 80% as calculated by the Exchange in accordance with the Lending Rules; and/or

- (d) trading out of sufficient Client Contract positions with that Client to reduce that Member's (or, if two or more Members are directed, those Members') net exposure to that Client in line with the action taken in compliance with the directions under (a) to (c) above.

18.3 Compliance with the Lending Rules is subject to the power of the Special Committee to take steps or give directions under Trading Regulations 17.1 to 17.3 above. Without prejudice to the generality of Trading Regulations 17.1 to 17.3 above, such steps or directions may include suspending, amending or supplementing the Lending Rules for such period or in respect of such metals as the Special Committee in its absolute discretion deems necessary.

## 19. **LIABILITY**

Neither the Company nor any of its directors or other officers nor any of its employees nor any member of any committee shall, except in the case of fraud or wilful default, be under any liability whatsoever in contract, in tort (including but not limited to negligence), or under any other theory of law to any Member or other person in respect of the matters set out in Trading Regulations 19.1, 19.2 and 19.3 below:

19.1 Any act or omission taken or omitted to be taken pursuant to duties, powers and/or authorities contained in the Articles or the Rules including in relation to the following:-

- (a) the input of prices into the price reporting service or the setting and dissemination of Closing Prices, Settlement Prices or other prices pursuant to the Rules;
- (b) the creation, calculation, publication or variation of the Index from time to time, including any variation to Weighting or of its Constituent Metals;
- (c) the approval or listing of any warehouse or the maintenance of any such listing;
- (d) the listing or delisting of any producer or brand of metal or the maintenance of any such listing;
- (e) the collection of information and publication of reports in relation to levels of metal stocks represented by Warrants;
- (f) the initiation or enforcement of disciplinary or emergency procedures or the exercise of any right to suspend access to any systems or facilities of the Exchange;
- (g) any other events not set out in (a) to (f) above.

19.2 Any failure, malfunction, delay or other defect in or affecting any computer system, including LME Select, screens, equipment, telephones or other communications media or facilities used by the Exchange, its Members or others, whether at the Exchange or otherwise.

19.3 Any Agreed Trade that is input into the Matching System by a Registered Intermediating Broker and which is, for any reason, either (i) rejected; or (ii) not approved and/or Executed, including (but not limited to) any circumstance falling within Regulation 19.2 above.

20. **POSITION LIMITS**

- 20.1 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.
- 20.2 Compliance with the Position Limits is subject to the power of the Special Committee to take steps or give directions under Trading Regulations 17.1 to 17.3 above. Without prejudice to the generality of Trading Regulations 17.1 to 17.3 above, such steps or directions may include suspending, amending or supplementing the Position Limits for such period or in respect of such metals as the Special Committee in its absolute discretion deems necessary.
- 20.3 With effect from 3 January 2018, Members shall provide a daily position report to the Exchange in accordance with the format required by the Exchange and other requirements as specified in the relevant Notice from time to time.
- 20.4 In accordance with their powers of position management under MiFID II, a Regulator may:
- (a) request information from a Member or a Client of the Member regarding the size or purpose of a position or exposure under a Contract;
  - (b) require the Member or Client to reduce the size of, or eliminate, its position or exposure under that Contract; and/or
  - (c) limit the ability of a Member or Client to enter into commodity derivatives,
- and any Member shall comply with any such requests, requirements, or limitations. To the extent that a Member is informed of any exercise of position management powers by a Regulator in relation to its Client, it shall procure that its Client complies with any such requests, requirements, or limitations.
- 20.5 If a Member becomes aware that it or its Client is the subject of a notice issued by ESMA in the exercise of its position management powers, the Member must alert the Exchange immediately. The Member shall co-operate with the Exchange to take such action as may be appropriate on the basis of the notice issued by ESMA, and which may require the Member to reduce the size of, or eliminate, a trading position.

21. **CONFORMANCE TESTING, ALGORITHMIC TRADING AND MARKET MAKING**

- 21.1 Prior to any deployment or substantial update of (a) LME Select or (b) a Member's trading system, trading algorithm, or trading strategy, each Member must carry out conformance testing, including the appropriate testing of algorithms, in accordance with the conditions established by Notice from time to time.
- 21.2 Members must flag orders generated by Algorithmic Trading to the Exchange, identifying:
- (a) the different algorithms used for the creation of orders; and
  - (b) the persons initiating those orders,

such flagging of orders being made in accordance with the relevant requirements established by Notice.

21.3 Where any Member, or any Client of a Member engages in Algorithmic Trading, to pursue a Market Making Strategy:

- (a) the Member shall provide, and shall ensure that any such Client provides, market making continuously during the opening hours of the Exchange, with the result of providing liquidity on a regular and predictable basis;
- (b) the Member shall, and shall procure that any such Client shall, enter into a market making agreement with the Exchange where required to do so by Regulation 21.4 regarding its obligations in (a) in relation to the Contracts in which it or, where appropriate, its Client, pursues a Market Making Strategy;
- (c) the Member must have in place, and ensure that any such Client has in place, the systems and controls required to ensure it performs its obligations under the market making agreement specified in (b); and
- (d) the Member shall comply with any additional requirements that the Exchange may specify by Administrative Procedure.

21.4 A Member shall, and shall procure that a Client shall, enter into a market making agreement with the Exchange:

- (a) if it or such Client, during half of the trading days over a one-month period, in execution of such Market Making Strategy:
  - (1) posts Firm Quotes that are simultaneous two-way quotes of comparable size and competitive prices; and
  - (2) Deals On Own Account in at least one Contract on the Exchange for at least 50 per cent of the daily trading hours of continuous trading at the Exchange, or
- (b) where otherwise required to do so pursuant to MiFID II or any law or regulations made pursuant thereto.

21.5 For the purposes of Regulation 21.4:

- (a) Firm Quotes shall be deemed to be simultaneous two-way quotes if they are posted in such a way that both the bid and the ask-price are present in the order book at the same time;
- (b) two Firm Quotes shall be deemed of comparable size when their sizes do not diverge by more than 50 per cent from each other; and
- (c) Firm Quotes shall be deemed to have competitive prices where they are posted within the maximum bid-ask range for the relevant Contract, as specified by the Exchange from time to time by Notice.

21.6 A Member shall not be required to comply with Regulation 21.3(a) if it or, where appropriate, its Client, is unable to provide liquidity on a regular and predictable basis due

to the exceptional circumstances listed in Article 3 of Commission Delegated Regulation (EU) 2017/578.

- 21.7 Where a Member considers that it or, where appropriate, its Client, is unable to comply with its obligation to provide liquidity on a regular and predictable basis due to the exceptional circumstances specified in Article 3(d) of Commission Delegated Regulation (EU) 2017/578 (circumstances preventing prudent risk management practices), it must provide to the Exchange, upon request, evidence satisfactory to the Exchange of such circumstances and how the condition in Article 3(d) is satisfied.
- 21.8 In order to assist Members to identify such exceptional circumstances, the Exchange will endeavour to determine in its absolute discretion and make public the occurrence of exceptional circumstances falling within Article 3(a), (b), (c), or (e) of Commission Delegated Regulation (EU) 2017/578. In the event of such an occurrence, the Exchange may issue a Notice to Members. The Exchange shall not extend the declaration of such exceptional circumstance beyond the close of the opening hours of the relevant Execution Venue on the Business Day on which the exceptional circumstance(s) occurred unless, in the determination of the Exchange, this is necessary in the circumstances set out in Article 3(b), (c) or (e) of Commission Delegated Regulation (EU) 2017/578.
- 21.9 Following the ending of any such exceptional circumstances, the Exchange may announce the resumption of normal trading in accordance with its standard procedures.
- 21.10 This Trading Regulation 21 shall apply with effect from 3 January 2018.

## **22. ORDER CANCELLATION AND CONTROLS**

- 22.1 The Exchange may temporarily halt or constrain trading in accordance with the relevant procedures established by Notice if there is a significant price movement during a short period in a financial instrument on the Exchange or a related trading venue (as such term is defined in Article 4(1)(24) of the MiFID II Directive). Where the Exchange considers it appropriate, the Exchange may cancel, vary or correct any Agreed Trade or Contract.

## **23. TRANSACTION REPORTING**

- 23.1 The Exchange is required to report to the FCA details of transactions in financial instruments traded on its platform which are executed through its systems by a firm that is not subject to MiFID II. Members shall confirm to the Exchange if they are writing Client Contracts for Clients that are not firms subject to MiFID II and provide details of all Agreed Trades and Contracts in respect of such Clients at the time of submission of the details of the Agreed Trade into the Matching System in accordance with the timescales set out in Trading Regulation 3.5.
- 23.2 Any Member that is not a firm subject to MiFID II shall:
- (a) provide the Exchange with a validated, issued and duly renewed ISO 17442 legal entity identifier code; and
  - (b) obtain from each of its Clients that is not a firm subject to MiFID II a validated, issued and duly renewed ISO 17442 legal entity identifier code, which the Member shall provide to the Exchange.

- 23.3 It shall be the responsibility of such a Member to ensure that the reference data related to its legal entity identifier is renewed in accordance with the terms of any of the accredited local operating units of the Global Legal Entity Identifier System, and also to ensure that each of its Clients renews such data.

This Trading Regulation 23 shall apply with effect from 3 January 2018.



**PART 4**  
**CONTRACT REGULATIONS**

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**CONTENTS**

| <b>Section</b> |  | <b>Page</b> |
|----------------|--|-------------|
| 1              | Relationship with Rules and Regulations  | 4-1         |
| 2              | Status of Parties  | 4-2         |
| 3              | Margin Client Contracts  | 4-2         |
| 4              | Settlement   | 4-2         |
| 5              | Delivery   | 4-3         |
| 6              | Special Contract Rules for Metals, LMEmini Contracts, Cash-Settled Futures and for the Construction of the Index and the LMEprecious Regulations | 4-4         |
| 7              | Warrants   | 4-5         |
| 8              | Delivery Points  | 4-5         |
| 9              | Default  | 4-6         |
| 10             | Disputes   | 4-6         |
| 11             | General  | 4-6         |
| 12             | Transitional Provision for Non-Segregated Client Contracts   | 4-7         |
| 13             | Porting of Underlying Client Contracts in the Absence of Default   | 4-7         |
| 14             | Compression  | 4-8         |



## PART 4: CONTRACT REGULATIONS

### 1. RELATIONSHIP WITH RULES AND REGULATIONS

- 1.1 These Contract Regulations shall apply to Contracts made subject to the Rules of the Exchange, whether between a Clearing Member and the Clearing House or between a Clearing Member and a Member who is not a Clearing Member or between a Member and any other person.
- 1.2 Contracts shall in addition be subject to the Trading Regulations and, in case of discrepancy, the Trading Regulations shall prevail over these Contract Regulations. Contracts for Traded Options shall, in addition, be governed by the Traded Options Regulations. Contracts for Monthly Average Futures shall, in addition, be governed by the Monthly Average Future Regulations. Premium Contracts shall, in addition, be governed by the Premium Contract Regulations. LMEprecious Contracts shall, in addition, be governed by the LMEprecious Regulations.
- 1.3 Any provision of, or any provision incorporated into, any Contract (other than a provision incorporated by virtue of the Clearing House Rules) which purports to exclude or is otherwise in conflict with the Rules shall be void.
- 1.4 All Agreed Trades must be entered into the Matching System in order to provide evidence to the Clearing House of the Contracts formed pursuant to the Execution of such Agreed Trades. Any dispute as to failure to enter or the reason for non-entry of such Agreed Trades may be referred to arbitration in accordance with the Arbitration Regulations.
- 1.5 A Member may not enter into a contract expressed to be "subject to the Rules and Regulations of the Exchange" or similar expression unless it is a Contract. Written confirmation of a Client Contract must state clearly and in bold capitals the phrase **"THIS IS AN LME REGISTERED CLIENT CONTRACT"**. Written confirmation of an over-the-counter contract in respect of LME-deliverable metal must state clearly and in bold capitals **"THIS IS NOT AN LME REGISTERED CLIENT CONTRACT"**.
- 1.6 Upon Execution of an Agreed Trade, Cleared Contracts shall come into effect in accordance with the Clearing House Rules between the Clearing House and each Clearing Member that was a party to, or responsible for clearing, the Agreed Trade.
- 1.7 Upon Execution of an Agreed Trade between a Client and a Member, one or more Client Contracts shall automatically and immediately come into effect:
  - (a) between the Clearing Member responsible for clearing the Agreed Trade and its Client that is party to the Agreed Trade; and
  - (b) where the Agreed Trade is between a Category 4 Member or LMEprecious Non-Clearing Member and its own Client, between such Member and its Client.
- 1.8 All Cleared Contracts shall be performed and settled in accordance with the Trading Regulations and the Clearing House Rules. Accordingly, in this Part 4, all references to any category of Contract shall, where that Contract has been registered at the Clearing House, be construed to include any Cleared Contract that has arisen pursuant to the Clearing House Rules, such that:

- (a) references to any type of "Cleared Contract" shall include the Cleared Contracts that have arisen pursuant to the Execution of an Agreed Trade under the Clearing House Rules;
- (b) references to any type of "Client Contract" shall:
  - (i) include the Client Contract to the extent that such remains in force between the parties thereto; and
  - (ii) not include the Cleared Contracts that correspond to such Client Contract, the settlement and performance of which shall be in accordance with the provisions applying to Cleared Contracts.

## 2. **STATUS OF PARTIES**

- 2.1 All Contracts shall be between the parties acting as principals. Any percentage charged by one party to the other on the price shall, by whatever name called, be regarded as part of the price.
- 2.2 Any such percentage charged by a Member may be shared with any agent or other person introducing the business.

## 3. **MARGIN CLIENT CONTRACTS**

- 3.1 In the case of any Client Contract between a Clearing Member and a Member who is not a Clearing Member or between a Member and a non-Member, the Clearing Member or, as the case may be, the Member shall have the right at any time or times to require the other party to pay Variation Margin to him in cash and/or to deposit with him security in such other form as he may require in order to secure fulfilment by the other party of his obligations under the Contract. If the other party fails to perform this obligation, the Clearing Member or, as the case may be, the Member may immediately appropriate any Variation Margin held and/or realise any security lodged in addition to any other rights he may have under the Contract.
- 3.2 Variation Margin shall be due on demand and shall be without prejudice to payment of any other sum or provision of other security that may have been agreed between the parties.

## 4. **SETTLEMENT**

- 4.1 Settlement Basis for Different Types of Contracts
  - (a) Except as provided in the Traded Options Regulations and the Default Regulations, Metal Contracts shall be settled by offset or delivery on their Prompt Dates.
  - (b) Index Futures shall be cash settled on the Settlement Business Day following their Prompt Dates and also daily settled in accordance with the Trading Regulations and, in the case of Cleared Index Futures, the Clearing House Rules.
  - (c) Index Options shall be cash settled on the Settlement Business Day following their Prompt Date. LMEmini Futures shall be cash settled on their Prompt Date and also daily settled in accordance with the Trading Regulations and the Clearing House Rules.

- (d) Monthly Average Futures shall be cash settled on their prompt date and also daily marked to market in accordance with the Trading Regulations and the Clearing House Rules.
  - (e) Cash-Settled Futures shall be cash settled on the Settlement Business Day specified in the Special Contract Rules for Cash-Settled Futures and also daily settled in accordance with the Trading Regulations and, in the case of Cleared Cash-Settled Futures, the Clearing House Rules.
  - (f) Premium Contracts shall be settled in accordance with the Premium Contract Regulations and the Clearing House Rules.
  - (g) LMEprecious Futures shall be settled by delivery on their Prompt Dates and also daily settled in accordance with Trading Regulation 9 and, in the case of Cleared LMEprecious Futures, the Clearing House Rules.
  - (h) LMEprecious Options shall be settled by automatic exercise into LMEprecious Futures on their Prompt Date.
- 4.2 Settlement of Cleared Contracts shall be in accordance with the Trading Regulations and the Clearing House Rules.
- 4.3.1 Offsetting Client Metal Contracts for the same number of Lots of the same metal and in the same currency and with the same Prompt Date shall be settled in accordance with the Trading Regulations on the Prompt Date, buyer and seller paying or receiving (as the case may be) any difference between the Contract prices in the currency of the Contracts. Non-offsetting Client Metal Contracts shall be performed by delivery.
- 4.3.2 Premium Contracts shall be subject to offsetting in accordance with the Premium Contract Regulations.
- 4.4 The application of Regulations 8.7 and 9 of the Trading Regulations and Regulations 4.1, 4.2 and 4.3 above shall not be construed so as to frustrate the application of Regulation 14 of the Contract Regulations and:
- (i) a Contract may be subject to Compression notwithstanding that it would otherwise not be settled until the time specified in Regulations 8.7 and 9 of the Trading Regulations and Regulations 4.1, 4.2 or 4.3 above; and
  - (ii) any reference to the settlement of a Contract shall be construed to mean the settlement of any Post-Compression Client Contract that arises upon Compression of such Contract.

## 5. **DELIVERY**

- 5.1 Delivery due under Cleared Metal Contracts shall be effected in accordance with the Trading Regulations.
- 5.2 Delivery due under a Client Metal Contract shall be effected on the Prompt Date by delivery of Warrants. Warrants shall be delivered either by way of a transfer pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers or (until further notice) by delivery of a physical Warrant.

The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the seller's option.

- 5.3 Subject to the Special Contract Rules pertaining to the relevant metal, Warrants shall be for one Lot each.
- 5.4 In relation to Client Metal Contracts, Warrants shall be invoiced and paid for at the Contract weight and at the Settlement Price pertaining to the Prompt Date, buyer and seller paying and receiving (as the case may be) any difference between Settlement Price and Contract price in the currency of the Contract. If the currency of the Contract is not the Major Currency for the relevant metal the Settlement Price may be translated into the currency of the Contract at such rate as the parties may determine.
- 5.5 In relation to Client Metal Contracts weight differences (between Contract weight and actual Warrant weight) shall be settled at the Settlement Price in the Major Currency of the relevant metal. Warehouse rental accruals (where relevant) shall be allowed on the invoice and shall be accounted for in the Major Currency of the relevant metal.
- 5.6 Delivery of Warrants pursuant to Client Metal Contracts shall be effected no later than 09.00 hours where the buyer is a Clearing Member and no later than 13.30 hours where the seller is a Clearing Member (so far as enabled by the Clearing Member's best endeavours). In all other cases delivery under Client Metal Contracts shall be effected at such time on or before the Prompt Date as the parties may agree.
- 5.7 Warrant weights in all cases shall be accepted as between buyer and seller.
- 5.8 Delivery due under a Premium Contract shall be effected in accordance with the Premium Contract Regulations.
- 5.9 Delivery due under Cleared LMEprecious Futures shall be effected in accordance with the Trading Regulations and the Clearing House Rules.
- 5.10 Delivery due under Client LMEprecious Futures shall be effected on the Prompt Date by the delivery of unallocated Precious Metal corresponding to the number of Lots represented by the Contracts to be settled. The manner of delivery shall be as agreed by the parties or, in the absence of agreement at the seller's option. Precious Metal shall be paid for at the Contract weight and at the LMEprecious Final Settlement Price pertaining to the Prompt Date.
- 5.11 Delivery of unallocated Precious Metal pursuant to Client LMEprecious Futures shall be effected no later than 16:00 hours where the buyer is an LMEprecious General Clearing Member and no later than 16:00 hours where the seller is an LMEprecious General Clearing Member (so far as enabled by the LMEprecious General Clearing Member's best endeavours). In all other cases delivery under Client LMEprecious Futures shall be effected at such time on or before the Prompt Date as the parties may agree.
- 5.12 Upon the exercise of an LMEprecious Option (including any Cleared LMEprecious Option and any Client LMEprecious Option), the Option Contract shall expire and shall be replaced by an LMEprecious Future, in accordance with the LMEprecious Option Regulations. Delivery under such an LMEprecious Future shall be due and made in accordance with Regulations 5.9 to 5.11 above.

6. **SPECIAL CONTRACT RULES FOR METAL, LMEMINI CONTRACTS, CASH-SETTLED FUTURES AND FOR THE CONSTRUCTION OF THE INDEX**

- 6.1 Quality and other matters dealt with in the Special Contract Rules for the relevant metal shall be as prescribed therein at the time of delivery.
- 6.2 With effect from 1 February 1992, the Exchange may make additions to, deletions from or modifications to the Special Contract Rules for any metal, such additions, deletions or modifications to take effect from such date as the Exchange may prescribe which shall be not less than three months after announcement thereof.
- 6.3 The terms of Index Futures, including details of the Constituent Metals and the method of calculating the Index, shall be as described in the Special Contract Rules for the Construction of the Index.
- 6.4 The terms of the Index Options shall be as prescribed in the Index Options Regulations or as otherwise specified by the Exchange.
- 6.5 The composition and calculation of the Index as provided for in the Special Contract Rules for the Construction of the Index shall be as described therein at the time of settlement of an Index Contract.
- 6.6 The Exchange may amend the Special Contract Rules for the Construction of the Index, or any other Rules relevant to the calculation of the Index or settlement of an Index Contract, such amendment to take effect from such date as the Exchange may prescribe.
- 6.7 The terms of LMEmini Futures shall be as prescribed in the Special Contract Rules for LMEmini Contracts or as otherwise specified by the Exchange.
- 6.8 The Exchange may amend the Special Contract Rules for the LMEmini Contracts, or any other Rules relevant to the trading and/or settlement of an LMEmini Contract, such amendment to take effect from such date as the Exchange may prescribe.
- 6.9 The terms of Cash-Settled Futures shall be as prescribed in the relevant Special Contract Rules for Cash-Settled Futures or as otherwise specified by the Exchange.
- 6.10 The Exchange may amend the Special Contract Rules for Cash-Settled Futures, or any other Rules relevant to the trading and/or settlement of a Cash-Settled Future Contract, such amendment to take effect from such date as the Exchange may prescribe.
- 6.11 The provisions of Regulations 6.1, 6.2, 6.5, and 6.6 to 6.10 above are without prejudice to the powers of the Directors to make and alter Rules generally.
- 6.12 In addition to Regulation 6.2, 6.6, 6.8 and 6.10 above, Regulation 15 shall apply to any non-material modifications to the terms of any Contract.

7. **WARRANTS**

Warrants must be issued by a warehouse listed by the Exchange and have the characteristics prescribed by the Special Contract Rules for the relevant metal.

8. **DELIVERY POINTS**

8.1 With effect from 19 April 1989, the Exchange may introduce any new Delivery Point with effect from at least three months after announcement of approval of such Delivery Point.

8.2.1 Warrants issued by any listed warehouse shall constitute a good delivery with effect from such time as the Exchange may decide after announcement by the Exchange of approval and listing of the said warehouse.

8.2.2 Warrants shall not constitute good delivery where they are marked as "not valid" in the LMEsword System as provided for in the LMEsword Regulations and Operating Procedures. The Exchange shall in addition give notice to Members on any Warrant being marked "not valid" (or ceasing to be marked "not valid") by publishing a Notice to all Members to that effect.

9. **DEFAULT**

9.1 The Default Regulations forming Part 9 of the Rules shall apply to all Contracts.

9.2 Upon the happening of an Event of Default in relation to any person (the "**defaulting party**"), including a non-member, who is not

(a) a Category 1, 2 or 4 Member; or

(b) an LMEprecious General Clearing Member or an LMEprecious Non-Clearing Member,

any Category 1, 2 or 4 Member, LMEprecious General Clearing Member or LMEprecious Non-Clearing Member who has open with the defaulting party any Client Contract shall have the right at any time thereafter to close-out the same by selling out or buying in against the defaulting party at the prevailing market price. In the event that this right is invoked, the obligations arising under the Client Contract may, if so provided for in any agreement between the Member and the defaulting party, be terminated upon entering into the closing Contract, except for any settlement payment due from one party to the other in respect of the closed out Contracts.

10. **DISPUTES**

10.1 Subject as provided in Regulation 10.2, any dispute as to the existence, completion or validity of or arising out of any Contract shall be referred to arbitration in accordance with the Rules.

10.2 Any dispute arising from or in relation to any Cleared Contract shall, unless resolved between the Clearing House and the Clearing Member concerned, be referred to arbitration under the Rules. In that event the provisions of the Clearing House Rules shall apply to such arbitration as if incorporated into Part 8 of the Rules.

10.3 Any dispute arising from or in relation to any Contingent Agreement to Trade shall, unless resolved between the parties, be referred to arbitration under the Rules.



11. **GENERAL**

- 11.1 Time shall be of the essence of every Contract, but failure by any party to exercise or enforce any rights shall not be deemed to be a waiver thereof.
- 11.2 The Rules (which term shall for the purposes of this Regulation 11.2 include all Administrative Procedures and Regulations, as the context may require) and all Agreed Trades, Contingent Agreements to Trade and Contracts, and any non-contractual obligations of any kind arising out of or in relation to the Rules and any Agreed Trades, Contingent Agreements to Trade and Contracts, are governed by, and shall be interpreted and construed in accordance with, English law.
- 11.3 The courts of England shall have exclusive jurisdiction to settle any dispute arising out of or in connection with these Rules, save for any matter that is dealt with by way of arbitration pursuant to Regulation 10. Each Member irrevocably submits to that jurisdiction for the exclusive benefit of the Exchange and waives any objection on the grounds of venue or forum *non conveniens* or any similar grounds.
- 11.4 Any Member that is not incorporated or registered in England and Wales shall at all times appoint and maintain an agent for service of process in England and Wales (“**Service Agent**”). Any such Member shall not revoke the authority of a Service Agent unless it has first notified the Exchange of its replacement Service Agent. If a Service Agent ceases to be able to act as such or ceases to have an address within the jurisdiction of the English courts, the Member shall promptly appoint another Service Agent (with an address for service within the jurisdiction of the English courts). Nothing in the Rules, any Administrative Procedure, any Agreed Trade, any Contingent Agreement to Trade or any Contract shall affect the right of the Exchange to serve process in any other manner permitted by law. Any Member that has appointed a Service Agent pursuant to this Regulation 11.4 shall ensure that the Exchange is at all times in receipt of the full name and address of such Service Agent.
- 11.5 The provisions of (1) the "Uniform Law on the Formation of Contracts for the International Sale of Goods" and the Convention relating thereto, (2) the "Uniform Law on the International Sale of Goods 1964" and the Convention relating thereto, and (3) the "United Nations Convention on Contracts for the International Sale of Goods of 1980" shall not apply to any Contract.
- 11.6 Entry into any Contract shall constitute a waiver by both parties thereto of any immunity from suit or arbitral process or execution of any judgement or award on the ground of sovereignty, nationality, domicile, residence or otherwise.

12. **TRANSITIONAL PROVISION FOR NON-SEGREGATED CLIENT CONTRACTS**

- 12.1 This provision shall apply to any Client Contract entered into, prior to the date on which this Regulation 12 came into force in its current form (the "EMIR Amendment Date"), as a "Non-Segregated Client Contract", and/or which was treated, in accordance with the Rules in force prior to the EMIR Amendment Date as a "Non-Segregated Client Contract".
- 12.2 From the EMIR Amendment Date, no "Non-Segregated Client Contract" shall be a Contract for the purpose of, or governed by, these Rules.

12.3 In order for any Non-Segregated Client Contract to be treated as a Contract pursuant to these Rules:

- (a) a Counterparty to that Non-Segregated Client Contract must have ensured that a Clearing Member shall have entered such contract into the Matching System as a Client Contract (other than a Non-Segregated Client Contract) on or before EMIR Amendment Date, in accordance with Regulation 3.5 of the Trading Regulations, and including all information required by the Clearing House to allocate such Contract (or the Cleared Contracts arising upon registration of such Client Contract) to either an "omnibus" segregated client account or an "individual client" segregated client account of the Clearing Member; and
- (b) the contract must have been accepted by, and registered by, the Clearing House, in accordance with the Clearing House Rules, no later than the EMIR Amendment Date.

12.4 The performance and settlement of any Non-Segregated Client Contract that has ceased to be a Contract under these Rules, in accordance with Regulation 12.2 shall be a matter for the Counterparties thereto and the Exchange shall have no powers, obligations or other responsibilities in respect of such Non-Segregated Client Contracts.

### 13. **PORTING OF UNDERLYING CLIENT CONTRACTS IN THE ABSENCE OF DEFAULT**

Where and to the extent that the Clearing House Rules permit the transfer of Client-Related Cleared Contracts either:

- (a) between Clearing Members; or
- (b) between accounts maintained by a Clearing Member in respect of different Clients,

and such transfers are permitted in circumstances where the Clearing Member that is the party to such Client-Related Cleared Contracts is not a Defaulter, then Regulation 7 of the Default Rules shall apply in respect of the corresponding Underlying Client Contracts and any associated transfer of Warrants, notwithstanding that no party to any such Underlying Client Contract may be a Defaulter.

### 14. **COMPRESSION**

14.1 This Regulation 14 shall apply in respect of:

- (a) any Clearing Member that has opted, under the Clearing House Rules, to apply Compression to any Client Related Cleared Contracts allocated to any of its client accounts at the Clearing House; and
- (b) any Client that is a counterparty to any Client Contract with any such Clearing Member; and
- (c) any Client Contract that is an Underlying Client Contract in respect of any Client-Related Cleared Contract that is:

- (i) allocated to a client account of the Clearing Member at the Clearing House; and
- (ii) subject to Compression at the Clearing House.

14.2 For the avoidance of doubt, this Regulation 14 shall not apply to any Compression at the Clearing House of any Cleared Contract that is allocated to a house account of a Clearing Member at the Clearing House.

14.3 In the event that any Client-Related Cleared Contracts that are allocated to a client account of a Clearing Member at the Clearing House are subject to Compression at the Clearing House, the Underlying Client Contracts shall also be automatically and simultaneously subject to Compression under the Exchange Rules, on the following basis:

- (a) the Clearing Member and the Client (each acting as principal) shall be released from further obligations towards one another under such Underlying Client Contracts and their respective rights against one another under such Contracts shall be cancelled; and
- (b) simultaneously, new Post-Compression Client Contracts shall, by operation of this Regulation, come into full force and effect between the Clearing Member and the Client, such that the Clearing Member and the Client (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another under the Post-Compression Client Contracts; and
- (c) such Post-Compression Client Contracts shall represent back-to-back Contracts to each Post-Compression Cleared Contract that is in effect following the Compression at the Clearing House, such that:
  - (i) for each Post-Compression Cleared Contract, there shall be a corresponding Post-Compression Client Contract, having:
    - (1) the same direction; and
    - (2) the same commercial terms, including in relation to the amount of underlying metal and prices; and
  - (ii) the Variation Margin applicable to a Post-Compression Client Contract shall be the net of the Variation Margin amounts applicable to the Underlying Client Contracts immediately prior to Compression under the Exchange Rules,

save that Compression at the Exchange shall not affect any terms or contractual rights or obligations between the Clearing Member and the Client that were not comprised in the terms of any Underlying Client Contract that was subject to Compression under the Exchange Rules.

14.4 Each Clearing Member that opts, under the Clearing House Rules, to apply Compression to any Client Related Cleared Contracts allocated to any of its client accounts at the Clearing House must:

- (a) have ensured that, prior to the implementation of any Compression at the Clearing House, its terms of business or other contractual arrangements with the relevant Clients contain provisions that operate in a manner that is consistent with this Regulation 14, and do not contain provisions which would conflict with or frustrate the Compression of any Underlying Client Contract in accordance with this Regulation 14;
- (b) ensure that any Client that is party to an Underlying Client Contract that is or may be subject to Compression under the Exchange Rules:
  - (i) is notified of the fact that such Compression may occur, and when such Compression will take effect; and
  - (ii) upon Compression under the Exchange Rules, is promptly notified of the effect of Compression, such that the Client is at all times on notice of the Client Contracts (including the Post-Compression Client Contracts) that are in force between the Clearing Member and the Client;
- (c) ensure that its books and records relating to the Client Contracts and Cleared Contracts to which it is a party are at all times reconciled and up to date, such that it is at all times possible to identify which Cleared Contract (including a Post-Compression Client Contract) represents the clearing of which Client Contract (including a Post-Compression Cleared Contract); and
- (d) promptly upon request by the Exchange or Clearing House provide a copy of such books and records described in (c) above, in such a format that would easily enable Compression Client Contracts) with the corresponding Cleared Contracts (including the Post-Compression Cleared Contracts).

## 15. **NEW CONTRACTS AND NON-MATERIAL AMENDMENTS TO EXISTING CONTRACTS**

15.1 The Exchange may introduce new types of Contract ("**New Contracts**"), or make non-material modifications to the specifications of existing Contracts ("**Non-Material Amendments**") from time to time, in accordance with the following process. This process shall not apply to any material modification of the features of any Contract that is, at the relevant time, already a Contract under the Rules.

15.2 The Exchange may introduce a New Contract or a Non-Material Amendment by providing, by way of Notice, the following information to Members:

- (a) the specifications of such New Contract or Non-Material Amendment;
- (b) the changes to these Rules that the Exchange proposes to apply in order to facilitate the introduction of such New Contract or Non-Material Amendment, including:
  - (i) the addition of new "Special Contract Rules" for the New Contract in Part 6 to this Rulebook and/or the addition of a new Part or sub-section to any existing Part of these Rules to introduce new Regulations specific to the New Contract; or

- (ii) the amendment of any Rule to reflect a Non-Material Amendment; and
    - (iii) any additional changes to these Rules to facilitate the introduction of the New Contract or Non-Material Amendment;
  - (c) any Administrative Procedures, or amendments to existing Administrative Procedures that the Exchange proposes to apply in order to facilitate the introduction of such New Contract or Non-Material Amendment;
  - (d) any additional requirements to be satisfied in order to enable a Member to trade or clear the New Contract or Non-Material Amendment (including, without limitation, and operational requirements and any fees specific to the New Contract or Non-Material Amendment); and
  - (e) the date from which the changes to the Rules and / or Administrative Procedures shall come into effect and, if different, the date from which the New Contract shall be available for trading. The Exchange may, by the provision of a subsequent Notice, postpone such dates, where the Exchange deems appropriate.
- 15.3 The Exchange shall provide Members with such advance notice of the dates specified pursuant to Rule 15.2(e) above as the Exchange considers reasonable and appropriate having regard to the circumstances.
- 15.4 Any changes to the Rules and / or Administrative Procedures shall come into effect from the date(s) specified pursuant to Rule 15.2(e).
- 15.5 The Exchange shall not consult with Members in advance of the introduction of any New Contract or Non-Material Amendment unless, and except to the extent that:
- (a) the Exchange considers that, in the context of the circumstances of the introduction of the New Contractor Non-Material Amendment, it would be required by law or regulation to do so (including the Recognition Requirements Regulations and REC); or
  - (b) the Exchange is required to do so by a Regulator;
  - (c) the Exchange, in its absolute discretion, considers it prudent or appropriate to do so.



**PART 5**  
**TRADED OPTIONS REGULATIONS**

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**CONTENTS**

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**PART 5A: METAL OPTIONS REGULATIONS**

| <b>Section</b> |                                       | <b>Page</b> |
|----------------|---------------------------------------|-------------|
| 1              | Relationship with Trading Regulations | 5-1         |
| 2              | Permitted Options                     | 5-1         |
| 3              | Declaration                           | 5-1         |
| 4              | Effect of Declaration                 | 5-2         |
| 5              | Premiums                              | 5-3         |

**PART 5B: TRADED AVERAGE PRICE OPTIONS REGULATIONS**

| <b>Section</b> |  | <b>Page</b> |
|----------------|--|-------------|
| 6              | Relationship with Trading Regulations  | 5-5         |
| 7              | Permitted Traded Average Price Options | 5-5         |
| 8              | Declaration                            | 5-5         |
| 9              | Effect of Declaration                  | 5-6         |
| 10             | Premiums                               | 5-7         |

**PART 5C: INDEX OPTIONS REGULATIONS**

| <b>Section</b> |                                       | <b>Page</b> |
|----------------|---------------------------------------|-------------|
| 11             | Relationship with Trading Regulations | 5-9         |
| 12             | Permitted Options                     | 5-9         |
| 13             | Automatic Exercise                    | 5-9         |
| 14             | Effect of Declaration                 | 5-10        |
| 15             | Premiums                              | 5-10        |





## **PART 5A: METAL OPTIONS REGULATIONS**

### **1. RELATIONSHIP WITH TRADING REGULATIONS**

- 1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Metal Options Regulations or unless the context otherwise requires, apply to Metal Options.
- 1.2 The Clearing House Rules shall apply to Cleared Contracts that arise pursuant to the registration of Cleared Metal Options or Client Option Contracts with the Clearing House.
- 1.3 References in this Part 5A to Metal Options or any "Contracts" relating to such Metal Options shall be construed to include any Cleared Contract that has arisen pursuant to the registration of the Metal Option at the Clearing House (provided that Cleared Contracts that arise pursuant to the registration of Metal Options that are Client Contracts shall be treated in the same way as Cleared Contracts that are pursuant to the registration of Cleared Metal Options).

### **2. PERMITTED OPTIONS**

- 2.1 Metal Options shall be available in respect of such metals and denominated in such currencies as may from time to time be prescribed by the Exchange. The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be posted in the Exchange.
- 2.2 Trading may be conducted, in respect of any Metal Option authorised by the Traded Options Committee, until the close of the business on the Last Trading Day for such Metal Option. A new month for the metal concerned will become available for trading at the opening of business on the Business Day following the Last Declaration Day.
- 2.3 The minimum permitted spread between buyers' and sellers' premiums bid or offered in respect of Cleared Metal Options, and the minimum fluctuation in such premiums, shall be at such levels as the Exchange may from time to time prescribe according to the currency in which the Metal Option is denominated.
- 2.4 All Metal Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

### **3. DECLARATION**

- 3.1 Subject where relevant to Regulation 8 of the Trading Regulations, Prompt Dates for futures Contracts resulting from declarations under Metal Options shall be the third Wednesday in the relevant month or, if that day is not a Business Day, the next succeeding day which is a Business Day.
- 3.2 Declaration of a Cleared Metal Option may only be made on the Clearing House by a Clearing Member Taker if it forms part of that Member's open registered position as at the close of business on the preceding Business Day. Declaration shall be made in such manner as may be prescribed or accepted by the Clearing House no earlier than 07.30 hours and no later than 11.15 hours on any Business Day up to and including the Last Declaration Day for the relevant Metal Option.

- 3.3 Upon receipt of declaration of a Cleared Metal Option or Options by a Clearing Member Taker or Takers, the Clearing House shall declare a like Cleared Metal Option or Options on any Clearing Member Granter or Granters selected by it who had corresponding open registered positions as at the close of business on the preceding Business Day. The Clearing House shall use its best endeavours to notify the relevant Granter no later than 11.30 hours on the day upon which the Cleared Metal Option is declared on the Clearing House, provided however that Granters shall be obliged to accept later declarations if made in accordance with the Clearing House Rules.
- 3.4.1 Takers of Client Metal Options from Clearing Member Granters shall declare Metal Options on their Clearing Member Granters in such manner as has been agreed between them, no later than 11.10 hours on any Business Day up to and including the Last Declaration Day for the relevant Metal Option.
- 3.4.2 Trading-Only Member Takers or non-Member Takers of Client Metal Options from Trading-Only Member Granters shall declare Metal Options on such Trading-Only Member Granters in such manner as has been agreed between them no later than 11.10 hours on any Business Day up to and including the Last Declaration Day for the relevant Metal Option.
- 3.5.1 Clearing Member Takers of Client Metal Options shall declare the same on their Granters no later than 11.40 hours on any Business Day up to and including the Last Declaration Day, in such manner as has been agreed between them, provided that if the Clearing House declares on the Clearing Member later than 11.30 hours pursuant to Regulation 3.3 the Granter shall be obliged to accept a correspondingly later declaration from the Clearing Member Taker.
- 3.5.2 Trading-Only Member Takers of Client Metal Options from non-Members shall declare the same on their Granters in such manner as has been agreed between them no later than 11.40 hours on any Business Day up to and including the Last Declaration Day for the relevant option.
- 3.6 Any Metal Option described in Regulations 3.2 to 3.5 above not declared as above prescribed shall be deemed to have been abandoned.

#### **4. EFFECT OF DECLARATION**

- 4.1 Metal Options are American-style options.
- 4.2 On the declaration of a Metal Option a futures Contract shall arise between Granter and Taker of the declared Metal Option, the price of such futures Contract being the Strike Price in the Metal Options Contract.
- 4.3 Metal Futures Contracts which arise on declaration of a Metal Option shall be settled in accordance with the Trading Regulations.
- 4.4 Offsetting Cleared Metal Option Contracts of a Clearing Member for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically by the Clearing House in accordance with the Clearing House Rules, and all rights and obligations attaching to or arising from those Cleared Metal Option Contracts will terminate. The provision of this Regulation 4.4 shall be applied separately to each relevant account of the relevant Clearing Member at the Clearing House (which may, for the avoidance of doubt,

include a "house" or "proprietary" account and a "client" account that is either segregated on an "omnibus" basis or an "individual client" basis).

- 4.5.1 On the declaration of a Client Metal Option where either the Granter or the Taker is a Clearing Member, the Clearing Member must record a Cross in relation to the futures Contract resulting from the said declaration.
- 4.5.2 On the declaration of a Client Metal Option where neither party is a Clearing Member then each Trading-Only Member must arrange for a Clearing Member to record a Cross in relation to that declaration.
- 4.6 Offsetting Client Metal Option Contracts for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically unless otherwise agreed between the Granter and the Taker as the Taker otherwise requests at or before the time when the offsetting Metal Option is granted.

## 5. **PREMIUMS**

- 5.1 The amount of the premium payable on opening every Metal Option Contract shall be the premium input into the Matching System, as determined via LME Select or by the Granter and the Taker in the inter-office market.
- 5.2.1 Payment of the premium by the Taker of a Cleared Metal Option to the Granter shall be effected through the payment system, in accordance with the Clearing House Rules, prior to 12.00 hours on the next Business Day following the day on which the Metal Option is traded.
- 5.2.2 Payment of the premium by the Taker of a Client Metal Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the Metal Option is traded.
- 5.3 The Taker of a Cleared Metal Option may apply the value of such Metal Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open Cleared Contracts of the said Taker, subject to, and in accordance with the Clearing House Rules.
- 5.4 The Taker of a Cleared Metal Option or Client Metal Option shall not be permitted to receive cash payment in respect of any positive value of such Metal Option nor apply any credit arising therefrom to the purchase of another Option Contract.



## **PART 5B: TRADED AVERAGE PRICE OPTIONS REGULATIONS**

### **6. RELATIONSHIP WITH TRADING REGULATIONS**

- 6.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Traded Average Price Options Regulations or unless the context otherwise requires, apply to Traded Average Price Option Contracts.
- 6.2 The Clearing House Rules shall apply to Cleared Contracts that arise pursuant to the registration of Exchange Traded Average Price Options or Client Traded Average Price Options with the Clearing House.
- 6.3 References in this Part 5B to Traded Average Price Options or any "Contracts" relating to such Traded Average Price Options shall be construed to include any Cleared Contract that has arisen pursuant to the registration of the Traded Average Price Option at the Clearing House (provided that Cleared Contracts that arise pursuant to the registration of Client Traded Average Price Options shall be treated in the same way as Cleared Contracts that arise pursuant to the registration of Exchange Traded Average Price Options).

### **7. PERMITTED TRADED AVERAGE PRICE OPTIONS**

- 7.1 Traded Average Price Option Contracts shall be available in respect of such metals and denominated in such currencies as may from time to time be prescribed by the Exchange. The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be posted in the Exchange.
- 7.2 Trading may be conducted, in respect of any Traded Average Price Option authorised by the Exchange in consultation with the Traded Options Committee, until the close of business on the Last Trading Day for such Traded Average Price Option. A new month for the metal concerned will become available for trading at the opening of business on the Business Day following the Declaration Day.
- 7.3 The minimum permitted spread between buyers' and sellers' premiums bid or offered in respect of Exchange Traded Average Price Options, and the minimum fluctuation in such premiums, shall be at such levels as the Exchange may from time to time prescribe according to the currency in which the Traded Average Price Option is denominated.
- 7.4 All Traded Average Price Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

### **8. DECLARATION**

- 8.1 Subject where relevant to Regulation 8 of the Trading Regulations, Prompt Dates for futures Contracts resulting from declarations under Traded Average Price Option Contracts shall be the second Business Day following the Declaration Day for the relevant tradeable month.
- 8.2 The declaration of an Exchange Traded Average Price Option shall be deemed to have been made on the Clearing House by a Clearing Member Taker at 15.00 hours on the Declaration Day for the relevant Traded Average Price Option if it is In The Money and

forms part of that Member's open registered position as at the close of business on the preceding Business Day. The declaration shall be accepted and made by the Clearing House no later than 15.00 hours on the Declaration Day for the relevant Traded Average Price Option and it shall use its best endeavours to notify the relevant Granter no later than 15.00 hours on the Declaration Day provided however that Granters shall be obliged to accept later declarations if made in accordance with the Clearing House Rules.

8.3 The declaration of a Client Traded Average Price Option shall be deemed to have been made on the Granter by the Taker at 15.00 hours on the Declaration Day for the relevant Traded Average Price Option if it is In The Money and notification of the said declaration shall be made in such manner as has been agreed between them.

8.4 Any Traded Average Price Option described in Regulations 8.2 and 8.3 above not declared as above prescribed shall be deemed to have been abandoned.

## **9. EFFECT OF DECLARATION**

9.1 Traded Average Price Options are European-style options.

9.2 On the declaration of a Traded Average Price Option two futures Contracts each for the full tonnage of the Contract shall arise between Granter and Taker of the declared Traded Average Price Option:-

9.2.1 in the case of a declared Average Price Call Option, the Taker will buy from the Granter at the Strike Price in the Traded Average Price Options Contract and sell to the Granter at the Monthly Average Settlement Price for the relevant month;

9.2.2 in the case of a declared Average Price Put Option, the Taker will sell to the Granter at the Strike Price in the Traded Average Price Options Contract and buy from the Granter at the Monthly Average Settlement Price for the relevant month.

9.3 Futures Contracts which arise on declaration of a Traded Average Price Option shall be settled in accordance with the Trading Regulations.

9.4 Offsetting Exchange Traded Average Price Option Contracts of a Clearing Member for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically by the Clearing House in accordance with the Clearing House Rules, and all rights and obligations attaching to or arising from those Exchange Traded Average Price Options Contracts will terminate. The provision of this Regulation 9.4 shall be applied separately to the each relevant account of the relevant Clearing Member at the Clearing House (which may, for the avoidance of doubt, include a "house" or "proprietary" account and a "client" account that is either segregated on an "omnibus" basis or on an "individual client" basis).

9.5.1 On the declaration of a Client Traded Average Price Option where either the Granter or the Taker is a Clearing Member, the Clearing Member must record Crosses in relation to the futures Contracts resulting from the said declarations.

9.5.2 On the declaration of a Client Traded Average Price Option where neither party is a Clearing Member then each relevant Trading-Only Member must arrange for a Clearing Member to record Crosses in relation to that declaration.

9.6 Offsetting Client Average Price Contracts for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically unless otherwise agreed between the

Granter and the Taker as the Taker otherwise requests at or before the time when the offsetting Traded Average Price Option is granted.

**10. PREMIUMS**

- 10.1 The amount of the premium payable on opening every Traded Average Price Option shall be the premium input into the Matching System, as determined via LME Select or by the Granter and the Taker in the inter-office market.
- 10.2.1 Payment of the premium by the Taker of an Exchange Traded Average Price Option to the Granter shall be effected through the payment system, in accordance with the Clearing House Rules, prior to 12.00 hours on the next Business Day following the day on which the Traded Average Price Option is traded.
- 10.2.2 Payment of the premium by the Taker of a Client Traded Average Price Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the Traded Average Price Option is traded.
- 10.3 The Taker of an Exchange Traded Average Price Option may apply the value of such Traded Average Price Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open Cleared Contracts of the said Taker, subject to, and in accordance with the Clearing House Rules.
- 10.4 The Taker of an Exchange Traded Average Price Option or Client Traded Average Price Option shall not be permitted to receive cash payment in respect of any positive value of such Traded Average Price Option nor apply any credit arising therefrom to the purchase of another Traded Average Price Option.
- 10.5 For the avoidance of doubt, this Regulation 10 has no relevance to any premium (including any Premium Contract Price) under a Premium contract.





## **PART 5C: INDEX OPTIONS REGULATIONS**

### **11. RELATIONSHIP WITH TRADING REGULATIONS**

- 11.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Index Options Regulations or unless the context otherwise requires, apply to Index Options.
- 11.2 The Clearing House Rules shall apply to Cleared Contracts that arise pursuant to the registration of Cleared Index Options with the Clearing House.
- 11.3 References in this Part 5C to "Index Options" or any "Contracts" relating to such Index Options shall be construed to include any Cleared Contract that has arisen pursuant to the registration of the Index Option at the Clearing House (provided that Cleared Contracts that arise pursuant to the registration of Client Index Options shall be treated in the same way as Cleared Contracts that arise pursuant to the registration of Cleared Index Options).

### **12. PERMITTED OPTIONS**

- 12.1 Index Options shall be available in respect of such contract sizes as may from time to time be prescribed by the Exchange but shall be traded in US dollars only. The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price and any other specifications shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be posted in the Exchange.
- 12.2 Trading may be conducted, in respect of any Index Option authorised by the Traded Options Committee, until 16.35 hours on the Last Trading Day for such Index Option. A new month for the Index Option concerned will become available for trading at the opening of business on the Business Day following the Prompt Date.
- 12.3 The minimum permitted spread between buyers' and sellers' premiums bid or offered in respect of Cleared Index Options, and the minimum fluctuation in such premiums, shall be at such levels as the Exchange may from time to time prescribe.
- 12.4 All Index Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

### **13. AUTOMATIC EXERCISE**

- 13.1 Index Options are European-style options.
- 13.2 A Cleared Index Option shall be automatically exercised on its Granter at about 19.15 hours on the Prompt Date for the relevant Index Option if at that time it is In the Money and forms part of a Member's open registered position with the Clearing House.
- 13.3 A Client Index Option shall automatically exercise on its Granter at about 19.15 hours on the Index Exercise Date for the relevant Index Option if at that time it is In The Money.
- 13.4 Notification of automatic exercise of a Client Index Option shall be made in such manner as has been agreed between Granter and Taker.

13.5 Any Index Option not exercised as prescribed shall be deemed after its Prompt Date to have been abandoned.

14. **EFFECT OF AUTOMATIC EXERCISE**

14.1 On the automatic exercise of an Index Option on the Prompt Date it shall settle in cash as described in the Trading Regulations.

15. **PREMIUMS**

15.1 The amount of the premium payable on opening every Index Option shall be the premium input into the Matching System, as determined via LME Select or by the Granter and the Taker in the inter-office market.

15.2.1 Payment of the premium by the Taker of a Cleared Index Option to the Granter shall be effected through the payment system, in accordance with Clearing House Rules, prior to 12.00 hours on the next Business Day following the day on which the Index Option is traded.

15.2.2 Payment of the premium by the Taker of a Client Index Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the Index Option is traded.

15.3 The Taker of a Cleared Index Option may apply the value of such Index Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open Cleared Contracts of the said Taker, subject to, and in accordance with the Clearing House Rules.

15.4 The Taker of a Cleared Index Option or Client Index Option shall not be permitted to receive cash payment in respect of any positive value of such Option nor apply any credit arising therefrom to the purchase of another Index Option.

15.5 For the avoidance of doubt, this Regulation 15 has no relevance to any premium (including any Premium Contract Price) under a Premium Contract.

**PART 6**  
**SPECIAL CONTRACT RULES FOR METALS**

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**CONTENTS**

| <b>Contracts</b>   | <b>Page</b> |
|--|-------------|
| High Grade Primary Aluminium                             | 6-1         |
| Aluminium Alloy  | 6-5         |
| Copper - Grade A   | 6-11        |
| Standard Lead  | 6-13        |
| Primary Nickel   | 6-15        |
| North American Special Aluminium Alloy                   | 6-19        |
| Tin  | 6-25        |
| Special High Grade Zinc                                  | 6-27        |
| Steel Billet [ <i>Contract not currently available</i> ] | 6-29        |
| Cobalt   | 6-33        |
| Roasted Molybdenum Concentrate                           | 6-35        |

**PART 6A**  
**SPECIAL CONTRACT RULES FOR THE CONSTRUCTION**  
**OF THE INDEX**

Special Contract Rules for the Construction of the Index

6A-1

**PART 6B**  
**SPECIAL CONTRACT RULES FOR LME<sub>MINI</sub> CONTRACTS**

The LME<sub>mini</sub> Futures Contract Specification

6B-1

**PART 6C**  
**SPECIAL CONTRACT RULES FOR CASH-SETTLED FUTURES -**  
**FERROUS**

The Ferrous Futures Contract Specifications

6C-1

**PART 6D**  
**SPECIAL CONTRACT RULES FOR CASH-SETTLED FUTURES - NON-**  
**FERROUS**

The Non-Ferrous Futures Contract Specifications

6D-1

**PART 6**

**SPECIAL CONTRACT RULES FOR HIGH GRADE PRIMARY  
ALUMINIUM**

**1. QUALITY**

- (a) The aluminium delivered under this contract must be:
  - (i) Primary aluminium with impurities no greater than in the registered designation P1020A in the North American and International Registration Record entitled "International Designations and Chemical Composition Limits for Unalloyed Aluminum" (revised March 2007), or
  - (ii) Primary aluminium that conforms to the registered designation A199.70 in the GB/T 1196-2008 Standard entitled "Unalloyed aluminium ingots for remelting", or
  - (iii) For warrants created up to and including 31 December 2009 primary aluminium of minimum 99.70% purity with maximum permissible iron content 0.20% and maximum permissible silicon content 0.10%.
- (b) In the shape of ingots each weighing not less than 9 kilos and not more than 26 kilos and T-bars or sows weighing not more than 788 kilos.
- (c) Of brands listed in the LME approved list.

**2. SIZE OF LOT**

25 tonnes (2% either more or less).

**3. WARRANTS**

3.1 Warrants shall be for 25 tonnes (2% either more or less).

3.2 The aluminium in each Warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject, in the case of ingots, to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 2.0 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country / region of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
- (e) the weight;

- (f) the number of bundles of ingots or the number of T-bars or sows making up each lot.

3.4 Each Warrant must bear the following clause;

**WARNING:** the buyer is advised that this metal may contain crevices and hidden recesses holding entrapped moisture. The metal should be handled and processed with this possibility in mind. Entrapped moisture may cause an explosion if the metal is introduced into a melting furnace without proper drying.

3.5 Each Warrant must bear an LMEsword generated barcode.

#### 4. **ADDITIONAL REQUIREMENTS FOR ALUMINIUM WARRANTS**

4.1 The listed brand name and/or brand identifiable logo must be indelibly marked on each ingot within a bundle or on each T-bar or sow.

4.2 In the case of ingots, the production cast reference must be indelibly marked on each ingot within the bundle or on the surface of the bundle or on a durable bundle label. In the case of T-bars and sows, the production cast reference must be marked on each T-bar or sow either indelibly or by a durable bundle label.

4.3 Each delivery of aluminium for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production cast reference and shall determine the aluminium content within a minimum purity as defined in Special Contract Rule 1 (a). The producer's certificate of analysis must demonstrate compliance with one of the relevant Standards and grades listed in Special Contract Rule 1 (i), (ii) and (iii) by illustrating the detected level of impurity for each element.

Note that Warrants created after 31 December 2009 can only comply with Special Contract Rule 1 (i) or (ii). A Bulk analysis certificate or a copy thereof is acceptable.

4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.

4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.

4.6 All documentation for placing aluminium on Warrant must include the English language.

4.7 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strapping standards.

#### 5. **MAJOR CURRENCY**

US dollars

6. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are: -

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.





## SPECIAL CONTRACT RULES FOR ALUMINIUM ALLOY

### 1. QUALITY

The aluminium alloy delivered under this contract must be:

- (a) Aluminium alloy conforming to one of the specifications listed below:
- (1) **A380.1** produced in conformity with The Aluminum Association Inc. specification (2015);
- (2) **226** produced in conformity with LME 226 as described below:

| Elements                      | Composition, % (m/m) |
|-------------------------------|----------------------|
| Cu                            | 2.0 – 3.5            |
| Si                            | 8.0 –11.0            |
| Mg                            | 0.1 – 0.5            |
| Zn                            | 1.2 max              |
| Fe                            | 1.0 max              |
| Mn                            | 0.1 – 0.4            |
| Ni                            | 0.3 max              |
| Sn                            | 0.1 max              |
| Ti                            | 0.15 max             |
| Pb                            | 0.2 max              |
| Others                        | 0.05 max each        |
| Al                            | Remainder            |
| The sum of 'others' 0.15% max |                      |

- (3) **AD12.1** produced in conformity with JIS H2118-2006, Class 12: (Note: this specification to be read in conjunction with the provision that there be an allowance as follows: Others, total 0.50% max, Al remainder).
- (b) In the shape of ingot, small sows (four way entry sows), large sows (low profile sows) and T-bars.
- (c) Of brands listed in the LME-approved list of aluminium alloy brands.

### 2. SIZE OF LOT

20 tonnes (2% either more or less).

### 3. **WARRANTS**

- 3.1 Warrants shall be for 20 tonnes each (2% either more or less).
- 3.2 The aluminium alloy in each Warrant shall consist of one brand which is listed as being good delivery and of one shape and dimension.
- 3.3 Each lot shall contain aluminium alloy derived from no more than five production batches, and, in the case of ingots, each bundle shall contain aluminium alloy from only one production batch.
- 3.4 Each Warrant shall state:
- (a) the name of the brand;
  - (b) the country / region of origin;
  - (c) the shape;
  - (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
  - (e) the weight;
  - (f) the number of bundles of ingots, small sows, large sows or T-bars making up each lot;
  - (g) each Warrant must bear the following clause;

**WARNING:** the buyer is advised that this metal may contain crevices and hidden recesses holding entrapped moisture. The metal should be handled and processed with this possibility in mind. Entrapped moisture may cause an explosion if the metal is introduced into a melting furnace without proper drying.

- 3.5 Each Warrant must bear an LMEsword generated barcode.

### 4. **ADDITIONAL REQUIREMENTS FOR ALUMINIUM ALLOY WARRANTS**

- 4.1 The listed brand name must be indelibly marked on each ingot, sow and T-bar.
- 4.2 The production cast reference and alloy grade reference must be indelibly marked on each ingot within the bundle or on the top surface of the bundle or on a durable bundle label and on each sow and T-bar.
- 4.3 Each delivery of aluminium alloy for placing on Warrant shall be accompanied by a producer certificate of analysis for each production cast batch and stating the brand name.
- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.

- 4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All ingots and sows shall be produced by a single pouring process. “Multi-pour” or “capping” the surface with additional metal after the ingot or sow is formed is not permitted.
- 4.7 All ingots, T-bars and sows delivered under the contract shall be flat in order to permit safe stacking and handling using forklifts.
- 4.8 Metal surfaces shall be smooth and free of open shrinkage, porosity, layers and seams.
- 4.9 The metal must be free of the visible presence of foreign substances.
- 4.10 The edges and surfaces of metal shall be free of sharp edges, spurs and flashings that might present safety hazards in handling.
- 4.11 All documentation for placing aluminium alloy on Warrant must include the English language.
- 4.12 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strapping standards.

## 5. **SHAPES, WEIGHTS AND DIMENSIONS**

### (a) Ingots

Ingots shall weigh not less than 4 kilos and not more than 25 kilos. Each ingot in each bundle and lot shall be of the same weight and dimensions but not exceed 800mm in length; the only exception to be the cast feet for the purpose of bundle stability.

Bundles shall weigh not less than 500 kilos and not more than 1000 kilos of equal weight and dimension in each lot suitable for stacking. One makeweight bundle in any one lot is permissible. Bundles must be securely strapped for safe handling and transport without bundle distortion and breakage.

### (b) Small sows (four-way entry sows)

Small sows shall weigh not less than 408 kilos and not more than 590 kilos. Each small sow in each lot shall be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

|        |  |
|--------|--|
| Top    | Length and width shall be the same, between 837mm - 990mm.   |
| Bottom | Length and width shall be the same, between 406mm - 559mm.   |
| Height | Between 304mm – 432mm.   |
| Shape  | The tapering of all four sides should include an indentation to allow for the safe and easy handling by forklift trucks. |

(c) Large sows (low profile sows)

Large sows shall weigh not less than 300 kilos and not more than 726 kilos. Each large sow in each lot shall be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

|        |  |
|--------|--|
| Top    | Length shall be between 1015mm – 1320mm.<br>Width shall be between 812mm – 1142mm.                                       |
| Bottom | Length shall be between 900mm – 1320mm.<br>Width shall be between 406mm – 520mm.   |
| Height | Between 200mm – 305mm.   |
| Shape  | The tapering of the long sides should include an indentation to allow for the safe and easy handling by forklift trucks. |

(d) T-bars

T-bars shall weigh not less than 408 kilos and not more than 726 kilos. Each T-bar in each lot shall be of the same weight and dimensions.

|        |   |
|--------|---|
| Top    | Length shall be between 837mm – 1320mm.<br>Width shall be between 760mm – 1015mm.   |
| Bottom | Length shall be between 837mm – 1320mm.<br>Width shall be between 406mm – 634mm.  |
| Height | Overall between 254mm – 432mm.<br>To shoulder minimum 76mm.   |
| Shape  | The indentation of the shoulder on the long sides should be a minimum of 101mm (4 inches) on each side and allow for the safe and easy handling by forklift trucks. |

6. **MAJOR CURRENCY**

US dollars

7. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.



## **SPECIAL CONTRACT RULES FOR COPPER - GRADE A**

### **1. QUALITY**

- (a) The copper delivered under this contract must be electrolytic copper in the form of cathodes - Grade A.
- (b) All copper delivered must be of brands listed in the LME-approved list of Copper - Grade A brands and must conform to the chemical composition of one of the following Standards:
  - (i) BS EN 1978:1998 (cathode grade designation Cu-CATH-1)
  - (ii) GB/T 467-2010 (high purity Copper Cathode (Cu-CATH-1))
  - (iii) ASTM B115-10 (cathode Grade 1)

### **2. SHAPES AND WEIGHTS**

Each parcel of 25 tonnes of full plate cathodes shall lie at one warehouse and be of one brand, shape and size. Each parcel of copper cathodes placed on Warrant shall be delivered securely strapped in bundles not exceeding 4 tonnes. Each parcel of copper cathodes placed on Warrant shall be securely strapped for handling and transport in bundles to permit safe handling without bundle distortion and breakage.

### **3. SIZE OF LOT**

25 tonnes

### **4. WARRANTS**

- 4.1 Warrants shall be for 25 tonnes each (2% either more or less).
- 4.2 Each Warrant must state the total weight of the parcel, the brand, the country / region of origin and the number of bundles making up each parcel.
- 4.3 Each Warrant must be identified as Copper - Grade A.
- 4.4 Each Warrant must bear an LMEsword generated barcode.

### **5. MAJOR CURRENCY**

US dollars

### **6. TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LME approved Sampler and Assayer to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the Exchange's cost.

The conditions referred to above are: -

- (a) that there are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and
- (b) that there is a risk of disruption to the LME's market.

#### **SPECIAL RULES GOVERNING THE PLACING OF COPPER - GRADE A ON WARRANT**

1. Each parcel of copper cathodes placed on Warrant shall when delivered to the warehouse company, have the brand name indelibly marked on clips attached to the producer's bundle strapping or the brand name indelibly marked continuously on the producer's bundle strapping. Where it is necessary to break a bundle in order to obtain a warrant weight, this will be permitted provided that at least 80% of the bundles in the Warrant have the original producer clips or producers strapping showing the brand name. The remaining bundles in the Warrant must have an indelible label produced by the warehouse company attached to the strapping showing the brand name.



## **SPECIAL CONTRACT RULES FOR LEAD**

### **1. QUALITY**

The lead delivered under this contract must be:

- (a) Refined lead of a minimum 99.970% purity conforming to one of the following Standards and specific grades:
  - (i) BS EN 12659:1999 Standard entitled "Lead and Lead Alloys – Lead". Permitted grades: Material Numbers PB970R, PB985R and PB990R.
  - (ii) GB/T 469/2013 Standard entitled "Lead Ingots". Permitted Grades: 99.970%, 99.985%, 99.990% and 99.994%.
  - (iii) ASTM B29-03 (2014) Standard entitled "Standard Specification for Refined Lead". Permitted grades: 99.97% and 99.995%.
- (b) In the shape of ingots weighing not more than 55kgs.
- (c) Of brands listed in the LME approved list.

### **2. SIZE OF LOT**

25 tonnes (2% either more or less).

### **3. WARRANTS**

3.1 Warrants shall be for 25 tonnes (2% either more or less).

3.2 The lead in each Warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 1.5 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country / region of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
- (e) the weight;
- (f) the number of bundles making up each lot.

3.4 Each Warrant must bear an LMEsword generated barcode.

4. **ADDITIONAL REQUIREMENTS FOR LEAD WARRANTS**

- 4.1 The listed brand name must be indelibly marked on each ingot within a bundle.
- 4.2 The production cast reference must be indelibly marked on each ingot within the bundle or on the top surface of the bundle or on a durable label.
- 4.3 Each delivery of lead for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production cast reference and shall determine the lead content within the minimum purity as defined in Special Contract Rule 1 (a). The producer's certificate of analysis must demonstrate compliance with one of the relevant Standards and grades listed in Special Contract Rule 1 (i), (ii) and (iii) by illustrating the detected level of impurity for each element. A Bulk analysis certificate or a copy thereof is acceptable.
- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.
- 4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All documentation for placing lead on Warrant must include the English language.
- 4.7 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

5. **MAJOR CURRENCY**

US dollars

6. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and
- (b) There is a risk of disruption to the LME's market.

## **SPECIAL CONTRACT RULES FOR PRIMARY NICKEL**

### **1. QUALITY**

The nickel delivered under this contract must be:

- (a) Primary Nickel that conforms to either the ASTM specification B39-79 (2013) – min 99.80% purity or the GB/T specification 6516-2010 – Ni9990 grade;
- (b) In the shape of cathodes (full plate or cut), briquettes or pellets; and
- (c) Of brands listed in the LME approved list.

### **2. SIZE OF LOT**

6 tonnes (2% either more or less).

### **3. WARRANTS**

3.1 Warrants shall be for 6 tonnes (2% more or less).

3.2 The nickel in each Warrant shall consist of one brand which is listed as being good delivery and of one shape and size.

3.3 Each Warrant shall state:-

- (a) the name of the brand;
- (b) the country / region of origin;
- (c) the shape;
- (d) the date(s) and identification reference of the certificates of analysis lodged with the Warehouse<sup>1</sup>;
- (e) the total gross and net weights; and
- (f) the number of steel drums or bags or bundles making up each lot.

3.4 Each Warrant for drummed and bagged nickel shall bear the following legend:

**'WARNING** The buyer is advised that steel drums or bags (as applicable) may contain water and nickel should be handled and processed with this possibility in mind. Water contained in steel drums or bags (as applicable) may cause an explosion if the nickel is introduced into a melting-furnace without proper procedures being followed'.

3.5 Each Warrant for full plate cathode nickel shall bear the following legend:

**'WARNING** The buyer is advised that full plate nickel cathode edges may pose a handling risk and proper procedures for handling should be following'.

3.6 Each Warrant shall bear an LMEsword generated barcode.

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<sup>1</sup> For full plate nickel cathodes placed on Warrant on or before 10 January 2011, a certificate of conformity in lieu of a certificate of analysis is permissible.

#### 4. **SHAPES AND WEIGHTS**

4.1 Nickel delivered under this contract shall be packed according to shape as follows:

- (a) Cut cathodes of either 100mm x 100mm (4" x 4"), 50mm x 50mm (2" x 2") or 25mm x 25mm (1" x 1"), shall be packed in sound steel drums of uniform size and even net weight (+/- 2% more or less) of 200kgs or 250kgs or 400kgs or 500kgs each with the production batch reference, gross and net weights and brand name indelibly marked on each individual steel drum. Part filled drums are not permitted.
- (b) Briquettes and pellets shall be packed in steel drums, sizes as 4.1 (a) above, or in 2000kgs (+/- 2% more or less) bags and marked in the same manner as cut cathodes in 4.1 (a) above. Part filled bags are not permitted.
- (c) Full plate cathodes up to 1000mm x 1400mm maximum with a thickness range of 2mm to 17mm, shall be packed in bundles not exceeding 2000kgs, strapped in two dimensions with corrosion resistant material to permit safe handling and transport without bundle distortion and breakage on steel or wooden skids (pallets not permitted) with a minimum ground clearance of 75mm with the production batch reference and gross and net weights indelibly marked on the top cathode of each bundle. The brand name must be marked indelibly either a) on clips attached to the bundle strapping, or b) on the producer strapping, or c) on each cathode within each bundle.

#### 5. **REQUIREMENTS FOR NICKEL WARRANTS**

5.1 Nickel may be placed on Warrant provided that:

- (a) Drummed nickel is in original sound producer steel drums with producer listed markings and with ring sealing and tamper proof producer seals intact.
- (b) For drummed nickel received in original but unsound producer steel drums with broken/damaged producer seals or damaged while stored in the warehouse from an unintended incident, the Warehouse must, without exception, open every such drum and inspect the contents for conformance with the producer listed product and weight before re-packing in sound steel drums of capacity of 200kgs or 250kgs or 400kgs or 500kgs using the sizing of drums initially supplied and with ring sealing system and with unique Warehouse tamper proof numbered seals. All replacement steel drums must be marked with the original producer batch reference, listed brand and Warehouse established gross and net weights.
- (c) Bagged nickel is in original sound producer bags with producer listed markings and with tamper proof seals intact.
- (d) For bagged nickel received in original but unsound producer bags with broken/damaged producer seals or damaged while stored in the warehouse from an unintended incident, the Warehouse must, without exception, open every such bag and inspect the contents for conformance with the producer listed product and weight before re-packing in replacement bags supplied by the producer or in new bags in compliance with ISO 21898:2004 (or National equivalent) with unique Warehouse tamper proof numbered seals. All replacement bags must be marked

with the original producer batch reference, listed brand and Warehouse established gross and net weight.

- (e) For both drummed and bagged nickel producer approved third party packaging is permitted provided sealing methods are as per 5.1 (a) and 5.1 (c) above, using unique tamper proof numbered seals. (f) For full plate bundled nickel received in original sound producer bundles with producer listed markings no opening of bundles is permitted except as follows:
  - a. Where it is necessary to break bundles in order to ensure nickel is placed on acceptable skids.
  - b. Where packaging is damaged such that it may cause a hazard in subsequent handling and storage.
  - c. Where to create a Warrant lot it is necessary to break one or more bundles from a single shipment quantity. Note that only two bundles in a lot may be constructed by a Warehouse, all other bundles must be original producer bundles. The Warehouse must indelibly mark each replacement strap with the brand name.

5.2 Straps replaced by a Warehouse must be of corrosion resistant material to permit safe handling and transport without bundle distortion and breakage and in compliance with LME strap Standards. The Warehouse must mark the top cathode of any new/reconstructed bundles with the producer production batch reference together with the gross and net weights.

## 6. **ADDITIONAL REQUIREMENTS FOR NICKEL WARRANTS**

6.1 All drummed nickel must be securely stored in warehouses on pallets.

6.2 The Warehouse must keep a record of all seals by number and date cross reference to each Warrant.

6.3 Drummed or bagged nickel previously on Warrant which has been supplied to another Warehouse may be placed back on Warrant provided that any drum or bag opened by the previous Warehouse is re-opened and their seal(s) replaced by the new Warehouse unique tamper proof seal(s). This rule does not apply to original sound producer drums or bags with producer listed markings and with tamper proof producer seals intact and to producer third party packaging where listed by the LME or for such packaging supported by an LME Listed Sampler and Assayer (LSA) certificate of analysis and having LSAs seals.

6.4 Drummed or bagged nickel previously on Warrant which has been returned to the same Warehouse may be placed back on Warrant without the need to open any packaging provided that all seals at the time of original warranting remain intact.

6.5 All markings on packaging and information on supporting documentation required for placing nickel on Warrant must include the English language.

6.6 (a) Each delivery of nickel for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production batch reference and

demonstrating quality is as per 1 (a) above. <sup>1</sup>The producer's certificate of analysis must report all individual elements of the ASTM specification B39-79 (2013) and/or GB/T specification 6516-2010 – Ni9990 grade. If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LSA who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates of analysis. In all cases, it must be possible to cross-reference the production batch reference on the drums/bags/bundles to identical numbers on the certificate of analysis and the LSA seal numbers in the case of drums and bags. LSA sampling of nickel in drums and bags must be carried out on the premises of the Warehouse issuing the Warrants.

- (a) On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.

7. **MAJOR CURRENCY**

US dollars

8. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are: -

- (a) that there are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and
- (b) that there is a risk of disruption to the LME's market.

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<sup>1</sup> For full plate cathodes placed on Warrant on or before 10 January 2011, a certificate of conformity in lieu of a certificate of analysis is permissible.

## **SPECIAL CONTRACT RULES FOR NORTH AMERICAN SPECIAL ALUMINIUM ALLOY**

### **1. QUALITY**

The aluminium alloy delivered under this contract must be:

- (a) Aluminium alloy conforming to the "LME NA380.1" specification (an LME modification of The Aluminum Association Inc. A380.1 specification (1989)), produced in conformity with the following specification:

| <u>Element</u>          | <u>Minimum</u> | <u>Maximum</u> |
|-------------------------|----------------|----------------|
| Copper                  | 3.00           | 3.50           |
| Silicon                 | 8.50           | 9.50           |
| Iron                    | 0.80           | 1.00           |
| Magnesium               | -              | 0.10           |
| Zinc                    | -              | 3.00           |
| Manganese               | -              | 0.45           |
| Nickel                  | -              | 0.50           |
| Tin                     | -              | 0.10           |
| Lead                    | -              | 0.10           |
| Titanium                | -              | 0.10           |
| Chrome (chromium)       | -              | 0.10           |
| Others – each           | -              | 0.10           |
| Others – total          | -              | 0.50           |
| Sludge = Fe + 2Mn + 3Cr |                | 1.80           |

Production must be filtered.

- (b) In the shape of ingots, small sows (four way entry sows), large sows (low profile sows) and T-bars.
- (c) Of brands listed in the LME-approved.

### **2. SIZE OF LOT**

20 tonnes (2% either more or less).

### **3. WARRANTS**

- 3.1 Warrants must be for 20 tonnes (2% either more or less).

- 3.2 The aluminium alloy in each Warrant must consist of one brand which is listed as being good delivery and of one shape and dimension.
- 3.3 Each lot must contain aluminium alloy derived from no more than five production batches, and, in the case of ingots, each bundle must contain aluminium alloy from only one production batch.
- 3.4 Each Warrant must state:
- (a) the name of the brand;
  - (b) the country / region of origin;
  - (c) the shape;
  - (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
  - (e) the weight;
  - (f) the number of bundles of ingots, small sows, large sows or T-bars making up each lot.
- 3.5 Each Warrant must bear the following clause;
- WARNING:** The buyer is advised that this metal may contain crevices and hidden recesses holding entrapped moisture. The metal should be handled and processed with this possibility in mind. Entrapped moisture may cause an explosion if the metal is introduced into a melting-furnace without proper drying.
- 3.6 Each Warrant must bear an LMEsword generated barcode.

#### 4. **ADDITIONAL REQUIREMENTS FOR NASAAC WARRANTS**

- 4.1 The LME listed brand name must be indelibly marked on each ingot, sow and T-bar.
- 4.2 For ingots, the production cast reference and alloy grade reference must be indelibly marked on each ingot within a bundle or on the top surface of a bundle or on a durable label attached to the bundle. For sows and T-bars the production cast reference and alloy grade reference must be indelibly marked either directly on the surface or on a durable label attached to the metal.
- 4.3 Each delivery of aluminium alloy for placing on Warrant must be accompanied by a producer certificate of analysis stating the brand name and production cast reference.
- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.



- 4.5 On request the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All ingots and sows must be produced by a single pouring process. “Multi-pour” or “capping” the surface with additional metal after the ingot or sow is formed is not permitted.
- 4.7 All ingots, sows and T-bars delivered under this contract must be flat in order to permit safe stacking and handling using forklifts.
- 4.8 Metal surfaces must be smooth and free of open shrinkage, porosity, layers and seams.
- 4.9 The metal must be free of the visible presence of foreign substances.
- 4.10 The edges and surfaces of metal must be free of sharp edges, spurs and flashings that might present safety hazards in handling.
- 4.11 All documentation for placing aluminium alloy on Warrant must include the English language.
- 4.12 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

## 5. **SHAPES, WEIGHTS AND DIMENSIONS**

### (a) Ingots

Ingots must weigh not less than 4 kilos (9lbs) and not more than 17.3 kilos (38lbs). Each ingot in each bundle and lot must be of the same weight and dimensions but not exceed 800mm (35 inches) in length; the only exception to be the cast feet for the purpose of bundle stability.

Bundles must weigh not less than 500 kilos (1100lbs) and not more than 1000 kilos (2200lbs) of equal weight and dimension in each lot suitable for stacking. One makeweight bundle in any one lot will be permissible. Bundles must be securely strapped for safe handling and transport without bundle distortion and breakage.

### (b) Small sows (four-way entry sows)

Small sows must weigh not less than 408 kilos (900lbs) and not more than 590 kilos (1300lbs). Each small sow in each lot must be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

|        |  |
|--------|--|
| Top    | Length and width must be the same, between 837mm – 990mm (33 – 39 inches). |
| Bottom | Length and width must be the same, between 406mm – 559mm (16 – 22 inches). |
| Height | Between 304mm – 432mm (12 – 17 inches).                                    |

Shape The tapering of all four sides must include an indentation to allow for the safe and easy handling by forklift trucks.

(c) Large sows (low profile sows)

Large sows must weigh not less than 500 kilos (1100lbs) and not more than 726 kilos (1600lbs). Each large sow in each lot must be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top Length must be between 1015mm – 1320mm (40 – 52 inches).  
Width must be between 812mm – 1142mm (32 – 45 inches).

Bottom Length must be between 1015mm – 1320mm (40 – 52 inches).  
Width must be between 406mm – 533mm (16 – 21 inches).

Height Between 216mm – 305mm (8.5 – 12 inches).

Shape The tapering of the long sides should include an indentation to allow for the safe and easy handling by forklift trucks.

(d) T-bars

T-bars shall weight not less than 408 kilos (900lbs) and not more than 726 kilos (1600lbs). Each T-bar in each lot shall be one of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top Length must be between 837mm – 1320mm (33 – 52 inches).  
Width must be between 760mm – 1015mm (30 – 40 inches).

Bottom Length must be between 837mm – 1320mm (33 - 52 inches).  
Width must be between 406mm – 634mm (16 – 25 inches).

Height Overall between 254mm – 432mm (10 – 17 inches).  
To shoulder minimum 76mm (3 inches).

6. **MAJOR CURRENCY**

US dollars

7. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.



## **SPECIAL CONTRACT RULES FOR TIN**

### **1. QUALITY**

The tin delivered under this contract must be:

- (a) Refined tin of minimum 99.85% purity conforming to BS EN 610:1996.
- (b) In the shape of ingots each weighing not less than 12 kilos and not more than 30 kilos.
- (c) Of brands listed in the LME approved list.

### **2. SIZE OF LOT**

5 tonnes (2% either more or less).

### **3. WARRANTS**

3.1 Warrants shall be for 5 tonnes (2% either more or less).

3.2 The tin in each Warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 1.2 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country / region of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
- (e) the weight;
- (f) the number of bundles making up each lot.

3.4 Each Warrant must be made up of not more than two cast batches.

3.5 Each Warrant must bear an LMEsword generated barcode.

### **4. ADDITIONAL REQUIREMENTS FOR TIN WARRANTS**

4.1 The listed brand name must be indelibly marked on each ingot within a bundle.

4.2 The production cast reference must be indelibly marked on each ingot within the bundle.

4.3 Each delivery of tin for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production cast reference and shall determine the tin content within the minimum purity as described in Special Contract Rule 1 (a) by

illustrating the detected level of impurity for each element of the contract Standard. A bulk analysis certificate for no more than 30 tonnes or a copy thereof is acceptable.

- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.
- 4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All documentation for placing tin on Warrant must include the English language.
- 4.7 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

5. **MAJOR CURRENCY**

US dollars

6. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the Exchange's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.

## **SPECIAL CONTRACT RULES FOR SPECIAL HIGH GRADE ZINC**

### **1. QUALITY**

The zinc delivered under this contract must be:

- (a) Refined zinc of minimum 99.995% purity conforming to one of the following Standards and specific grades:
  - (i) BS EN 1179:2003 Standard entitled "Zinc and Zinc Alloys – Primary Zinc", 99.995% grade
  - (ii) ISO 752:2004 entitled "Zinc ingots", ZN-1 grade
  - (iii) ASTM B6-12 entitled "Standard Specification for Zinc", LME grade
  - (iv) GB/T 470-2008 entitled "Zinc ingots", Zn99.995 grade
- (b) In the shape of ingots weighing not more than 30 kilos.
- (c) Of brands in the LME approved list.

### **2. SIZE OF LOT**

25 tonnes (2% either more or less).

### **3. WARRANTS**

3.1 Warrants shall be for 25 tonnes (2% either more or less).

3.2 The zinc in each warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 1.5 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country / region of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
- (e) the weight;
- (f) the number of bundles making up each lot.

3.4 Each Warrant must bear an LMEsword generated barcode

### **4. ADDITIONAL REQUIREMENTS FOR ZINC WARRANTS**

4.1 The listed brand name must be indelibly marked on each ingot within a bundle.

- 4.2 The production cast reference must be indelibly marked on each ingot within a bundle or on the top surface of the bundle or on a durable label.<sup>2</sup>
- 4.3 Each delivery of zinc for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production cast reference and shall determine the zinc content within the minimum purity as defined in Special Contract Rule 1 (a). The producer's certificate of analysis must demonstrate compliance with one of the relevant Standards and grades listed in Special Contract Rule 1 (i), (ii), (iii) and (iv) by illustrating the detected level of impurity for each element. A Bulk analysis certificate or a copy thereof is acceptable.
- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.
- 4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All documentation for placing zinc on Warrant must include the English language.
- 4.7 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

5. **MAJOR CURRENCY**

US dollars

6. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.

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<sup>2</sup> For Zinc placed on Warrant on or before 1 August 2007 it is not necessary for the production cast reference to be shown on the metal



# SPECIAL CONTRACT RULES FOR STEEL BILLET

**[CONTRACT NOT CURRENTLY AVAILABLE]**

## 1. QUALITY

The steel billet deliverable under this contract shall be:

(a) steel billet conforming to one of the specifications listed below:

| LME Grade | C         | Si        | Mn        | S     | P     | Cu   | Ni   | Cr   | N       | CEV* | LME Grade |
|-----------|-----------|-----------|-----------|-------|-------|------|------|------|---------|------|-----------|
| 1         | 0.08-0.13 | 0.10-0.30 | 0.30-0.60 | 0.050 | 0.040 | 0.40 | 0.20 | 0.20 | 0.012   | -    | 1         |
| 2         | 0.10-0.15 | 0.15-0.30 | 0.50-0.80 | 0.045 | 0.045 | 0.40 | 0.20 | 0.20 | 0.009** | -    | 2         |
| 3         | 0.14-0.22 | 0.05-0.15 | 0.40-0.65 | 0.05  | 0.04  | 0.40 | 0.30 | 0.30 | 0.012   | -    | 3         |
| 4         | 0.14-0.22 | 0.15-0.30 | 0.40-0.65 | 0.05  | 0.04  | 0.40 | 0.30 | 0.30 | 0.012   | -    | 4         |
| 5         | 0.15-0.22 | 0.15-0.30 | 0.60-1.00 | 0.05  | 0.05  | 0.50 | 0.20 | 0.20 | 0.012   | 0.50 | 5         |
| 6         | 0.17-0.25 | 0.40-0.80 | 1.20-1.60 | 0.045 | 0.045 | 0.50 | 0.20 | 0.20 | -       | 0.52 | 6         |
| 7         | 0.28-0.37 | 0.05-0.15 | 0.50-0.80 | 0.05  | 0.04  | 0.40 | 0.30 | 0.30 | 0.012   | -    | 7         |
| 8         | 0.28-0.37 | 0.15-0.30 | 0.50-0.80 | 0.05  | 0.04  | 0.40 | 0.30 | 0.30 | 0.012   | -    | 8         |
| 9         | 0.36-0.42 | 0.15-0.30 | 1.00-1.40 | 0.05  | 0.05  | 0.50 | 0.20 | 0.20 | -       | -    | 9         |

All limits are max unless otherwise indicated.

\*  $CEV = \%C + \%Mn/6 + (\%Cr + \%Mo + \%V)/5 + (\%Cu + \%Ni)/15$

\*\* %N max may increase by 0.001% for every 0.005% reduction in %P

An allowable tolerance of analysis taken on products made from the above casting grades is permitted as follows:-

C, +0.02%; Cr, +0.05%; Cu, +0.05%; Mn, +/- 0.10%; N, +0.002%; Ni, +0.05%; S, 0.005%; Si, +/- 0.02%; P, 0.005%; CEV + 0.02%.

(b) of brands listed in the LME-approved list of steel billet brands.

## 2. DIMENSIONS

Steel delivered must be in the form of billets and conform to one of the following dimensions:-

| Length         | Metric      | Imperial    |
|----------------|-------------|-------------|
| 100 S or 100 L | 100 x 100mm | 4" x 4"     |
| 120 S or 120 L | 120 x 120mm | 4¾ " x 4¾ " |
| 125 S or 125 L | 125 x 125mm | 5" x 5"     |
| 130 S or 130 L | 130 x 130mm | 5¼ " x 5¼ " |
| 140 S or 140 L | 140 x 140mm | 5½ " x 5½ " |
| 150 S or 150 L | 150 x 150mm | 6" x 6"     |

All metric section dimensions are subject to a +/- 3mm tolerance.

All imperial section dimensions are subject to +/- one-eighth of an inch tolerance.

All metric S lengths are to be nominally 5,800 – 6000mm in 100mm increments. Each nominal length is subject to a +/- 100mm tolerance.

All imperial S lengths are 19' 8" with a tolerance of +/- 4".

All metric L lengths are to be nominally 11,700mm – 12,000mm in 100mm increments. Each nominal length is subject to a +/- 100mm tolerance.

All imperial L lengths are 39' 4" with a tolerance of +/- 4".

## 3. SIZE OF LOT

65 tonnes

## 4. WARRANTS

- 4.1 Warrants shall be for 65 tonnes each (3.5% either more or less).
- 4.2 Each parcel particularised in each warrant shall lie at one facility, be of one brand and shall consist of billets of one dimension and one specification.
- 4.3 Each Warrant must bear an LMEsword generated barcode.

## 5. MAJOR CURRENCY

US dollars

## 6. TESTING OF WARRANTED METAL

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LME approved Sampler and Assayer to undertake such tests as are necessary to form a reasonable opinion

on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the Exchange's cost.

The conditions referred to above are: -

- (a) that there are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and
- (b) that there is a risk of disruption to the LME's market.

#### **SPECIAL RULES GOVERNING THE PLACING OF STEEL BILLET ON WARRANT**

1. Each Delivery of billet for placing on warrant shall be accompanied by a Certificate of Origin and a producer's Mill Test Certificate or certificate of Analysis, both of which must be lodged with the warehouseman. The Mill Test Certificate/Certificate of Analysis must be within the quality specification set out in Special Contract Rule 1 and must show the full chemical analysis per heat number. Additionally the Mill Test Certificate/Certificate of Analysis must be on the applicable producers headed paper stating the plant and/or brand name. Bulk certificates or a copy thereof is acceptable.
2. Each warrant shall state the total weight of the parcel particularised thereon, its country / region of origin, brand, no of billets making up each parcel and the date(s) and reference number(s) of the Mill Test Certificate/Certificate of Analysis lodged with the warehouseman. The warehouse company is required to keep a record of the date and reference number of the Certificate of Origin.
3. The Warehouse Company is required to inform the LME of the name of the party that requests the warrant to be issued.
4. On request, the warehouseman is obliged to submit to the holder of the Warrant the Certificates of Origin, plus Analysis or Mill Test Certificate, or copies thereof if the 65 tonne parcel forms part of a larger delivery covered by bulk certificates.
5. All documentation required for placing material on warrant must be in English.



## **SPECIAL CONTRACT RULES FOR COBALT**

### **1. QUALITY**

The cobalt delivered under this contract must be:-

- (a) Of a minimum 99.80% purity. Other elements are as specified by producers of each brand in the LME-approved list.
- (b) In the form of cathodes (broken or cut, cut cathodes must be of uniform sizes greater than 50mm and offcuts are not permitted), rounds, briquettes or coarse grain powder (must be <0.01% of a respirable size fraction).
- (c) Of brands listed in the LME approved list.

### **2. SIZE OF LOT**

1 tonne (2% either more or less).

### **3. WARRANTS**

3.1 Warrants shall be for 1 tonne (2% either more or less).

3.2 The cobalt in each Warrant shall consist of one brand which is listed as being good delivery, of one shape and size and from not more than two production batches.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country / region of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificates of analysis lodged with the Warehouse;
- (e) the gross and net weights; and
- (f) the number of steel drums making up each lot.

3.4 Each Warrant shall bear the following legend:

**'WARNING** The buyer is advised that drums may contain water and cobalt should be handled and processed with this possibility in mind. Water contained in drums may cause an explosion if the cobalt is introduced into a melting-furnace without proper procedures being followed'.

3.5 Each Warrant shall bear an LMEsword generated barcode.

### **4. DRUMMING REQUIREMENTS**

4.1 All cobalt delivered under this contract shall be packed in sound steel drums of uniform size and weight of 200kgs, 250kgs or 500kgs (+/-2%). Part filled steel drums are not permitted.

4.2 Each drum shall be indelibly marked with production batch reference, gross and net weights and brand name.

4.3 Only drums that are original sound producer or producer approved third party steel drums with the producer or approved third party ring closing system and with tamper proof seals intact may be put on Warrant.

4.4 Warehouses are not permitted to place on Warrant cobalt supplied in unsound producer or producer approved third party steel drums with broken seals.

## 5. **ADDITIONAL REQUIREMENTS FOR ALL COBALT WARRANTS**

5.1 All cobalt Warrants require supporting documentation a producer certificate(s) of analysis and a packing list cross referenced to the certificate(s) of analysis and individual producer drum seal numbers in English. Bulk certificates of analysis are permitted. The certificate of analysis must state the brand name.

5.2 If a producer's certificate of analysis is not available a certificate of analysis for all shapes must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates of analysis. In all cases, it must be possible to cross-reference the production batch reference on the drums to identical numbers on the certificate of analysis and the LSA seal numbers. LSA sampling of cobalt must be carried out on the premises of the Warehouse issuing the Warrants.

5.3 On request the Warehouse is obliged to submit to the holder of the Warrant the certificate(s) of analysis and packing list or copies thereof if the Warrant lot forms part of a larger batch.

## 6. **MAJOR CURRENCY**

US dollars

## 7. **TESTING OF WARRANTED METAL**

7.1 If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at rule 7.2(a) and (b) below are satisfied, he or they may instruct an LME Listed Sampler and Assayer (LSA) to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The LME will bear the costs of such tests.

7.2 The conditions referred to above are that:-

- (a) there are reasonable grounds to suspect that cobalt on Warrant does not comply with these rules; and
- (b) there is a risk of disruption to the LME's market

# **SPECIAL CONTRACT RULES FOR ROASTED MOLYBDENUM CONCENTRATE**

## **1. QUALITY**

The roasted molybdenum concentrate ("RMC") delivered under this contract shall be:

- (a) between 57 and 63% molybdenum purity with maximum permissible impurities of Cu 0.50%; P 0.05%; Pb 0.05%; S 0.10%; C 0.10%; Moisture 0.1%.
- (b) in the form of powder packed in drums, of which only 5% of the powder can comprise particles in excess of 4mm and 0% in excess of 10mm.
- (c) of brands listed in the LME approved list.

## **2. SIZE OF LOT**

6 tonnes molybdenum (+/-5%) contained in RMC.

## **3. WARRANTS**

3.1 Warrants shall be for 10 tonnes of RMC.

3.2 The RMC in each Warrant shall be of one production batch and brand and shall lie in one warehouse.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country / region of origin;
- (c) the date and reference number of the certificate of analysis lodged with the warehouseman;
- (d) the gross and net weights of RMC together with the net weight contained of molybdenum; and
- (e) the number of steel drums making up each Warrant.

3.4 Each Warrant shall bear the following legend:

**'WARNING** The buyer is advised that drums may contain water and RMC should be handled and processed with this possibility in mind. Water contained in drums may cause an explosion if the RMC is introduced into a melting-furnace without proper procedures being followed.'

3.5 Each Warrant shall bear an LMEsword -generated barcode.

## **4. WEIGHTS**

4.1 All RMC delivered under this contract shall be packed in sound steel drums of uniform size and of exact net weight of 200 or 250 kilos. Part filled steel drums are not permitted.

4.2 Each steel drum shall have the gross and net weights, brand name, origin and batch reference clearly and indelibly marked or stamped on the outside of the drum.

## 5. **DRUMMED RMC REQUIREMENTS**

5.1 RMC contained in drums may be placed on Warrant provided that:

- (a) the steel drums are original sound producer drums with a ring closing system and tamper proof producer seals intact;
- (b) the Warehouse opens every steel drum in a Warrant quantity of a single producer batch in the presence of an LME Listed Sampler and Assayer (LSA) for the purpose of taking samples and establishing an independent Certificate of Analysis specific to each Warrant lot. The Warehouse shall be responsible for resealing all steel drums using their own unique tamper proof numbered seals using a ring closing system and identifying the warehouse of storage after sampling is complete and still in the presence of the LSA. All costs incurred will be for account of the party instructing the warehouse to place the material on warrant; and
- (c) all markings on steel drums conform to those of the listed brand.

5.2 Warehouses are not permitted to place on Warrant any RMC supplied in unsound producer steel drums or steel drums with broken seals.

## 6. **CERTIFICATES OF ANALYSIS**

6.1 A Certificate of Analysis shall be issued for each Warrant lot by an LSA in accordance with the following:

- (a) LSAs will sample and analyse each lot for LME warranting in accordance with LME specified procedures ensuring that any one lot comes from a single producer batch; and
- (b) LSA Certificates of Analysis shall be cross-referenced to the listed producer brand, batch number and Warehouse seal numbers.

6.2 Any party cancelling Warrants should note that the LSA Certificate of Analysis is subject to a variation tolerance of Mo content of +/- 0.5%. If any additional sampling and analysis is required this must be done in accordance with LME procedures within 15 working days after cancelling the Warrant at the warehouse of storage in the presence of the LSA who issued the original Certificate of Analysis. Any disputes about analysis shall be settled in accordance with LME procedures. All costs for any analysis taken at time of cancellation of warrants are for the account of the party cancelling Warrants

## 7. **ADDITIONAL REQUIREMENTS FOR ALL RMC WARRANTS**

7.1 Note that in order to create RMC warrants a producer weight certificate and analysis certificate covering all elements of the Contract specification in 1(a) above is to be supplied with all deliveries to a warehouse.

7.2 All RMC Warrants require as supporting documentation a certificate of origin and a LSA certificate of analysis in English.

7.3 On request the Warehouse is obliged to submit to the holder of the Warrant the certificate of origin and analysis or a copy thereof.

7.4 The Warehouse Company is required to inform the LME of the name of the party that requests the warrant to be issued.



8. **MAJOR CURRENCY**

US dollars

9. **TESTING OF WARRANTED METAL**

9.1 If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at rule 9.2(a) and (b) below are satisfied, he or they may instruct an LME Listed Sampler and Assayer to undertake such tests as are necessary to form a reasonable opinion of whether or not metal on Warrant conforms with these Rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The LME will bear the costs of such tests.

9.2 The conditions referred to above are that:-

- (a) there are reasonable grounds to suspect that RMC on Warrant does not comply with these rules, and
- (b) there is a risk of disruption to the LME's market.



# PART 6A

## SPECIAL CONTRACT RULES FOR THE CONSTRUCTION OF THE INDEX

### 1. INDEX CONSTRUCTION

The Index is an Index on the six designated LME primary metals contracts denominated in US dollars.

### 2. INDEX WEIGHTING

Weightings of the six metals are derived from global production volume and trade liquidity averaged over the preceding five-year period. Weightings of the Constituent Metals of the Index as of 1 January 2000 are set out in the table below:

| Constituent Metal | Approx. No. of Lots | Tonnage | Volume Weighting |
|-------------------|---------------------|---------|------------------|
| Primary Aluminium | 25                  | 625     | 41.8             |
| Copper            | 20                  | 500     | 33.4             |
| Lead              | 5                   | 125     | 8.4              |
| Nickel            | 5                   | 30      | 2.0              |
| Tin               | 3                   | 15      | 1.0              |
| Zinc              | 8                   | 200     | 13.4             |
| Total             | 66                  | 1,495   | 100.0            |

Any resetting of the weighting of the Index shall be the responsibility of the Weighting Committee.

### 3. INDEX VALUE

The Index value is calculated as the sum of the prices for the three qualifying months multiplied by the corresponding weights, multiplied by a constant:

$$\text{Index} = (\text{WAI} \times (\text{Al 1 mth} + \text{Al 2 mth} + \text{Al 3 mth}) + ([\text{other metals as Al}]) \times \text{K}$$

where:

WAI = % weight of primary aluminium ("Al")

Al 1 mth = first month third Wednesday primary aluminium future price

Al 2 mth = second month third Wednesday primary aluminium future price

Al 3 mth = third month third Wednesday primary aluminium future price

K = the reference constant which creates the initial Index value at 4 January 1999 of 1,000. The constant is changed at each reweighting point to rebalance the Index at that time.

Note that primary aluminium, designated "Al", has been used as the first Constituent Metal.

#### 4. **THE INDEX FUTURES CONTRACT SPECIFICATION**

##### 4.1 **Contract Size**

\$10 per Index point.

##### 4.2 **Prompt Date**

Second Wednesday of maturity month, subject to the Trading Regulations.

##### 4.3 **Index point Value Basis**

Average of the third Wednesday prices for the first three qualifying trading months of the Constituent metals.

##### 4.4 **Maturity Months**

Monthly for twelve months.

##### 4.5 **Last Trading Day and Time**

17.00 hours on Prompt Date.

##### 4.6 **Settlement Basis**

Cash Settlement based on the difference between Settlement Price of the Index on the Prompt Date and the value of the Index in the Contract, multiplied by the Contract size.

##### 4.7 **Cash Settlement**

Settlement Business Day following the Prompt Date. (See Regulation 9, Settlement of Contracts, in Part 3, Trading Regulations.)

##### 4.8 **Quotation**

Index points.

##### 4.9 **Minimum Price Move**

0.1 Index point.

#### 5. **INDEX OPTIONS CONTRACT SPECIFICATION**

##### 5.1 **Contract Size**

\$10 per Index point.

##### 5.2 **Prompt Date and Time**

Automatic exercise for In The Money Index Options as at 19.15 hours on the second Wednesday of relevant maturity month, subject to the Trading Regulations.

**5.3 Last Trading Day and Time**

16.35 hours on the Prompt Date.

**5.4 Settlement Basis**

Cash settlement based on the difference between Settlement Price of the Index and the Strike Price, multiplied by the Contracts size.

**5.5 Cash Settlement**

The Settlement Business Day following the Prompt Date.

**5.6 Maturity Months**

Monthly for the front three months.

**5.7 Option Premium Date**

Paid on first Business Day following trade.

**5.8 Minimum Price Movement (tick size)**

0.01 Index points.

**5.9 Strike Price Gradation**

10 Index points.



## **PART 6B**

### **SPECIAL CONTRACT RULES FOR LME<sub>mini</sub> CONTRACTS**

#### **1. THE LME<sub>mini</sub> FUTURES CONTRACT SPECIFICATION**

##### **1.1 Lot Size**

The Lot size for each LME<sub>mini</sub> Future is as follows:

| Constituent Metal       | Lot size (tonnes) |
|-------------------------|-------------------|
| Primary Aluminium       | 5                 |
| Copper Grade A          | 5                 |
| Special High Grade Zinc | 5                 |

##### **1.2 Prompt Date**

Third Wednesday of each maturity month, subject to the Trading Regulations.

##### **1.3 Maturity Months**

Monthly for twelve months, unless the Contract is made after the Last Trading Time (see 1.5 below) for the calendar month on which the Contract is made, in which case, eleven months.

##### **1.4 Trading Platform**

LME<sub>mini</sub> Contracts may not be traded in the Ring.

##### **1.5 Last Trading Time**

The last trading time for all LME<sub>mini</sub> Contracts shall be 12.30 hours London time on the Business Day which is two Business Days before the Prompt Date.

##### **1.6 Settlement Basis**

Cash settlement by reference to the Settlement Price determined for the Prompt Date for the relevant underlying metal.

##### **1.7 Cash Settlement**

On the Prompt Date.

##### **1.8 Currency**

US Dollars.

##### **1.9 Minimum Price Movement**

\$0.25; \$0.01 for a carry.





# PART 6C

## SPECIAL CONTRACT RULES FOR CASH-SETTLED FUTURES - FERROUS

### 1. THE FERROUS FUTURES CONTRACT SPECIFICATIONS

#### 1.1 Lot Size

The Lot size for each Ferrous Future is as follows:

| Contract        | Lot size (tonnes) | Code |
|-----------------|-------------------|------|
| LME Steel Scrap | 10                | SC   |
| LME Steel Rebar | 10                | SR   |

#### 1.2 Prompt Dates

The meaning and specification of the Prompt Dates for each Ferrous Future shall be determined as follows:

| Meaning of Prompt Date  | Contracts                              | Valid Prompt Dates   |
|---|--|--|
| The Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations, the Cash-Settled Future Final Settlement Price is determined, with settlement of the Contract on the next Settlement Business Day | LME Steel Scrap<br><br>LME Steel Rebar | The last Business Day of each month (subject to Regulation 8 of the Trading Regulations) |

#### 1.3 Maturity Months

The maturity months for Ferrous Futures Contracts shall be as follows:

| Contract        | Maturity Months   |
|-----------------|---|
| LME Steel Scrap | Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months. |
| LME Steel Rebar | Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months. |

#### 1.4 **Execution Venue**

Ferrous Futures may be traded in the inter-office market and on LME Select but not in the Ring.

#### 1.5 **Trading Hours**

Ferrous Futures may be traded on the following Execution Venues at the following times:

| <b>Execution Venue</b> | <b>Trading Hours</b>                                  |
|------------------------|---|
| LME Select             | Between 01:00 and 19:00 London time on a Business Day |
| Inter-office market    | 24 hours a day during a Business Day                  |

#### 1.6 **Last Trading Day and Last Trading Time**

The last trading time for Ferrous Futures Contracts shall be as follows:

| <b>Contract</b> | <b>Last Trading Day</b>  | <b>Last Trading Time</b>                        |
|-----------------|--|---|
| LME Steel Scrap | The last Business Day of the relevant tradeable month (where each calendar month shall be a tradeable month) | 16:30 hours London time on the Last Trading Day |
| LME Steel Rebar | The last Business Day of the relevant tradeable month (where each calendar month shall be a tradeable month) | 16:30 hours London time on the Last Trading Day |

#### 1.7 **Settlement Basis**

Cash Settlement based on the difference between the relevant Cash-Settled Future Final Settlement Price on the Prompt Date and the value of the Contract, multiplied by the Lot size.

#### 1.8 **Cash Settlement**

| <b>Contract</b> | <b>Final Settlement Date</b>                      |
|-----------------|---|
| LME Steel Scrap | Settlement Business Day following the Prompt Date |
| LME Steel Rebar | Settlement Business Day following the Prompt Date |

(See Regulation 9, Settlement of Contracts, in Part 3, Trading Regulations.)

#### 1.9 **Minimum Price Movement**

The minimum price movement for any Ferrous Future shall be as follows:

|                     | Minimum price movement per tonne |         |
|---------------------|----------------------------------|---------|
| Execution Venue     | Outright                         | Carries |
| LME Select          | \$0.50                           | \$0.01  |
| Inter-office market | \$0.01                           | \$0.01  |

**1.10 Notification of Procedures for determining the Cash-Settled Future Final Settlement Prices**

The Exchange shall specify, by way of Administrative Procedure issued to the Members, the procedures that it shall apply in order to determine the Cash-Settled Future Final Settlement Price for each Ferrous Future.

**1.11 Specification of the Cash-Settled Future Indices**

- (a) The Cash-Settled Future Index relevant to each Ferrous Future shall be used by the Exchange to determine the Cash-Settled Future Final Settlement Price for that Ferrous Future, in accordance with the procedures specified pursuant to Regulation 1.10 above.
- (b) The Exchange shall specify, by way of Notice issued to the Members, the relevant index or indices that shall constitute the Cash-Settled Future Index for each type of Ferrous Future.

**1.12 Currency**

US Dollars.

## **PART 6D**

### **SPECIAL CONTRACT RULES FOR CASH-SETTLED FUTURES - NON-FERROUS**

**This Part has been intentionally left blank.**

## **PART 7: REQUIREMENTS FOR THE LISTING OF BRANDS**

1. Where applicable, an application for listing a brand must be submitted on behalf of the producer through a Member Company, Categories 1 to 5.
2. Guidance Notes for listing of brands of each metal are available on the LME website or from the Executive of the Exchange. Applicants should not proceed with an application prior to reading the applicable guidance notes.

The general procedures outlined in the Guidance Notes include the following requirements:-

- 2.1 Except in the case of molybdenum and steel, that the producer supplies a written undertaking that the brand to be listed will conform to the quality of the applicable Special Contract Rules for Metals and that such quality will be maintained in accordance with the lots supplied for testing purposes (see 2.2 below). Also, that a producer will undertake to investigate any complaints as to the quality of the brand without time limit.
- 2.2 That testing of commercial quantities of the metal be undertaken by Exchange approved fabricators who will provide the Exchange with information as to metal quality, suitability and compliance with the applicable Special Contract Rules for Metals.
- 2.3 That a fee is paid to the Exchange for the listing of a brand.
3. Subsequent to listing any alteration or addition to the details given at the time of listing by the producer are to be notified to the Exchange. A brand may be suspended from listing or delisted at the discretion of the Directors if any such changes are not notified to the Exchange promptly or if there are changes in the information given at the time of listing which the Directors consider to be material or if the producer fails to comply with any undertaking given to the Exchange.
4. Brands may be listed, suspended or delisted at the discretion of the Directors, who are entitled to make such investigations into the producer as they may deem appropriate at any time before, during or after the application for listing. No listing shall become valid until particulars of the brand concerned have been posted on the Exchange for 28 days.
5. Any complaint as to the quality of any listed brand should be made to the Complaints Officer of the Exchange. Should the Chief Executive think it appropriate, he may report to the Directors who may suspend deliveries onto warrant until quality is proven to the satisfaction of the Directors. If after investigation by the Complaints Officer the Directors are not satisfied with the quality of the listed brand, then the brand may be delisted at the discretion of the Directors.
6. The Directors may, at their discretion, waive or amend any of the listing requirements. Producers must comply with this Part of the Rules and Regulations, the listing requirements, as well as with any variations to those and with any applicable Administrative Procedures issued by the Exchange.
7. Neither the Company nor any of its Directors or other officers shall be under any liability whatsoever either in contract or in tort to any Member or other person in respect of any act or omission in relation to the listing of any brand of metal or the maintenance, suspension or termination of any such listing.



**PART 8**  
**ARBITRATION REGULATIONS**

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**CONTENTS**

| <b>Section</b> |                                       | <b>Page</b> |
|----------------|---------------------------------------|-------------|
| 1              | Definitions and Interpretations       | 8-1         |
| 2              | Commencement                          | 8-2         |
| 3              | Appointment of Tribunal               | 8-3         |
| 4              | Procedure                             | 8-5         |
| 5              | Notices and Communications            | 8-5         |
| 6              | Submission and Documents              | 8-6         |
| 7              | Hearings and Seat of Arbitration      | 8-7         |
| 8              | Party Representatives                 | 8-7         |
| 9              | Witnesses                             | 8-7         |
| 10             | Powers of Tribunal                    | 8-8         |
| 11             | Consolidation                         | 8-10        |
| 12             | Awards                                | 8-10        |
| 13             | Costs and Deposit                     | 8-12        |
| 14             | The Secretary and the Panel Committee | 8-13        |
| 15             | Exclusion of Liability                | 8-13        |
| 16             | Governing Law                         | 8-13        |

These Arbitration Regulations form part of the Rules and Regulations of the Exchange. They may also be used as a stand-alone document. Contractual arrangements may include a reference to arbitration in accordance with these Arbitration Regulations. For the avoidance of doubt, such a reference does not of itself mean those contractual arrangements are subject to the remaining Rules and Regulations of the Exchange, nor that any resulting contract is an LME Contract.





## **PART 8: ARBITRATION REGULATIONS**

### **1. DEFINITIONS AND INTERPRETATIONS**

1.1 In these Arbitration Regulations, the following words and expressions shall, unless the context otherwise requires, bear the meanings set opposite them:-

|                             |  |
|-----------------------------|--|
| "Administrative Procedure"  | a notice posted in the Exchange containing a procedure for implementing the Rules or any part thereof;   |
| "Arbitration Regulations"   | the regulations set out in Part 8 of the Rules;  |
| "Chief Executive"           | includes the Deputy Chief Executive and any other person for the time being appointed to perform the duties of Chief Executive of the Company;   |
| "Claimant"                  | the person commencing an arbitration by serving a Notice to Arbitrate;   |
| "Close of Pleadings"        | the end of a period of 28 days after the time for submission of the points of reply, unless otherwise ordered by the Tribunal;   |
| "the Company"               | The London Metal Exchange;   |
| "Counter Notice"            | a notice served by the Respondent pursuant to Regulation 2.5 of Part 8 of the Rules;   |
| "Deposit"                   | such sum as may be specified by Administrative Procedure from time to time;  |
| "the Directors"             | the Board of Directors of the Company;   |
| "Head of Market Operations" | the Head of Market Operations and any other person within the Market Operations division of the Exchange for the time being appointed to perform the duties of the Head of Market Operations;                            |
| "Member"                    | a member of the Exchange;  |
| "Notice to Arbitrate"       | a Notice served by the Claimant pursuant to Regulation 2.1 of Part 8 of the Rules;   |
| "Panel"                     | the Arbitration Panel of the Company;  |
| "Panel Committee"           | a committee appointed by the Directors to oversee the conduct of arbitrations pursuant to the Arbitration Regulations, and in particular to perform the functions and powers referred to in the Arbitration Regulations; |
| "Registration Fee"          | such sum as may be specified by Administrative Procedure from time to time;  |
| "Respondent"                | the person receiving a Notice to Arbitrate served by the Claimant;   |

|               |   |
|---------------|---|
| "Rules"       | means these rules and regulations as the same may be amended in accordance with the Articles;   |
| "Secretary"   | any person appointed to perform the duties of Secretary of the Company, and for the purpose only of Part 8 of the Rules, any person to whom the functions and powers of the Secretary referred to therein may be delegated from time to time; |
| "Tribunal"    | the tribunal of one, two or three arbitrators appointed in accordance with Regulation 3 of Part 8 of the Rules;   |
| "Working Day" | any weekday, Monday to Friday inclusive, which is not a public holiday in England and Wales.  |

1.2 Reference to a period of days shall mean consecutive days, calculated with reference to London Time, whether or not they are Working Days. Where an act is required to be done within a specified period of days after a specified event, the first day of the period shall be the day after the specified event occurs. The period shall end at 5.00pm (London Time) on the last day of the period.

- 1.3
- (a) Words importing the singular shall, where the context permits, include the plural and *vice versa*. Words importing gender shall include each gender. Words importing persons shall, where the context permits or requires, include partnerships and corporations.
  - (b) Where reference is made to a Regulation in any Part of the Rules it shall be deemed to be a reference to a Regulation in that Part unless the context otherwise requires.

1.4 The headings in these Arbitration Rules are inserted for convenience only and are to be ignored for the purposes of construction.

## 2. COMMENCEMENT

2.1 A Claimant shall commence an arbitration pursuant to these Arbitration Regulations by serving a Notice to Arbitrate on the Respondent, and by sending a copy of the Notice to Arbitrate to the Secretary accompanied by the Registration Fee and Deposit. The Deposit shall be any of the methods detailed in the Arbitration section of the website of the Exchange, as updated from time to time.

2.2 Subject to Regulation 6.3, the Notice to Arbitrate shall contain at least the following information:-

- (a) the address for service of the Claimant;
- (b) a brief statement of the nature and circumstances of the dispute including a brief description of any contract, sufficient to enable the Respondent to identify it, to which the dispute relates;
- (c) a brief statement of the relief claimed;
- (d) the Claimant's proposal with regard to the number of arbitrators to form the Tribunal;

- (e) the Claimant's nomination of one arbitrator from the Panel; and
  - (f) the person and address of the Respondent to which the Notice to Arbitrate has been sent.
- 2.3 The Secretary shall acknowledge receipt of the Deposit and Registration Fee, indicating the date on which payment was made, and shall copy such acknowledgement to the Respondent. The Notice to Arbitrate shall not be valid, and time shall not start to run for the purpose of any other provisions of these Arbitration Regulations until the Deposit and Registration Fee have been paid and all the above information has been supplied to the Respondent and to the Secretary.
- 2.4 The date of receipt by the Respondent of a valid Notice to Arbitrate shall be deemed to be the date on which the arbitration has commenced.
- 2.5 Within 21 days of receipt of the Notice to Arbitrate, the Respondent shall send to the Claimant, with a copy to the Secretary, a Counter Notice which shall contain:-
- (a) the address for service of the Respondent;
  - (b) confirmation that the Respondent agrees to the number of arbitrators proposed by the Claimant, or the Respondent's counter proposal;
  - (c) if relevant, the Respondent's nomination of one arbitrator from the Panel.
- 2.6 If the Respondent fails to serve the Counter Notice then, on application by the Claimant in writing to the Secretary, the Secretary shall proceed with the appointment of the Tribunal as set out in Regulation 3.
3. **APPOINTMENT OF TRIBUNAL**
- 3.1 Subject to Regulation 3.5, two arbitrators shall form the Tribunal unless the parties to the dispute agree that either one or three arbitrators should form the Tribunal.
- 3.2 Within 7 days of receipt of the Counter Notice, or of the Claimant's application referred to in Regulation 2.6, the Secretary shall:-
- (a) if the Tribunal is to consist of a single arbitrator
    - (1) appoint the arbitrator agreed by the parties; or
    - (2) if the parties do not agree on the identity of the arbitrator, appoint an arbitrator who may, but need not, be an arbitrator nominated by one of the parties;
  - (b) unless the Tribunal is to consist of a single arbitrator, appoint
    - (1) the arbitrator nominated by the Claimant; and
    - (2) the arbitrator nominated by the Respondent or, in default, an arbitrator;
  - (c) send to each arbitrator a copy of the Notice to Arbitrate and the Counter Notice, if any, and any accompanying documents;
  - (d) notify the parties of steps taken pursuant to Regulations 3.2(a), 3.2(b) and 3.2(c).

- 3.3 If the Tribunal is to consist of three arbitrators, the two arbitrators appointed pursuant to Regulation 3.2(b) shall, within 7 days of their appointment, nominate the third (in accordance with the criteria in Regulation 3.6) and notify the Secretary of their choice or inform the Secretary that they are unable to agree. The Secretary shall within 7 days thereafter:-
- (a) appoint the third arbitrator if necessary having made the choice of third arbitrator himself (in accordance with the criteria in Regulation 3.6);
  - (b) send the third arbitrator a copy of the documents referred to in Regulation 3.2(c);
  - (c) notify the parties and other arbitrators of steps taken pursuant to Regulations 3.3(a) and 3.3(b).
- 3.4 For the purpose of these Arbitration Regulations, the Tribunal shall be taken to have been appointed on the date the Secretary sends notification to the parties pursuant to Regulation 3.2(d) or 3.3(c) as the case may be.
- 3.5 If the Tribunal consists of two arbitrators then, upon request to the Secretary by
- (a) either party at any time prior to 14 days after Close of Pleadings, or
  - (b) either of the arbitrators at any time before an award is made,
- the Secretary shall, in consultation with the existing arbitrators and providing, in the event the request is made by a party, at least one arbitrator is of the view that a third arbitrator should be appointed, appoint a third arbitrator (in accordance with the criteria in Regulation 3.6).
- 3.6 The third arbitrator, who shall be the chairman of the Tribunal, shall be a lawyer unless the other arbitrators are both lawyers, in which case the chairman shall be a non-lawyer.
- 3.7 Any arbitrator chosen and appointed by the Secretary shall be chosen from the Panel.
- 3.8 In every case in which the Secretary appoints an arbitrator he shall, before doing so, ascertain the arbitrator's ability and willingness to act. If any arbitrator is unable or unwilling to act, the Secretary shall, subject to Regulation 3.13, appoint a replacement.
- 3.9 The arbitrators may only nominate arbitrators who are members of the Panel.
- 3.10 All arbitrators, whether or not nominated by the parties, shall be and remain at all times wholly independent and impartial and shall not act as advocates for either party.
- 3.11 If at any time after his appointment any arbitrator is unable or unwilling to act for any reason, then within 7 days of receipt of a written request from the arbitrator himself, any of the other members of the Tribunal, or either party, the Secretary shall, subject to Regulation 3.13, appoint a replacement.
- 3.12 Either party may challenge the appointment of an arbitrator within 28 days of the appointment of that arbitrator or, if later, within 28 days of becoming aware of the facts and circumstances on which the challenge is based, on grounds of non-independence, partiality, unfitness or inability to act by sending a written statement of its reasons for the challenge to the Secretary. Unless the other party agrees to the challenge or the arbitrator withdraws within 7 days, the Secretary shall refer the matter to the Panel Committee who shall determine whether the challenge should be sustained and, if so and subject to Regulation 3.13, the Secretary shall appoint a replacement within a further 7 days.

- 3.13 If the arbitrator to be replaced pursuant to Regulations 3.7, 3.11 or 3.12 is one who either party was originally entitled to nominate, that party shall be entitled to nominate the replacement (in accordance with the criteria in Regulation 3.6). If the arbitrator to be replaced was the third arbitrator, the other two shall be entitled to nominate the replacement. The Secretary, before appointing the replacement, shall consult with the parties or arbitrators accordingly. The Secretary shall appoint the arbitrator so nominated or, in default of any such nomination within a time specified by the Secretary, choose and appoint the replacement arbitrator (if applicable, in accordance with the criteria in Regulation 3.6).
- 3.14 The Secretary shall have power, on the application of either party or on his own motion, and on notice to both parties, to extend or abridge any of the time limits specified in this Regulation 3 or in Regulation 2.

#### 4. **PROCEDURE**

In the absence of any express provision in these Arbitration Regulations the Tribunal shall have the widest discretion permitted by law to determine the procedure to be adopted, and to ensure the just, expeditious, economical and final determination of the dispute.

#### 5. **NOTICES AND COMMUNICATIONS**

- 5.1 Unless otherwise ordered by the Tribunal, all notices required by these Arbitration Regulations shall be in writing. Notices and all other documents shall be sent by first class post where available, or airmail, fax, telex, electronic message or delivered by hand.
- 5.2 Documents sent between the parties shall be sent to the other party's address for service or, if none has yet been specified, to the address of the other party specified in the contract containing the agreement to refer the dispute to arbitration, failing which to the principal place of business of the other party.
- 5.3 In every case in which either party sends any document to the Secretary or the Tribunal that party shall where relevant provide sufficient copies for each member of the Tribunal, and shall also at the same time send a copy to the other party.
- 5.4 Subject to satisfactory evidence being produced by the sender and unless the intended recipient proves otherwise:-
- (a) documents sent by post shall be deemed to have been received;
    - (1) if posted within the United Kingdom to an address in the United Kingdom, 2 Working Days after posting;
    - (2) in all other cases, 5 Working Days after posting;
  - (b) faxes or telexes or electronic messages shall be deemed to have been received at the time transmission ceases;
  - (c) by hand deliveries shall be deemed to have been received at the time of delivery to the address stated on their face.

In the event that the sender utilises more than one of the methods above then documents shall be deemed to have been received by the faster method used.

References in these Arbitration Regulations to receipt of documents shall be construed accordingly. In the event of a dispute prior to the appointment of the Tribunal the

Secretary shall in his absolute discretion determine if and/or when receipt is deemed to have occurred.

- 5.5 Unless these Arbitration Regulations otherwise state, or unless otherwise directed by the Secretary (if no Tribunal has been appointed) or by the Tribunal, all notices and other documents received on a day which is not a Working Day, or after 5.00 pm on any Working Day, shall be deemed to have been received on the next following Working Day. Time of receipt shall be determined with reference to local time in the place where the notice or other document is received.

6. **SUBMISSION AND DOCUMENTS**

- 6.1 Unless otherwise ordered by the Tribunal, the procedure following appointment of the Tribunal shall be as set out in the rest of this Regulation.
- 6.2 Within 21 days after the appointment of the Tribunal, the Claimant shall send to the Tribunal and to the Respondent written points of claim which set out any facts or contentions of law on which it relies, and the relief claimed.
- 6.3 The Claimant may serve the points of claim on the Respondent at the same time as the Notice to Arbitrate. If so, the information required by Regulations 2.2(b) and 2.2(c) need not be contained in the Notice to Arbitrate, and no further copies of the points of claim need be served pursuant to Regulation 6.2.
- 6.4 Within 21 days of receipt of the points of claim, or of the appointment of the Tribunal if later, the Respondent shall send to the Tribunal and to the Claimant written points of defence stating in sufficient detail which of the facts and contentions of law in the points of claim it admits or not, or denies, on what grounds, and on what other facts and contentions of law it relies. Any counterclaims shall be submitted with the points of defence in the same manner as claims are set out in the points of claim.
- 6.5 Within 21 days of receipt of the points of defence, the Claimant may send to the Tribunal and to the Respondent written points of reply which, where there are counterclaims, shall include points of defence to counterclaims.
- 6.6 If the points of reply contain points of defence to counterclaims, the Respondent may, within 21 days of receipt, send to the Tribunal and to the Claimant written points of reply regarding counterclaims.
- 6.7 No further submissions shall be served without an order from the Tribunal.
- 6.8 All submissions referred to in this Regulation shall be accompanied by legible copies, or if they are especially voluminous, lists of all essential documents on which the party concerned relies, and where appropriate, by any relevant samples.
- 6.9 Any document not in English shall be accompanied by a translation into English and a note explaining who prepared the translation and his qualifications, if any, to do so. Translations may but do not need to be notarised. The authority to be accorded to any translation is a matter for the Tribunal.
- 6.10 Within 7 days after Close of Pleadings the Tribunal shall give directions for the subsequent procedure of the arbitration and may convene a hearing for this purpose.
- 6.11 Unless the parties agree to the contrary in writing, the parties, the Tribunal, the Secretary and the Panel Committee shall keep the award (and all other submissions, other documents

and information introduced into the proceedings not otherwise in the public domain) confidential in perpetuity save to the extent that disclosure may be required by legal duty or to protect a legal right.

## **7. HEARINGS AND SEAT OF ARBITRATION**

- 7.1 Each party has the right to be heard before the Tribunal, unless the parties have agreed on a documents-only arbitration.
- 7.2 The Tribunal shall fix the date, time and place of any meetings and hearings in the arbitration, and shall give the parties reasonable notice thereof. Unless otherwise agreed as provided in Regulation 7.3, all meetings and hearings shall take place at a venue in England and Wales.
- 7.3 The Tribunal may, with the consent of each of the parties to the arbitration, authorise one or more meetings or hearings to be held at a venue outside England and Wales.
- 7.4 The Tribunal may in its discretion direct hearings to be conducted without the physical presence of each participant in the same place but on the basis that each participant is linked, for the duration of his participation, through a telecommunication or video link system permitting each participant clearly to hear and speak to every other participant and, if the Tribunal so directs, to see every other participant.
- 7.5 The Tribunal may in advance of hearings submit to the parties a list of questions which it wishes them to treat with special attention.
- 7.6 The language of the arbitration shall be English, provided that interpreters shall be permitted by the Tribunal for participants and witnesses for whom English is not their main language.
- 7.7 The seat of the arbitration shall be England and Wales.

## **8. PARTY REPRESENTATIVES**

- 8.1 Neither party shall be represented at any hearing by a legal practitioner without the consent of the Tribunal, such consent to be requested not later than Close of Pleadings. If such consent be granted by the Tribunal to one party the other party shall automatically have an equivalent right.
- 8.2 Nothing in Regulation 8.1 shall preclude either party from otherwise seeking legal advice.
- 8.3 Subject to Regulation 8.1, either party may be represented at any hearing by any representative, subject to such proof of authority as the Tribunal may require.

## **9. WITNESSES**

- 9.1 Before any hearing, the Tribunal may require either party to give notice of the identity and qualification of witnesses it wishes to call and may require the parties to exchange statements of evidence to be given by the witnesses a specified time in advance of the hearing.
- 9.2 The Tribunal may allow, refuse, or limit the appearance of witnesses, whether witnesses of fact or expert witnesses.

9.3 Any witness who gives oral evidence may be questioned by each of the parties or their representative, under the control of the Tribunal. The Tribunal may put questions at any stage of the examination of the witnesses.

9.4 The Tribunal may allow the evidence of a witness to be presented in written form either as a signed statement or by a duly sworn affidavit. Subject to Regulation 9.2 either party may request that such a witness should attend for oral examination at a hearing. If he fails to attend, the Tribunal may place such weight on the written evidence as it thinks fit, or exclude it altogether.

## 10. **POWERS OF TRIBUNAL**

10.1 Without prejudice to any powers which may be given to the Tribunal elsewhere by law or in these Arbitration Regulations, the Tribunal shall have power either on its own motion or on the application of either party:-

- (a) to order either party to take specified steps within a specified time;
- (b) to extend or abridge any time limits specified in these Arbitration Regulations, or in any order;
- (c) to continue with the reference in default of appearance or of any other act by either party in like manner as a judge of the High Court might continue with proceedings in that court where a party fails to comply with an order of that court or a requirement of rules of the court, including, for the avoidance of doubt and without limitation, power to strike out all or any part of any submission and to make any award consequent upon any such striking out, in the event a party fails
  - (1) within the time specified in these Arbitration Regulations or in any order or
  - (2) if no time is specified, within a reasonable timeto do any act required by these Arbitration Regulations or to comply with any order;
- (d) at any time to permit either party to amend any submissions;
- (e) to stay arbitration proceedings in favour of proceedings in the High Court or other forum and, in an appropriate case, to make it a condition of the stay that one of the parties commence proceedings in the High Court or such other forum forthwith;
- (f) to order either party to produce and to supply copies of, any documents in that party's possession, custody or power, which, in the event of dispute, the Tribunal determines to be relevant;
- (g) to order either party to answer interrogatories;
- (h) to require the parties to provide a written statement of their respective cases in relation to particular issues, to provide a written answer and to give reasons for any disagreement;
- (i) to order the inspection, preservation, storage, interim custody, sale or other disposal of any property or thing relevant to the arbitration under the control of either party;



- (j) to make orders authorising any samples to be taken, or any observation to be made, or experiment to be tried which may, in the Tribunal's discretion, be necessary or expedient for the purposes of obtaining full information or evidence;
- (k) to appoint one or more investigators or experts to report to the Tribunal on specified issues;
- (l) to order either party, "the payer", to make an interim payment to the other party, "the payee", of such amount as the Tribunal shall in its discretion think just, not exceeding a reasonable proportion of the monetary award which in the opinion of the Tribunal is likely to be recovered by the payee after taking into account any set-off or counterclaim on which the payer may be entitled to rely;
- (m) to order either party to provide security for all or part of any amount in dispute in the arbitration;
- (n) to make an interim order that either party shall pay to the other party or to the Tribunal or to the Company a proportion of any costs of an administrative nature necessarily incurred by that party or by the Tribunal or by the Company or by an investigator or expert in respect of the progress or conduct of the arbitration, with the intent that such costs should, so far as reasonably possible, be borne equally by the parties pending the final award of the Tribunal;
- (o) to order either party to provide security for the legal or other costs of the other party in any manner the Tribunal thinks fit;
- (p) to order specific performance of any contract;
- (q) to open up, revise and review any certificate, opinion or decision of any person whose certificate, opinion or decision is subject to reference to arbitration;
- (r) to order the rectification of any agreement subject to any rule of law which would restrict this power;
- (s) to delegate the power to make procedural rulings to the chairman of the Tribunal, including the power to determine in the event of dispute, whether a ruling is procedural.

10.2 The Tribunal shall have the power to rule on its own jurisdiction, including any objections with respect to the existence or validity of the arbitration agreement, or of the existence or validity of the contract of which the arbitration clause forms part. For this purpose, an arbitration clause which forms part of a contract and which provides for arbitration under these Arbitration Regulations shall be treated as an agreement independent of the other terms of the contract. A decision by the Tribunal that the contract is null and void shall not entail *ipso jure* the invalidity of the arbitration clause.

10.3 A plea that the Tribunal does not have jurisdiction shall be raised not later than in the points of defence. A plea that the Tribunal is exceeding the scope of its authority shall be raised promptly after the Tribunal has indicated its intention to decide on the matter alleged to be beyond the scope of its authority. In either case the Tribunal may nevertheless admit a late plea under this Regulation 10.3 if it considers the delay justified.

## **11. CONSOLIDATION**

11.1 On the appointment of a Tribunal, and whenever requested to do so by either party, the Panel Committee shall review pending arbitrations and, if it appears to the Panel Committee that

- (a) some common question of law or fact arises in two or more of them, or
- (b) the rights to relief claimed therein are in respect of or arise out of the same transaction or series of transactions, or
- (c) for some other reason it is desirable to make a direction under this Regulation, the Panel Committee shall so inform the parties to all relevant arbitrations and may, upon the application of one or more of the parties to any of the arbitrations, and after consultation with the Tribunals and the parties, direct those arbitrations to be consolidated on such terms as it considers just or may direct them to be heard at the same time or one immediately after another or may order any of them to be stayed until after the determination of any of them.

11.2 For the purposes of Regulation 11.1, the Panel Committee may require any party to any relevant arbitration to provide it with copies of all that party's submissions and other documents connected with the arbitration which appear to the Panel Committee to be relevant.

11.3 If two or more arbitrations are to be consolidated pursuant to Regulation 11.1 above, and all parties to the consolidated arbitration are in agreement as to the choice of arbitrators the same shall be appointed by the Secretary but if all parties cannot agree within 21 days after the date of the direction under Regulation 11.1 the Panel Committee shall have power to choose and appoint three arbitrators as the Tribunal for the consolidated arbitration and to choose and appoint any replacement arbitrators which may thereafter be necessary.

11.4 The Tribunal in any consolidated arbitration shall have power at any time, on the application of any party to the consolidated arbitration or on its own motion, and on such terms as it considers just to order that the arbitration as between any two or more parties proceed separately, but under the same Tribunal, from the arbitration as between any other two or more parties, and to make any directions consequent thereon as the Tribunal considers expedient for the future conduct of all such proceedings.

## **12. AWARDS**

12.1 The Tribunal shall make its award in writing and give its reasons for the award.

12.2.1 If the Tribunal consists of two arbitrators and they fail to agree on any issue they shall request the Secretary to appoint a third arbitrator pursuant to Regulation 3.5.

12.2.2 If the Tribunal consists of three arbitrators and they fail to agree on any issue, they shall decide by a majority. If an arbitrator refuses or fails to sign the award, the signatures of the majority shall be sufficient, provided that the reason for the omitted signature is stated.

12.3 Where a decision on any issue is by a majority, the award may contain reasons by the dissenting arbitrator for his dissent, in the discretion of that arbitrator.

12.4 Awards may be expressed in any currency claimed in the arbitration.

12.5 The award shall state the date by which payment shall be made for any sum due under the award. In addition to the statutory power to award interest, the Tribunal shall have the

power to award interest at such rate and for such period as it considers fit on any sum after its due date but before commencement of the arbitration.

- 12.6 The Tribunal may make separate final awards on different issues at different times.
- 12.7 In the event of a settlement, the Tribunal may make an award recording the settlement if either party so requests.
- 12.8 Every award shall be final and binding on the parties as from the date that it is taken up by one of the parties. The parties undertake to carry out any award without any delay. Unless otherwise agreed by the parties in writing, the parties waive irrevocably any right to any form of appeal, review or resource to any state court or other legal authority, insofar as such waiver shall not be prohibited under any applicable law.
- 12.9 If all members of the Tribunal consider that the award contains any points which are of significant importance or interest to Members, they shall communicate such points to the Head of Market Operations. The Head of Market Operations, in consultation with the Tribunal, shall determine whether and how such points should be brought to the attention of Members while keeping the names of the parties confidential.
- 12.10 The award of the arbitrators shall be deposited by them with the Secretary who shall notify each party of such receipt. Either party may thereupon take up the award upon payment by that party of the costs and expenses of the arbitration as specified in the award (including the remuneration of the arbitrators) notwithstanding any direction in the award as to the ultimate responsibility therefor. Until the award is taken up by one of the parties it shall confer no rights upon either party. Upon the award being taken up by either party, a copy thereof shall forthwith be sent by the Secretary to the other party. In the event of the award not being taken up by either party within a period of 28 days from the notification by the Secretary of its receipt to the parties, the Deposit referred to in Regulation 1 above shall be forfeited, and the Secretary may in his absolute discretion call upon the parties or either of them (a) to take up the award and (b) to pay forthwith the costs and expenses of the award (including the remuneration of the arbitrators) or any part or proportion thereof whereupon the party or parties so called upon shall forthwith pay the costs and expenses as aforesaid and take up the award.
- 12.11 Regulations 12.11 to 12.15 shall apply to any agreement entered into on or after 1 June 2010 by a Category 1, 2 or 4 Member of the Exchange with another Category 1, 2 or 4 Member or with any other person which provides for any dispute arising out of or in connection with the agreement to be resolved by arbitration in accordance with these Regulations.
- 12.12 Where:-
- (a) the date for payment of any amount due under the award has elapsed,
  - (b) the period for any appeal against the award under English law has elapsed, and
  - (c) the party against whom the award was made has failed to make payment of any amount due under the award,
- the party in whose favour the award was made may send a notice of application to the Secretary, and shall copy such notice of application to the other party, requesting that the Secretary communicate to Members such failure to make payment. The Secretary shall acknowledge receipt of the notice of application, indicating the date on which it was received, and shall copy such acknowledgement to the other party.

- 12.13 If, at any time following receipt of a copy of the notice of application pursuant to Regulation 12.12, the party against whom the award was made makes payment in full of all amounts due under the award, both (a) the party in whose favour the award was made and (b) the party against whom the award was made, shall promptly send to the Secretary a notice of confirmation in writing that payment of all amounts due under the award has been made in full, and shall copy such notice of confirmation to the other party.
- 12.14 If the Secretary has not, within 14 days of receipt of the notice of application in accordance with Regulation 12.12, received from both (a) the party in whose favour the award was made and (b) the party against whom the award was made, a notice of confirmation in writing that payment of all amounts due under the award have been made in full, the Secretary shall communicate to Members such failure to make payment.
- 12.15 If, following the making of any communication pursuant to Regulation 12.14, the Secretary receives from both (a) the party in whose favour the award was made and (b) the party against whom the award was made, a notice of confirmation in writing that payment of all amounts due under the award has been made in full, the Secretary shall communicate this to Members.
13. **COSTS AND DEPOSIT**
- 13.1 Unless otherwise agreed by the parties, the Tribunal may direct, at their discretion and not later than fourteen days after the date for receipt of points of reply, that the recoverable costs of the arbitration, or any part of the arbitration proceedings that it can order to be paid pursuant to Regulation 13.3(a), shall be limited to a specific amount.
- 13.2 The Tribunal shall have power to specify in the award the amount of the costs of the arbitration (which expression shall, for the purpose of this Regulation 13, include the Tribunal's own remuneration, and any costs relating to the progress or conduct of the arbitration incurred by the Tribunal or by the Company including the costs of and fees payable to any person who has reported to or advised the Tribunal or the Company on any matter and shall include any costs incurred in conducting one or more meetings or hearings at a venue outside England and Wales pursuant to Regulation 7.3), and shall determine the proportions in which they shall be borne by the parties.
- 13.3 The Tribunal shall have power:-
- (a) to order in its award that all or part of the legal or other costs of one party be paid by the other party; and
  - (b) to determine or assess the amount of those costs, at the request of either party, and for this purpose shall not be *functus officio*.
- 13.4 If the arbitration is abandoned, suspended, stayed or concluded, by agreement or otherwise, before the final award is made, the parties shall be jointly and severally liable to pay the costs of the arbitration, as determined by the Tribunal, and for this purpose the Tribunal shall not be *functus officio*.
- 13.5 In any determination or award made by the Tribunal pursuant to Regulations 13.2, 13.3 and 13.4 the Tribunal shall, or at any time on the application of either party the Tribunal may provide for the return or other disposal of the Deposit or any part thereof to such persons as it shall in its absolute discretion consider fit.

14. **THE SECRETARY AND THE PANEL COMMITTEE**

14.1 Subject only to Regulations 14.2 and 14.3, the Secretary and the Panel Committee shall have sole and exclusive jurisdiction over all matters referred for decision to each of them respectively by any provision of these Arbitration Regulations, and their decisions upon such matters shall be final and binding.

14.2 The Panel Committee may exercise any of the functions and powers of the Secretary referred to in these Arbitration Regulations. It may delegate to the Secretary any of its own functions and powers, either generally or in relation to specific matters.

14.3 In the event of conflict between a decision of the Secretary and a decision of the Panel Committee, the latter shall prevail.

15. **EXCLUSION OF LIABILITY**

None of the Secretary, the Panel Committee, any arbitrator, or the Company shall be liable to any party for any act or omission in connection with any arbitration, save that the Secretary, the Panel Committee and the arbitrators may be liable for the consequences of conscious and deliberate wrongdoing.

16. **GOVERNING LAW**

These Arbitration Regulations shall be governed by and construed in accordance with English law. Except where the Arbitration Regulations provide otherwise, all arbitrations hereunder will be conducted in accordance with the provisions of the Arbitration Act 1996 as amended from time to time.



**PART 9**  
**DEFAULT REGULATIONS**

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**CONTENTS**

| <b>Section</b> |   | <b>Page</b> |
|----------------|---|-------------|
| 1              | Events of Default   | 9-1         |
| 2              | Application of Default Regulations and Determination of Default | 9-2         |
| 3              | Default Proceedings   | 9-2         |
| 4              | Notification  | 9-4         |
| 5              | Procedures  | 9-5         |
| 6              | Designation of Non-Members                                      | 9-5         |
| 7              | Porting   | 9-6         |
| 8              | Delegation of Functions   | 9-9         |
| 9              | Costs   | 9-9         |
| 10             | Cooperation with Other Bodies                                   | 9-9         |





## **PART 9: DEFAULT REGULATIONS**

### **1. EVENTS OF DEFAULT**

The expression "Event of Default" in relation to any person shall mean:-

- 1.1 failure by that person duly to perform or comply with any obligation to make payment or deliver Warrants under the terms of a Contract;
- 1.2 failure by that person to satisfy any margin liability in respect of a Contract or to comply with any other obligation binding on him under a Contract,
- 1.3 that person:
  - (a) being (or being, or being capable of being, deemed by law or a court to be) insolvent or unable to pay his debts,
  - (b) stopping, suspending or threatening to stop or suspend payment of all or a material part of his debts,
  - (c) beginning negotiations or taking any other step with a view to the deferral, rescheduling or other readjustment of all of (or all of a particular type of) his debts (or of any part which he will or might otherwise be unable to pay when due),
  - (d) proposing or making a general assignment, or an arrangement or composition with or for the benefit of the relevant creditors,
  - (e) suffering a moratorium to be agreed or declared in respect of or affecting all or a material part of (or of a particular type of) his debts, or
  - (f) taking any step, or any step being taken by any other person, with a view to the administration of the first-mentioned person;
- 1.4 an execution, distress, sequestration, attachment or other legal process being levied or enforced or sued out against any substantial part of that person's revenues or assets and not being discharged or stayed within seven days of being so levied, enforced or sued out or any security over any such substantial part becoming enforceable and any step (including the appointment of a receiver, administrative receiver, manager or similar person) being taken to enforce the same;
- 1.5 any step being taken (either by that person or by any other person) with a view to the winding-up or dissolution of that person except for the purpose of and followed by a reconstruction, amalgamation, merger, reorganisation or consolidation on terms previously approved by the Exchange;
- 1.6 that person, being a Member, failing to satisfy the Exchange or any relevant designated agency or self-regulating organisation at any time that he meets any minimum net worth or other financial requirement for Membership or continued authorisation from time to time stipulated by the Exchange or any such designated agency or self-regulating organisation; or
- 1.7 that person, being a Member or Designated Non-Member, becoming or being declared in default under the default rules of any recognised investment exchange or recognised clearing-house (as those expressions are defined in section 188 and section 190 of the Companies Act 1989).

## **2. APPLICATION OF DEFAULT REGULATIONS AND DETERMINATION OF DEFAULT**

2.1 These Default Regulations apply in relation to:

- (a) Cleared Contracts of a Defaulter (subject as provided in Regulation 3.4); and
- (b) Client Contracts of a Defaulter,

and, subject to Regulation 2.3 below, shall not apply to any other contracts nor shall they apply to any default by any Category 5, 6 or 7 Member or by any non-Member other than a Designated Non-Member unless, in the making of Contracts, they are for the time being subject to the Rules.

2.2 If a Trading Member or Designated Non-Member appears to the Exchange to be unable or to be likely to become unable to meet his obligations in respect of one or more Contracts or, without prejudice to the generality of the foregoing, upon the occurrence of an Event of Default in relation to a Trading Member or Designated Non-Member, or at any time thereafter whilst such Event of Default is continuing, the Exchange may in its absolute discretion determine that the Member or Designated Non-Member is a Defaulter, whereupon the provisions of Regulation 3 shall have effect.

2.3 Regulation 7 shall apply to Cleared Contracts and Client Contracts of a Member that is not a Defaulter in the circumstances described in Regulation 7.1(b).

## **3. DEFAULT PROCEEDINGS**

3.1 The Exchange shall, promptly following a determination that a Member or Designated Non-Member is a Defaulter, take any one or more of the steps referred to in Regulation 3.3 as it considers appropriate.

3.2 If the Exchange is directed by the FCA pursuant to the provisions of Section 166 Companies Act 1989 to take action under this part of the Rules in relation to a Member or Designated Non-Member, any action which the Exchange may take pursuant to such direction shall be deemed to be action taken by the Exchange pursuant to this Regulation 3 notwithstanding that the Exchange may not have determined pursuant to Regulation 2 that the Member or Designated Non-Member is a Defaulter.

3.3 The steps referred to in Regulation 3.1 are:-

3.3.1 to direct any or all Unsettled Contracts to which the Defaulter is party as principal, which are In The Money Traded Option Contracts and to which the Defaulter is party as Taker, to be exercised by the Defaulter on a day such exercise may occur under the terms of the relevant Contract, whereupon such exercise shall be deemed to occur on the next available such day and the rights and liabilities of the parties to each futures Contract resulting from the exercise of a Metal Option, Traded Average Price Option or LMEprecious Option shall be discharged as provided in Regulation 3.3.4 on that day;

3.3.2 to permit any or all Unsettled Contracts to which the Defaulter is party as principal which are In The Money Traded Option Contracts and to which the Defaulter is party as Granter, to be exercised by the relevant Takers within such period or periods as may be specified by the Exchange and to declare that all such rights of exercise shall thereafter lapse. The rights and liabilities of the parties to each futures Contract resulting from any such permitted exercise of a Metal Option, Traded Average Price Option or LMEprecious Option shall be discharged as provided in Regulation 3.3.4 on the date of such exercise;

- 3.3.3 to direct that any Unsettled Contract to which the Defaulter is party as principal whose Prompt Date is on, or on the Business Day after, the date of publication of the Default Notice is, with the consent of any Relevant Office Holder, discharged by performance either in whole or in part;
- 3.3.4 subject as provided and after taking any action specified, in 3.3.1 to 3.3.3 above, to declare that all rights and liabilities of the parties to each Unsettled Contract to which the Defaulter is party as principal shall be discharged whereupon they shall be so discharged and there shall arise in their place an obligation of the Defaulter to pay to the Counterparty or *vice versa* the appropriate Default Settlement Amount provided that such discharge shall not extend to rights and liabilities for or in respect of margin which has been paid to the Defaulter by any Counterparty or *vice versa* nor to rights and liabilities arising out of a failure to perform a Contract in accordance with its terms;
- 3.3.5 to direct that any Unsettled Contract to which the Defaulter was party as agent (notwithstanding the prohibition thereon in the Rules) be discharged by performance in accordance with its terms by those persons party to it as principals and for this purpose to make such directions as the Exchange may consider necessary or expedient;
- 3.3.6 to input into the Matching System the particulars of any Agreed Trade agreed by the Defaulter in the Ring that the Defaulter has failed to input into the Matching System, in accordance with Regulation 3.11 of the Trading Regulations;
- 3.3.7 at the request of the Clearing House, to effect a transfer of any Warrants in LMEsword that the Defaulter had, prior to the Member becoming a Defaulter, instructed LMEsword to transfer to the Clearing House in settlement of any Contract.
- 3.4.1 Subject to Regulation 3.4.2, all unsettled Cleared Contracts to which a Defaulter is party which have at the time of the relevant determination pursuant to Regulation 2.2 been registered or are thereafter registered with the Clearing House under the terms of the Clearing House Rules shall be dealt with in accordance with the Clearing House Rules (including default rules of the Clearing House) and not in accordance with these Default Regulations.
- 3.4.2 In the event that the Clearing House is unable to meet its obligations in respect of one or more unsettled Cleared Contracts in accordance with the Clearing House Rules, such unsettled Cleared Contracts shall be subject to these Default Rules as if Regulation 3.4.1 did not apply.
- 3.4.3 Where, following a determination that a Member or Designated Non-Member is a Defaulter, the Clearing House makes any change to the terms of a Client-Related Cleared Contract to which the Defaulter is a party, in accordance with the Clearing House Rules, a corresponding change shall be deemed to have been made, simultaneously, to the terms of the relevant Underlying Client Contract. Where such change involves the postponement of the Prompt Date of the Client-Related Cleared Contract, whether by (i) the establishment of a new Prompt Date for that Contract, or by (ii) the close out of the Contract with the original Prompt Date, and the establishment of a new Client-Related Cleared Contract with a different Prompt Date, the Underlying Client Contract shall be deemed to have been amended so as to reflect the new Prompt Date.
- 3.5 The Default Settlement Amount in respect of each Unsettled Contract in respect of which the rights and liabilities of the parties are discharged pursuant to Regulation 3.3.4 shall be an amount determined by the Exchange in its absolute discretion taking into account market conditions and any compensation that the Exchange considers should be paid by or to the Defaulter, but without prejudice to the generality of the foregoing may be the difference (if any) between the value of the Unsettled Contract at the contract price (or premium) and its value at

the Default Settlement Price provided that if, pursuant to the terms of the relevant Contract or any other agreement between the parties, the said rights and liabilities have become or been converted into an obligation to pay, and a corresponding right to receive, a single liquidated sum the Exchange may treat that sum as the Settlement Amount. In calculating the Default Settlement Amount in relation to a Client Contract, the Exchange shall take into account any amount that may have been paid by the Clearing House directly to the Client pursuant to any provision of the Clearing House Rules that gives effect to Article 48(7) of EMIR.

- 3.6 For each Unsettled Contract in respect of which action is taken under Regulation 3.3 the determination of the Default Settlement Amount by the Exchange shall be final, conclusive and binding upon the Defaulter and each Counterparty.
- 3.7 The Exchange shall draw up an account between the Defaulter and each Counterparty to a Contract settled under these Default Regulations. Each such account shall include the Default Settlement Amounts calculated in respect of each Unsettled Contract which amounts shall be credited or debited, as appropriate, to the relevant account. Where, for any reason, there is uncertainty or a dispute as to the existence and/or terms of a Contract or it is not practicable to determine the Default Settlement Amount in respect of any Contract that fact or those facts shall be stated by way of note to the account and/or its certification as provided below. On each account, all credits and debits shall be aggregated and the aggregated amount of such credits and debits shall be set-off against each other, so as to produce a nett sum payable by or to the Defaulter on each account. The nett sum payable, or, where relevant, the fact that no sum is payable shall be certified by or on behalf of the Exchange provided that where the account and/or such certification is qualified by reason of uncertainty or a dispute as to the existence and/or terms of any Contract or as to the Default Settlement Amount in relation to any Contract the nett sum shall not be payable until those uncertainties are resolved unless the Defaulter or Relevant Office Holder and the Counterparty otherwise agree.
- 3.8 Where it appears to the Exchange that the Defaulter has entered into Contracts as trustee, a separate account or accounts shall be taken of Unsettled Contracts entered into as trustee in respect of each relevant trust or trusts as appropriate.
- 3.9 Where it appears to the Exchange that Unsettled Contracts with a Counterparty of the Defaulter include a Contract or Contracts entered into by the Counterparty in relation to that Counterparty's Clients and/or include a Contract or Contracts entered into by the Defaulter in relation to the Defaulter's Clients a separate account or separate accounts shall be drawn up in relation to the Contract or Contracts of each Client.
- 3.10 The Exchange shall be entitled in its discretion, without notice to the Defaulter or a Counterparty, to make any currency conversions which the Exchange considers necessary or desirable for the purposes of these Default Regulations at such rate or rates as the Exchange may reasonably determine.
- 3.11 Where the Defaulter is incorporated outside the United Kingdom and the Exchange determines that rights and liabilities under Unsettled Contracts to which the Defaulter is party are likely to be settled under the law of some place outside the United Kingdom it may elect not to draw up the account or accounts referred to in this Regulation.

#### **4. NOTIFICATION**

- 4.1 Promptly following a determination by the Exchange that a Member or Designated Non-Member is a Defaulter, the Exchange shall cause notice of such determination to be posted in the Exchange and shall thereafter as soon as reasonably practicable take such steps as it considers appropriate to notify Counterparties to Unsettled Contracts with the Defaulter (and,

where the Defaulter has, notwithstanding the prohibition thereon, contracted as agent, the Defaulter's principal) and such other persons as it thinks fit that the Defaulter has been determined by the Exchange to be a Defaulter and of decisions taken under these Regulations which affect them.

- 4.2 A Member and a Designated Non-Member shall forthwith give notice to the Exchange of the occurrence of any Event of Default in relation to it.

## **5. PROCEDURES**

- 5.1 For the purposes of complying with its obligations under the Default Regulations the Exchange shall have the right at all times following the issue of a Default Notice through its employees and agents to enter any premises belonging to or in the occupation of the Defaulter, to examine and take copies of or extracts from the trading, accounting and other records of the Defaulter and to operate any accounting or computer systems of the Defaulter for the purposes of establishing the names and addresses of all Counterparties of the Defaulter, details of all Unsettled Contracts of the Defaulter, details of Warrants held by the Defaulter for the account of Counterparties, details of money and other property held for the account of Counterparties and such other information as may appear to the Exchange to be necessary or expedient.

- 5.2 The Defaulter, all Members and the Clearing House shall cooperate fully with the Exchange in relation to the provisions of the Default Regulations and in particular shall promptly provide such information as the Exchange or its employees or agents may request in relation to the Defaulter and its Contracts.

- 5.3 As soon as practicable following the issue of a Default Notice the Exchange shall, in addition to contacting all known Counterparties, publish a notice in the Exchange and in the press inviting Counterparties of the Defaulter to submit to the Exchange details of their Unsettled Contracts with the Defaulter together with evidence in support thereof.

- 5.4 The Exchange shall not be obliged to draw up any account in relation to any Counterparty or alleged Counterparty of which it does not have actual notice prior to the date specified for that purpose in the notice referred to in Regulation 5.3 which shall be not less than three months after the date of publication thereof.

- 5.5 If any dispute between a Defaulter and a Counterparty as to the existence or terms of any Unsettled Contract comes to the notice of the Exchange it shall cause notice of that dispute to be included in the account to be drawn up by it pursuant to Regulation 4 in relation to that Counterparty and may otherwise omit from such account any Default Settlement Amount in relation to the disputed Contract or Contracts and shall not be obliged to adjudicate in respect of such dispute in any way.

- 5.6 Subject as provided in Section 157 Companies Act 1989 the Exchange may from time to time prescribe further procedures for the purposes of these Default Regulations and provide for the manner in which its powers and obligations thereunder or in relation thereto shall be exercised or discharged.

## **6. DESIGNATION OF NON-MEMBERS**

- 6.1 Unless and until otherwise determined by the Exchange any former Trading Member shall during the period of 28 months following the date upon which it ceased to be a Member be a Designated Non-Member.

6.2 Designation of a Designated Non-Member shall be reviewed from time to time by the Exchange and shall be withdrawn no later than the last Prompt Date of Unsettled Contracts to which it is a party. The Exchange shall likewise review from time to time whether the persons described in Regulation 6.1 should continue to be designated as Designated Non-Members.

6.3 A Designated Non-Member shall be notified by the Exchange of its designation and of the withdrawal of such designation.

## 7. **PORTING**

7.1 This Regulation 7 shall apply to:

- (a) transfers of Underlying Client Contracts of a Defaulter; and
- (b) notwithstanding Regulation 2.1, transfers of Underlying Client Contracts of a Member that is not a Defaulter,

in each case where the transfer of a corresponding Client-Related Cleared Contract takes effect pursuant to the Clearing House Rules.

### **Porting between Clearing Members**

7.2 The following provisions apply where any Client-Related Cleared Contract is transferred from a Clearing Member Transferor to a Clearing Member Transferee in accordance with the Clearing House Rules.

- (a) In the event that the Client-Related Cleared Contract is transferred from a Clearing Member Transferor to a Clearing Member Transferee in accordance with the Clearing House Rules (whether without the consent of the Clearing Member Transferor pursuant to the default rules of the Clearing House or otherwise where permitted under the Clearing House Rules), the rights and obligations of the Clearing Member Transferor in relation to the Underlying Client Contract shall be deemed by virtue of these Rules to be transferred and novated to the Clearing Member Transferee, such that any rights and obligations of the other party to the Underlying Client Contract shall, from the time of such transfer and novation, be against and to the Clearing Member Transferee and not the Clearing Member Transferor.
- (b) Such transfer and novation of the Underlying Client Contract pursuant to these Rules shall occur at the same time as the transfer of the Client-Related Cleared Contract under the Clearing House Rules.
- (c) For the avoidance of doubt, this provision shall not affect any rights or obligations between the Clearing Member Transferor and the other party to the Underlying Client Contract that do not directly relate to the performance or settlement of the Underlying Client Contract.
- (d) The process described in this Regulation 7.2 applies only to:
  - (1) Underlying Client Contracts that have been submitted to the Matching System and registered at the Clearing House, such that one or more Client-Related Clearing Contracts have arisen in relation to such Underlying Client Contracts; and
  - (2) any Post-Compression Client Contracts resulting from the application of Compression to such Underlying Client Contracts.

### **Porting between Category 4 Members (same Clearing Member)**

7.3 The following provisions apply where (i) a Clearing Member has allocated a Client-Related Cleared Contract to an Indirect Client Account at the Clearing House (a "**Transferor Indirect Client Account**") that the Clearing Member is maintaining in respect of one or more Indirect Clients of a Category 4 Member (the "**Transferor Client**") and (ii) the Clearing Member exercises any rights to request or require the Clearing House to transfer the positions associated to the Client-Related Cleared Contract to another Indirect Client Account maintained by the Clearing Member at the Clearing House (a "**Transferee Indirect Client Account**"), which the Clearing Member is maintaining, or will maintain, in respect of the Indirect Client(s) of a different Category 4 Member (a "**Transferee Client**"). This Regulation 7.3 shall also apply to an LMEprecious Non-Clearing Member on the basis that any reference to Category 4 Member shall be read as "LMEprecious Non-Clearing Member".

- (a) In the event that the positions associated to a Client-Related Cleared Contract are transferred from a Transferor Indirect Client Account to a Transferee Indirect Client Account in accordance with the Clearing House Rules, the rights and obligations of the Transferor Client in relation to the Underlying Client Contract shall be deemed by virtue of these Rules to be transferred and novated to the Transferee Client, such that any rights and obligations of the other party to the Underlying Client Contract shall, from the time of such transfer and novation, be against and to the Transferee Client and not the Transferor Client.
- (b) Such transfer and novation of the Underlying Client Contract pursuant to these Rules shall occur at the same time as the transfer of the positions associated to the Client-Related Cleared Contract from the Transferor Indirect Client Account to the Transferee Indirect Client Account under the Clearing House Rules.
- (c) For the avoidance of doubt, this provision shall not affect any rights or obligations between the Transferor Client and the other party to the Underlying Client Contract that do not directly relate to the performance or settlement of the Underlying Client Contract.
- (d) The process described in this Regulation 7.3 applies only to:
  - (1) Underlying Client Contracts that have been submitted to the Matching System and registered at the Clearing House, such that one or more Client-Related Clearing Contracts have arisen in relation to such Underlying Client Contracts; and
  - (2) any Post-Compression Client Contracts resulting from the application of Compression to such Underlying Client Contracts.

7.4 Each Member must ensure that it does not include in its terms of business or other contractual arrangements with its Clients or counterparties any provisions which would frustrate the transfer of an Underlying Client Contract in accordance with Regulation 7.2 or 7.3 above.

### **Porting from Category 4 Members to other Clearing Member Accounts**

7.5 In the event that a Clearing Member (the "**Original Clearing Member**") has allocated a Client-Related Cleared Contract to an Indirect Client Account at the Clearing House that the Original Clearing Member is maintaining in respect of one or more Indirect Clients of a Category 4 and such Original Clearing Member or its Indirect Client(s) wish to effect a transfer of the positions associated with that Client-Related Cleared Contract:

- (a) from the Indirect Client Account maintained by that Clearing Member; and
- (b) to (i) a client account of the Original Clearing Member allocated to the Indirect Client(s), such that the Indirect Client(s) would, following the such transfer, be treated as the direct Client(s) of the Original Clearing Member; or (ii) a client account of another Clearing Member (being, accordingly the Clearing Member Transferee), such that the Indirect Client would, following such transfer, be treated as the direct Client(s) of the Clearing Member Transferee,

and in any case otherwise than in accordance with Regulations 7.2 or 7.3 above, then, where such transfer is permitted by, and effected subject to and in accordance with, the Clearing House Rules the transfer and novation of the rights and obligations of the Category 4 Member under the Underlying Client Contracts associated with such positions to the Original Clearing Member or the Clearing Member Transferee (as applicable), shall be subject the following conditions:

- (c) the following parties all consent to the transfer of the Underlying Client Contracts and their associated positions:
  - (1) each Clearing Member that is to transfer and receive the respective positions;
  - (2) the Category 4 Member, or any insolvency practitioner appointed in respect of the Category 4 Member;
  - (3) the Indirect Client(s) that are party to the Underlying Client Contracts; and
  - (4) the Clearing House,

and any such agreement may include agreement as to whether, if at all, any Warrants shall be transferred from any account operated by either Clearing Member at LMEsword to the other (or to any other party); and

- (d) the Exchange has not identified any legal, regulatory, technical or operational impediments to the transfer of such Underlying Client Contracts, the associated positions or (where applicable) any Warrants.

This Regulation 7.5 shall also apply to an LMEprecious Non-Clearing Member on the basis that any reference to Category 4 Member shall be read as "LMEprecious Non-Clearing Member".

## 7.6

In the event that an Underlying Client Contract is transferred between Members in accordance with Regulations 7.2 or 7.3 above, following such transfer the then current parties to the Underlying Client Contract may request that any Warrants that are held in an account at LMEsword that is operated by the Clearing Member Transferor or a Clearing Member responsible for the Transferor Client (as applicable), shall be transferred to an account at LMEsword that is operated by the Clearing Member Transferee or a Clearing Member responsible for the Transferee Client (as applicable), provided that any such request will only be acted upon by the Exchange (as the operator of the LMEsword), in the event that all of the following conditions are met:

- (a) the request is submitted in writing to the Exchange, copied to the Clearing House, identifying the specific Warrants to which the request relates and specifying the grounds on which the Clearing Member Transferee or Transferee Client should be entitled to receipt of the Warrants;



- (b) the following parties all consent to the transfer of the Warrants in accordance with the request:
  - (i) the Clearing Member Transferee or Transferee Client (as applicable);
  - (ii) the Clearing House;
  - (iii) the Clearing Member Transferor or Transferor Client (as applicable) or any insolvency practitioner appointed in respect of the Clearing Member Transferor or Transferor Client (as applicable);
  - (iv) in the case of any Warrants that relate to an Underlying Client Contract that has been transferred pursuant to Regulation 7.2 above, the other party to the Underlying Client Contract that is not the Clearing Member Transferee; and
  - (v) in the case of any Warrants that relate to an Underlying Client Contract that has been transferred pursuant to Regulation 7.3 above, the other party to the Underlying Client Contract that is not the Transferee Client;
- (c) the Exchange has not identified any legal, regulatory, technical or operational impediments to the transfer of such Warrants in accordance with such request.

7.7 In the event that the conditions set out in Regulation 7.6 are met in relation to any request for a transfer of Warrants, the Exchange will facilitate such transfer within such timescales as the Exchange may reasonably specify.

7.8 In the event that an Underlying Client Contract is subject to a transfer and novation pursuant to this Regulation 7 and any law binding on any Member would have the effect of frustrating, preventing or in any manner inhibiting the enforceability of such transfer and novation against such Member, then such transfer and novation shall be deemed to have taken effect by way of:

- (a) the termination of such Underlying Client Contract as between its original parties (subject to Regulations 7.2(c) and 7.3(c)); and
- (b) the establishment of an Underlying Client Contract on the same terms between the parties to whom the relevant transfer is intended to take effect pursuant to the terms of this Regulation 7.

## 8. **DELEGATION OF FUNCTIONS**

The Exchange may from time to time appoint one or more persons to perform on its behalf any of the functions which it may or may be required to exercise under these Default Regulations.

## 9. **COSTS**

A Defaulter shall be liable to indemnify the Exchange in respect of the Exchange's costs, charges and expenses in taking any action under the Default Regulations in relation to the Defaulter, including the costs of any person appointed to perform functions on behalf of the Exchange pursuant to Regulation 7.

## 10. **COOPERATION WITH OTHER BODIES**

Without prejudice to any other provisions of the Rules the Exchange may pass on any details of or other information in its possession relating to a Member or Designated Non-Member or its Contracts or a recognised clearing house or another recognised investment exchange to the Treasury, to the Secretary of State, any Relevant Office Holder, any recognised investment

exchange or recognised clearing house or regulatory body, to any other exchange or clearing house approved under the Companies Act 1989 for the purposes of Part VII of that Act, or to any other authority or body having responsibility for any matter arising out of or connected with the default the relevant Member or Designated Non-Member or the default of a recognised clearing house or another recognised investment exchange.

**PART 10**  
**LMESWORD REGULATIONS**

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**CONTENTS**

| <b>Section</b>  | <b>Page</b> |
|---|-------------|
| 1 INTRODUCTION  | 10-1        |
| 1.1 LMESword Regulations  | 10-1        |
| 1.2 Purpose   | 10-1        |
| 1.3 Relationship between LMESword Regulations and LMESword Operating Procedures | 10-1        |
| 1.4 Relationship Between Depository and Account Holder                          | 10-1        |
| 2 ADMISSION AS AN LMESword PARTICIPANT  | 10-1        |
| 2.1 Operation of LMESword and the Depository                                    | 10-1        |
| 2.2 Warehouses  | 10-2        |
| 2.3 Account Holders - Process   | 10-2        |
| 2.4 Eligibility   | 10-2        |
| 2.5 Applications for Account Holder Status                                      | 10-3        |
| 2.6 Withdrawal from Participation in LMESword                                   | 10-4        |
| 2.7 Removal from LMESword Participation and Discipline                          | 10-5        |
| 2.8 Change of Account Holder Status   | 10-6        |
| 2.9 Replacement of the LMESword System  | 10-6        |
| 2.10 Change of Depository   | 10-6        |
| 2.11 Security   | 10-6        |
| 3 ISSUE OF WARRANTS   | 10-6        |
| 3.1 Responsibility for Issue  | 10-6        |
| 3.2 Creation of Electronic Record   | 10-6        |
| 4 WARRANT LODGEMENT   | 10-7        |
| 4.1 Preconditions   | 10-7        |
| 4.2 The Depository  | 10-7        |

|      |  |       |
|------|--|-------|
| 4.3  | Accounts   | 10-8  |
| 4.4  | Lodgement of a Warrant                                   | 10-9  |
| 5    | TRANSFER OF WARRANTS LODGED WITH THE DEPOSITORY          | 10-9  |
| 5.1  | Transfers  | 10-9  |
| 5.2  | Ex-cleared Transfers                                     | 10-10 |
| 5.3  | Pledging of Warrants                                     | 10-10 |
| 5.4  | Cleared Transfers  | 10-11 |
| 5.5  | Inter-Account Transfers                                  | 10-12 |
| 5.6  | Use of LMEsword for Settlement of Non-Platform Contracts | 10-12 |
| 6    | RENT PAYMENTS  | 10-12 |
| 6.1  | Rent Schedules   | 10-12 |
| 6.2  | Liability  | 10-12 |
| 6.3  | Payment  | 10-13 |
| 6.4  | Non-payment  | 10-13 |
| 7    | WITHDRAWAL OF WARRANTS                                   | 10-13 |
| 7.1  | Entitlement and Instructions                             | 10-13 |
| 7.2  | Collection of Warrants                                   | 10-14 |
| 8    | WARRANT CANCELLATION AND METAL TAKE UP                   | 10-14 |
| 8.1  | Warrant Cancellation                                     | 10-14 |
| 8.2  | Time Expired Warrants                                    | 10-15 |
| 8.3  | Remove Warrant   | 10-15 |
| 9    | WARRANT AMENDMENT AND REPLACEMENT                        | 10-15 |
| 9.1  | General Duties   | 10-15 |
| 9.2  | Notification of Amendments                               | 10-15 |
| 9.3  | Replacement of Warrants                                  | 10-16 |
| 10   | INCORRECT OR INVALID WARRANTS                            | 10-16 |
| 10.1 | Notification   | 10-16 |
| 10.2 | Invalid Warrant Instruction                              | 10-16 |
| 11   | GENERAL  | 10-17 |
| 11.1 | Charges and Fees   | 10-17 |

|       |  |       |
|-------|--|-------|
| 11.2  | Reports and Enquires                             | 10-17 |
| 11.3  | Instructions and Notices                         | 10-17 |
| 11.4  | Release  | 10-19 |
| 11.5  | Waiver   | 10-19 |
| 11.6  | Invalidity                                       | 10-19 |
| 11.7  | Governing Law and Submission to the Jurisdiction | 10-19 |
| 11.8  | Exclusion of Liability                           | 10-19 |
| 11.9  | Errors   | 10-20 |
| 11.10 | Legal Effect of Transfers                        | 10-20 |
| 11.11 | Amendment of LMEsword Regulations                | 10-21 |
| 11.12 | Force Majeure                                    | 10-21 |
| 11.13 | Representation by Account Holder                 | 10-21 |
| 12    | INTERPRETATION                                   | 10-21 |
| 12.1  | Definitions                                      | 10-21 |
| 12.2  | Interpretation                                   | 10-24 |



## **PART 10: LMESWORD REGULATIONS**

### **1. INTRODUCTION**

#### **1.1 LMESword Regulations**

These LMESword Regulations are the regulations governing the operation of LMESword. All LMESword Participants are subject to them, and to the LMESword Operating Procedures issued pursuant to them. The LMESword Regulations and LMESword Operating Procedures are adopted by the Exchange under its Articles of Association, form part of the Rules and may be amended from time to time by the Exchange in accordance therewith. Account Holders which are not Members agree to be bound by them, and to certain of the other Rules of the Exchange as set out in regulation 2, as a pre-condition to their becoming LMESword Participants and Warehouses agree to be bound by them pursuant to the Warehouse Contract.

#### **1.2 Purpose**

The principal purpose of LMESword is to provide a system for the lodging of Warrants with the Depository and effecting their delivery as between Account Holders whilst they are held by the Depository. The LMESword System does not purport to create a register of the owners of Warrants; rather it records the identity of Account Holders for whom the Depository holds as bailee the Warrants lodged with it from time to time.

#### **1.3 Relationship between LMESword Regulations and LMESword Operating Procedures**

These LMESword Regulations set out the principal rights and obligations of LMESword Participants and the Depository in relation to the operation of LMESword. They are supplemented by the LMESword Operating Procedures, which set out detailed procedures and information relating to the operation of the LMESword System. In the event of a conflict between the LMESword Regulations and the LMESword Operating Procedures, the LMESword Regulations shall prevail.

#### **1.4 Relationship Between Depository and Account Holder**

For so long as the Depository holds any Warrants to the order of an Account Holder in accordance with Regulation 4.2, the Depository shall be a bailee in respect of the Warrants (or sub-bailee in respect of Warrants credited to a Customer Account) and the Account Holder shall be bailor (or bailee in respect of Warrants credited to a Customer Account).

### **2. ADMISSION AS AN LMESWORD PARTICIPANT**

#### **2.1 Operation of LMESword and the Depository**

The Exchange shall operate the LMESword System. In addition, the Exchange shall appoint a person to act as the Depository from time to time and enter into an agreement (a "Service Level Agreement") with such person under which such person agrees to act as the Depository and comply with the LMESword Regulations, the LMESword Operating Procedures and the obligations imposed on it by such agreement. The Exchange may from time to time terminate the appointment of the Depository, and the Depository may cease to act as such, only in accordance with the terms of the Service Level Agreement. The Exchange shall use all reasonable endeavours to ensure that at all times a suitable person is appointed to act as the

Depository and shall take all reasonable steps to ensure that such person act in accordance with the Service Level Agreement to which it is a party.

## **2.2 Warehouses**

A warehouse company shall become a Warehouse (and consequently an LMEsword Participant) if:

- (i) it applies for such status on the form prescribed by the Exchange, including all information requested, and pays the prescribed fee;
- (ii) it executes the Warehouse Contract;
- (iii) it appoints a London Agent and procures that the London Agent executes the Software Licence Agreement with the Exchange; and
- (iv) its application is accepted by the Exchange.

## **2.3 Account Holders - Process**

The Exchange shall admit persons to participate in LMEsword as Account Holders in accordance with these LMEsword Regulations and the LMEsword Operating Procedures. Except in the case of the Clearing House, which shall be an Account Holder from the date prescribed by the Exchange, to become an Account Holder the applicant must satisfy the relevant eligibility criteria set out in Regulation 2.4, make or be deemed to make application in accordance with Regulation 2.5 and be accepted as an Account Holder by the Exchange. All persons applying to become Clearing Members must apply to become Account Holders as part of their application to become Clearing Members.

## **2.4 Eligibility**

### **2.4.1 A Clearing Member shall be eligible to become an Account Holder if**

- (i) either:
  - (a) it has entered into a Software Licence Agreement with the Exchange; or
  - (b) it has entered into a Remote Participant Agreement with an Account Holder which has satisfied the requirements of (a) or other person approved by the Exchange;
- (ii) it has an office within the European Union, or, if it does not have an office within the European Union, it has satisfied any special criteria for participation in LMEsword from outside the European Union that the Exchange may at its sole discretion from time to time prescribe; and
- (iii) it satisfies any and all other criteria for Clearing Participants which the Exchange may from time to time prescribe.

### **2.4.2 A Category 4 or 5 Member shall be eligible to become an Account Holder if:**

- (i) either:
  - (a) it has entered into a Software Licence Agreement with the Exchange; or



- (b) it has entered into a Remote Participant Agreement with an Account Holder which has satisfied the requirements of (a) or other person approved by the Exchange;
- (ii) it has an office within the European Union, or, if it does not have an office within the European Union, it has satisfied any special criteria for participation in LMEsword from outside the European Union that the Exchange may at its sole discretion from time to time prescribe; and
- (iii) it satisfies any and all other criteria for Account Holders which the Exchange may from time to time prescribe.

2.4.3 A person other than a Member shall be eligible to become an Account Holder if:

- (i) it is an Undertaking;
- (ii) either:
  - (a) it has entered into a Software Licence Agreement with the Exchange; or
  - (b) it has entered into a Remote Participant Agreement with an Account Holder which has satisfied the requirements of (a) or other person approved by the Exchange;
- (iii) it has an active commercial interest in the extraction, refining, production, sale, trading, consumption or financing of metals (including Warrants) traded on the Exchange;
- (iv) it undertakes to comply with Rules 5 (Change in ownership of a Member) and 9 of Part 2 of the Rules, as interpreted in accordance with Part 1 of the Rules;
- (v) it has an office within the European Union, or, if it does not have an office within the European Union, it has satisfied any special criteria for participation in LMEsword from outside the European Union that the Exchange may at its sole discretion from time to time prescribe; and
- (vi) it satisfies any and all other criteria for Account Holders which the Exchange may from time to time prescribe.

## 2.5 **Applications for Account Holder Status**

2.5.1 An application for admission as an Account Holder shall be made on the form prescribed by the Exchange, including all information requested, and be accompanied by the prescribed fee.

2.5.2 The Exchange shall consider all applications received and determine whether, in its view and acting in its absolute discretion, each applicant is eligible to become an Account Holder in accordance with these LMEsword Regulations and is, in all the circumstances, a fit and proper person to be an Account Holder.

2.5.3 The Exchange may require from the applicant such information, and institute such investigations to verify information submitted by the applicant, as it deems necessary. The Exchange may require the applicant to attend for interview by the Exchange prior to determining whether to accept an application.

- 2.5.4 If the Exchange determines to admit an applicant as an Account Holder, it shall promptly notify the applicant in writing thereof, the further steps it must take prior to its admission becoming effective (if any) and subject thereto the date upon which that admission shall become effective. Following admission of a new Account Holder which is not a Member, the Exchange shall notify all other LMEsword Participants.
- 2.5.5 If the Exchange decides not to admit an applicant as an Account Holder it shall notify it with a statement of reasons for the refusal and the applicant may within 14 days of being notified of the Exchange's decision lodge notice of appeal with the Secretary. Appeal under this Regulation shall be dealt with in the same way as under Regulation 2.8 of Part 2 of the Rules.
- 2.6 **Withdrawal from Participation in LMEsword**
- 2.6.1 Without prejudice to Regulation 2.7, an LMEsword Participant shall only cease to be an LMEsword Participant as follows:
- (i) a Warehouse shall cease to be a LMEsword Participant at the same time as it ceases to be an Exchange listed warehouse in accordance with the terms of the Warehouse Contract but not otherwise;
  - (ii) a Clearing Participant may withdraw from LMEsword in accordance with the remainder of this regulation 2.6 at the same time as it ceases to be a Clearing Member, but not otherwise;
  - (iii) the Clearing House shall cease to be an Account Holder only on its ceasing to act as the Clearing House; and
  - (iv) other Account Holders may withdraw from LMEsword Participation at any time as provided in the remainder of this Regulation 2.6.
- 2.6.2 An Account Holder wishing to cease to be an LMEsword Participant must lodge a notice in writing to that effect (a "Withdrawal Notice") with the Secretary. Prior to lodging a Withdrawal Notice, the Account Holder shall transfer or withdraw all of its Warrants from the Depository in accordance with Regulation 5 or 7 respectively.
- 2.6.3 The Exchange may, in its absolute discretion, refuse to accept a Withdrawal Notice or may postpone the effective date of the proposed withdrawal if it considers it necessary for the protection of Clients, or otherwise in the interests of the market, or if the Account Holder in question has any outstanding liabilities to the Exchange or is the subject of any investigation or action under the Rules and/or Regulation 2.7.
- 2.6.4 On the Exchange accepting a Withdrawal Notice, the Exchange shall notify the Account Holder in writing of its acceptance thereof and the effective date of its withdrawal and notify all other LMEsword Participants and the Depository thereof.
- 2.6.5 On the withdrawal of any LMEsword Participant under this Regulation 2.6, it shall cease to be entitled to exercise any of its rights under LMEsword in its capacity as such. An Account Holder (other than a Member or the Clearing House) which withdraws from LMEsword shall continue to be subject to Regulation 9 of Part 2 of the Rules relating to the retention of records and provision of information in respect of acts and omissions while it was an LMEsword Participant and in respect of any investigation relating thereto for the period of 6 years from the date on which it ceased to be a LMEsword Participant. An Account Holder which is a Member which withdraws from LMEsword shall (for the avoidance of doubt) continue to be

subject to the Rules for as long as it remains a Member and thereafter in accordance with Regulation 7.5 of Part 2 of the Rules.

## **2.7 Removal from LMEsword Participation and Discipline**

2.7.1 An Account Holder which is a Member shall be subject to discipline in respect of any breach by it of the LMEsword Regulations or the LMEsword Operating Procedures in the same way as it is in respect of a breach of any other Rule, and in respect of any other act undertaken in connection with LMEsword if it constitutes an act of misconduct within the meaning of Regulation 10.4 of Part 2 of the Rules. In addition (but without limitation) Clearing Participants shall be subject to discipline for breach of any LMEsword Regulation or Operating Procedure relating to the delivery of Warrants to the Clearing House. The procedures and penalties in respect of such discipline shall be as prescribed by the Exchange from time to time.

2.7.2 An Account Holder which is neither a Member nor the Clearing House may have its Account Holder status removed by the Exchange by notice given by the Exchange to the Account Holder with immediate effect, or be disciplined by the Exchange as if it were a Member (under Rules 10 to 17 of Part 2 of the Rules interpreted in accordance with Part 1 of the Rules), where:

- (i) the Account Holder has committed a breach of any of the LMEsword Regulations or LMEsword Operating Procedures and the Exchange determines that the breach is serious and that it is appropriate for the Account Holder to cease to have Account Holder status;
- (ii) the Account Holder has committed a breach of any of the LMEsword Regulations or LMEsword Operating Procedures and has not remedied the breach in accordance with and by the time specified in a direction to remedy it made by the Exchange; or
- (iii) the Account Holder has done any act, or omitted to do anything, in connection with LMEsword which has brought or may be likely to bring the Exchange or its market into disrepute.

2.7.3 An Account Holder may have its LMEsword Participant status removed by notice served on it by the Exchange where it ceases to be eligible therefore in accordance with Regulation 2.4.

2.7.4 Where an Account Holder has its status removed, it must withdraw all Warrants credited to its Accounts forthwith in accordance with Regulation 7.

2.7.5 A Warehouse shall be liable to discipline for any breach by it or its London Agent of the LMEsword Regulations, the LMEsword Operating Procedures and the Software Licence Agreement in the same way as it is for a breach of any of its other obligations under the Warehouse Contract. It accepts responsibility for and undertakes to procure compliance by its London Agent with any obligations applicable to or performed by or purportedly performed by the London Agent thereunder. Where a London Agent has breached any of its (or the Warehouse's) obligations under the LMEsword Regulations the Exchange may direct that the relevant Warehouse appoint a different London Agent as a pre-condition to the Warehouse continuing as such.

## **2.8 Change of Account Holder Status**

Where an Account Holder is to cease to be a Member but wishes to remain as an Account Holder, it must successfully re-apply for Account Holder status as a non-Member, failing which it shall cease to be an Account Holder at the time it ceases to be a Member.

## **2.9 Replacement of the LMEsword System**

The Exchange may terminate the use of the LMEsword system by serving not less than 3 months' prior written notice on all LMEsword Participants and the Depository where it determines, after consultation with LMEsword Participants and the Depository, that it is necessary or desirable for it to be replaced by another system for the delivery of Warrants or metal.

## **2.10 Change of Depository**

In the event of the Depository ceasing for any reason to act as such, the Exchange may, on behalf of Account Holders, direct the Depository to deliver Warrants held by it to the replacement Depository appointed by the Exchange, which shall following such delivery hold such Warrants as the Depository for LMEsword to the order of Account Holders in accordance with the LMEsword Regulations and LMEsword Operating Procedures.

## **2.11 Security**

LMEsword Participants and the Depository must comply with the requirements and procedures relating to security set out in the LMEsword Operating Procedures.

# **3. ISSUE OF WARRANTS**

## **3.1 Responsibility for Issue**

3.1.1 Warehouses shall be responsible for the issue of all Warrants, which shall be issued by their London Agents. The terms of the Warehouse Contract shall continue to govern the requirements relating to the issue of Warrants, as supplemented by these LMEsword Regulations.

3.1.2 All Warrants shall be issued utilising the LMEsword Software. Each Warehouse shall procure that its London Agent shall execute and comply with the terms of the Software Licence Agreement and gain LMEsword accreditation in accordance with the LMEsword Operating Procedures. In issuing Warrants, each Warehouse shall procure that its London Agent shall comply with the procedures laid down in the LMEsword Operating Procedures.

3.1.3 Warehouses shall be responsible for ensuring that Warrants issued utilising the LMEsword Software are issued in accordance with the requirements of the law under which they are issued and the Warehouse Contract.

## **3.2 Creation of Electronic Record**

3.2.1 On the issue of a Warrant utilising the LMEsword Software the LMEsword System shall create and maintain an electronic record of the Warrant which shall be marked "out of Depository".

3.2.2 It shall be the responsibility of the Warehouse and its London Agent to ensure that each Warrant that it issues, including any replacement Warrant, accurately refers to the specific and ascertained metal to which the Warrant relates. The Warehouse and London Agent issuing an inaccurate Warrant shall be solely responsible for any loss caused thereby.

3.2.3 If a Warehouse or its London Agent becomes aware of any discrepancy between a Warrant issued by it and the metal to which it relates, including by reason of a change in the exact location of the metal or other act on the part of the Warehouse, it shall comply with the requirements of Regulation 9.

#### **4. WARRANT LODGEMENT**

##### **4.1 Preconditions**

To be capable of lodgement with the Depository, a Warrant must:

4.1.1 have been issued by a London Agent utilising the LMEsword Software in accordance with Regulation 3;

4.1.2 match its electronic record in the LMEsword System as provided for in the LMEsword Operating Procedures which must be marked "out of Depository";

4.1.3 be in bearer form, or be duly endorsed by the original depositor of the metal or the last named transferee taking title under a continuous chain of endorsements, and be capable of legal transfer by delivery;

4.1.4 not have been cancelled by the London Agent (or have its electronic record in the LMEsword System marked "cancelled", which should only be the case where the Warrant has itself been cancelled, as provided for in Regulation 8.1);

4.1.5 not have its electronic record identified as not valid under Regulation 10, in which case it shall have ceased to be a valid Warrant in accordance with that Regulation; and

4.1.6 not be materially damaged or defaced.

##### **4.2 The Depository**

4.2.1 The Depository agrees with each Account Holder to hold as bailee (or, in the case of Warrants credited to a Customer Account, sub-bailee) and keep safe all Warrants lodged with it in accordance with this Regulation to the order of the Account Holder to whose Account the Warrant is credited from time to time in accordance with the LMEsword Regulations.

4.2.2 The Depository shall use all reasonable care in the performance of its duties expressly set out in the LMEsword Regulations (but not otherwise) and shall act honestly, in good faith and without negligence or recklessness so as to preserve and protect all Warrants lodged with it and shall exercise the degree of care, diligence and skill in the performance of those duties that may be reasonably expected of a prudent custodian in comparable circumstances.

4.2.3 The Depository agrees to deliver up in accordance with the LMEsword Regulations to an Account Holder any Warrant credited to any of the Account Holder's Accounts, including (for the avoidance of doubt) any held in a Customer Account of the Account Holder.

- 4.2.4 Where an Account Holder has duly established a Customer Account and a Warrant is credited to such a Customer Account, subject to Regulation 5.4.4, the Depository will hold the Warrant as sub-bailee to the order of the Account Holder in its capacity as bailee for its Customer. The Account Holder's Customer shall not, however, be a customer of the Depository and any duties to the Customer in respect of such a Warrant shall be owed by the Account Holder alone. Without prejudice to Regulation 4.3.2, the Depository shall hold any such Warrant to the order only of the Account Holder exclusively and except as required by law the Depository shall not be bound by or recognise any other interest in any such Warrant whatsoever (including, without limitation, the interest of any Customer of the Account Holder for which the Depository may hold a Warrant as sub-bailee).
- 4.2.5 The Depository agrees to hold or record any Warrant that belongs to it, if any, separately from any Warrant credited to an Account of an Account Holder.
- 4.2.6 The Depository will not claim any lien or right of retention or sale over any Warrant credited to an Account.
- 4.3 **Accounts**
- 4.3.1 All Account Holders must have at least one Account to which Warrants lodged by them or transferred to them under the LMEsword Regulations shall be credited.
- 4.3.2 All Account Holders shall be entitled to establish more than one Account to which specific Warrants can be credited. All Accounts shall be established in accordance with the LMEsword Operating Procedures. Account Holders agree that Warrants credited to an Account shall be held by the Depository as bailee (or in the case of Warrants credited to a Customer Account, sub- bailee) to the order of the Account Holder exclusively and except as required by law the Depository shall not be bound by or recognise any other interest in any such Warrant whatsoever (including, without limitation, the interest of any Customer of the Account Holder).
- 4.3.3 Only Account Holders which are permitted by applicable law to hold Warrants for Customers shall be entitled to establish Customer Accounts. Account Holders wishing to establish Customer Accounts must obtain the express written agreement of each Customer authorising them to lodge Warrants held for the Customer with the Depository on the terms of the LMEsword Regulations and to deal with such Warrants on the Customer's behalf. Subject to Regulation 5.4.4, only Warrants held by an Account Holder as a bailee for a Customer may be credited to a Customer Account in accordance with the LMEsword Regulations.
- 4.3.4 Each Clearing Participant shall have an Account (a "House Collection Account") for the purpose of receiving deliveries of Warrants in respect of the account maintained with the Clearing House to reflect the Clearing Participant's proprietary business, and another Account (a "Customer Collection Account") for the purpose of receiving deliveries of Warrants in respect of its client account(s) with the Clearing House, as provided for in Regulation 5.4. A Customer Collection Account shall not constitute a Customer Account and the Account Holder shall promptly effect Inter-Account Transfers of Warrants credited to it to one or more Customer Accounts in satisfaction of its delivery obligations to Customers.

#### **4.4 Lodgement of a Warrant**

4.4.1 An Account Holder may lodge a Warrant which satisfies the pre-conditions set out in Regulation 4.1 where:

- (i) it holds the Warrant for itself (whether or not as owner);
- (ii) it holds the Warrant for a Customer; or
- (iii) a person other than the Account Holder, which may be a Customer, holds a Warrant and has instructed the Account Holder to lodge the Warrant on its behalf.

4.4.2 Where an Account Holder wishes to lodge a Warrant, it shall issue a Warrant Lodge Instruction in accordance with the LMEsword Operating Procedures. No Warrant Lodge Instruction shall be accepted by the LMEsword System where the Warrant in question is at the relevant time the subject of a prior Warrant Lodge Instruction. The LMEsword System shall notify the Depository of all valid Warrant Lodge Instructions.

4.4.3 An Account Holder shall deliver, or make arrangements for the delivery of, all Warrants the subject of a valid Warrant Lodge Instruction to the Depository.

4.4.4 On delivery of a Warrant to the Depository for lodgement, the Depository shall check the details on the Warrant against the details on the electronic record of the Warrant and perform the other checks prescribed in the LMEsword Operating Procedures. The Depository shall not be required to check any other details of the Warrant and in particular shall not verify the authenticity or validity of the Warrant. If the requisite details match and the Depository's other checks prescribed in the LMEsword Operating Procedures are completed satisfactorily, the LMEsword System shall credit the Warrant to the Account of the Account Holder identified by it in its Warrant Lodge Instruction, and the Depository shall take delivery of the Warrant. From delivery, the Warrant shall be held by the Depository in accordance with Regulation 4.2.

4.4.5 If the details on the Warrant and on the electronic record of the Warrant do not match, or any of the other checks in relation to the Warrant are not completed satisfactorily, the Depository shall not take delivery of the Warrant. The Depository shall have no responsibility in relation to a Warrant until it has been credited to an Account and the Depository has taken delivery of it.

4.4.6 An Account Holder that delivers a Warrant to the Depository warrants to Account Holders and the Depository that the Warrant complies with the pre-conditions set out in Regulation 4.1.3 (bearer document) and 4.1.4 (not cancelled).

#### **5. TRANSFER OF WARRANTS LODGED WITH THE DEPOSITORY**

##### **5.1 Transfers**

An Account Holder shall be entitled to transfer within LMEsword in accordance with Regulation 5.2, 5.3, 5.4 or 5.5 any Warrant which is credited to its Account provided in the case of all transfers (other than an Inter-Account Transfer between House Accounts under Regulation 5.5) the electronic record has not been marked, in the case of a Metal Warrant, "rent not paid" in accordance with Regulation 6 or has not been marked, in the case of any Warrant, "not-valid" in accordance with Regulation 10.

## **5.2 Ex-cleared Transfers**

- 5.2.1 An Account Holder wishing to transfer a Warrant or Warrants credited to its Account (referred to as the "Giver") to another Account Holder (the "Taker") shall issue an Ex-cleared Transfer Instruction identifying the Taker in accordance with the LMEsword Operating Procedures and specifying manual or automatic release. No Ex-cleared Transfer Instruction shall be accepted by the LMEsword System in respect of a Warrant which is subject to a prior and outstanding Ex- cleared Transfer Instruction.
- 5.2.2 The Taker shall be notified of any Ex-cleared Transfer Instruction issued identifying it as the Taker and of the details of the Warrants the subject of the Instruction. The Taker shall then either:
- (i) issue an Ex-cleared Transfer Accept Instruction in accordance with the LMEsword Operating Procedures, specifying the Account the Warrants should be credited to; or
  - (ii) issue an Ex-cleared Transfer Reject Instruction in accordance with the LMEsword Operating Procedures.
- 5.2.3 Where a Taker has issued a Transfer Reject Instruction, the relevant Ex-cleared Transfer Instruction shall be automatically cancelled and the Giver may issue a further Ex-cleared Transfer Instruction in respect of the same or different Warrants.
- 5.2.4 Where a Taker duly issues an Ex-cleared Accept Instruction in respect of an Ex-cleared Transfer Instruction in which the Giver specified automatic release, the Warrants the subject of the Ex- cleared Transfer Instruction shall immediately upon receipt by the LMEsword System of the Ex- cleared Transfer Accept Instruction be credited to the specified Account of the Taker.
- 5.2.5 Where a Taker duly issues an Ex-cleared Accept Instruction in respect of an Ex-cleared Transfer Instruction in which the Giver specified manual release, the Giver shall be notified and, if it wishes to effect the transfer, shall issue an Ex-cleared Release Instruction in accordance with the LMEsword Operating Procedures. Immediately upon receipt by the LMEsword System of such Ex-cleared Release Instruction the Warrants the subject of the Ex-cleared Transfer Instruction shall be debited from the Giver's Account(s) and credited to the relevant Account of the Taker.

## **5.3 Pledging of Warrants**

- 5.3.1 Where an Account Holder wishes to pledge a Warrant to another Account Holder, it may deliver a Warrant pursuant to the pledge by effecting an ex-cleared transfer under Regulation 5.2.
- 5.3.2 Following such a transfer of a Warrant and the debiting and crediting of the relevant Accounts, the Depository shall hold the Warrant as bailee to the order of the Taker exclusively, without notice of the Giver's interest therein as pledgor. The Taker shall accordingly as against the Depository be entitled to transfer any such Warrant to any other Account Holder in accordance with this Regulation 5 and withdraw it from the Depository in accordance with Regulation 7.
- 5.3.3 In the event that such a Taker re-transfers a Warrant by way of an ex-cleared transfer under Regulation 5.2 to the original Giver pursuant to a trust receipt agreement entered into by them, the Depository shall hold the Warrant as bailee to the order of the



pledgor (which will be a Taker under the second transfer) exclusively, without notice of the pledgee's interest therein. The pledgor shall accordingly as against the Depository be entitled to transfer any such Warrant to any other Account Holder in accordance with this Regulation 5 and withdraw it from the Depository in accordance with Regulation 7.

#### **5.4 Cleared Transfers**

- 5.4.1 This section relates only to Account Holders which are Clearing Members ("Clearing Participants") and the Clearing House.
- 5.4.2 Subject to and in accordance with the Clearing House Rules and the LMEsword Operating Procedures and the terms of the relevant Contract, each Clearing Participant (a "Giving Clearing Participant") which has a delivery obligation of Warrants to the Clearing House in respect of any of its accounts (including, if applicable, its client account(s)) with the Clearing House for that day shall be notified of its delivery obligations by the LMEsword System.
- 5.4.3 By the time specified in the LMEsword Operating Procedures, each Giving Clearing Participant shall issue a Cleared Transfer Instruction in respect of each of its delivery obligations in accordance with the LMEsword Operating Procedures, specifying the Warrants to be transferred and the Account(s) from which they should be debited and identifying the Clearing House as the taker of the Warrants.
- 5.4.4 At the time delivery is required to be made to the Clearing House under the LMEsword Operating Procedures, the Warrants the subject of the Cleared Transfer Instruction shall be debited from the relevant Account(s) of the Giving Clearing Participant and credited to the Clearing House's Account. Where a Customer Account is so debited, the Warrant(s) in question shall be deemed to be delivered first to the Giving Clearing Participant and then immediately delivered on by the Giving Clearing Participant to the Clearing House.
- 5.4.5 Subject to and in accordance with the Clearing House Rules and the LMEsword Operating Procedures, the LMEsword System shall allocate the transferred Warrants for transfer to each Clearing Participant which has a delivery entitlement in respect of any of its accounts (including, if applicable, its client account) with the Clearing House for that day (a "Taking Clearing Participant"). At the time determined by the Clearing House in accordance with the LMEsword Operating Procedures the Clearing House shall issue a Cleared Transfer Instruction in accordance with the LMEsword Operating Procedures in respect of each such delivery entitlement, specifying the Warrants to be transferred, whereupon such Warrants shall be debited from the Clearing House's Account and credited to each Taking Clearing Participant's Customer Collection Account (in the case of Warrants allocated in satisfaction of a delivery entitlement in respect of a Taking Clearing Participant's client account(s) with the Clearing House) or House Collection Account (in the case of other Warrants). For the avoidance of doubt, delivery of Warrants to Taking Clearing Participants shall occur on their Accounts being credited and not at the time of allocation.
- 5.4.6 The LMEsword System shall calculate and notify to the Clearing House the liabilities arising consequent on such cleared transfers due to differences between the weight of metal agreed to be sold and the actual weight of the metal represented by the Warrants so transferred and accrued but unpaid rent thereon.

- 5.4.7 Where a Taking Clearing Participant is or may be a defaulter under the default rules of the Clearing House, Warrants shall be credited to the Taking Clearing Participant's account as provided for in Regulation 5.4.5. If the Clearing House so determines, such Warrants shall, however, immediately be re-transferred back to the Clearing House and in those circumstances the Warrants in question shall be deemed for all purposes not to have been so credited but to have remained in the Clearing House's account.

## 5.5 **Inter-Account Transfers**

- 5.5.1 An Account Holder which has more than one Account shall be entitled to transfer Warrants held in any of its Accounts to any other of its Accounts by issuing an Inter-Account Transfer Instruction in accordance with the LMEsword Operating Procedures, provided that in the case of such transfers to or from a Customer Account the Warrant is not marked "rent not paid" in accordance with Regulation 6 or "not valid" in accordance with Regulation 10. On the issue of an Inter-Account Transfer Instruction in accordance with the LMEsword Operating Procedures, the Warrants the subject of it shall be debited from and credited to the relevant Accounts.

- 5.5.2 Where an Account Holder issues an Inter-Account Transfer Instruction pursuant to which a Warrant will be transferred to a Customer Account from a House Account, the Depository acknowledges that following the debiting of the Warrant from the House Account and its crediting to the Customer Account it shall hold the Warrant in accordance with Regulation 4.2.4.

- 5.5.3 Where an Account Holder issues an Inter-Account Transfer Instruction pursuant to which a Warrant will be transferred from a Customer Account to a House Account, the Depository acknowledges that following transfer it shall cease to hold the Warrant in accordance with Regulation 4.2.4.

## 5.6 **Use of LMEsword for Settlement of Non-Platform Contracts**

LMEsword shall not be used to settle Non-LME Platform Contracts in breach of the requirements specified in Membership Regulation 20 (*Restrictions on use of LME Property or Systems for Non-Exchange Contracts*). Such restriction shall apply to any Account Holder, and shall not be limited to Members.

## 6. **RENT PAYMENTS**

### 6.1 **Rent Schedules**

- 6.1.1 Each Account Holder may in accordance with the LMEsword Operating Procedures obtain from the LMEsword System a rent schedule report setting out its accrued and due rent payment obligations in respect of Warrants credited to its Accounts.

- 6.1.2 Each London Agent may in accordance with the LMEsword Operating Procedures obtain from the LMEsword System a rent schedule report setting out the aggregate amount of rent accrued and due in respect of metal stored under all Warrants issued by it, including those which are lodged with the Depository and those marked "out of Depository", together with such other information as shall be provided for in the LMEsword Operating Procedures.

### 6.2 **Liability**

- 6.2.1 Liability for rent in respect of all Warrants shall be unaffected by LMEsword, and the obligations of London Agents in respect thereof, including the endorsement of

Warrants, shall continue to be governed by the Warehouse Contract, as supplemented by this Regulation 6.

- 6.2.2 The Depository shall in no circumstances have any liability for the payment of rent in respect of Warrants.

**6.3 Payment**

- 6.3.1 On the receipt by a Warehouse or its London Agent of any rent payment in respect of a Warrant issued by it (whether by the due date or afterwards), such London Agent shall issue a Warrant Endorse Instruction in accordance with the LMEsword Operating Procedures. On receipt, the LMEsword System shall mark the electronic record of the Warrant "rent paid". The fact that the electronic record of a Warrant is marked "rent paid" shall as against the Warehouse and for all Account Holders and the Depository, subject only to Regulation 11.9, be conclusive evidence of due payment of rent and a London Agent (and the Warehouse it represents) shall not be entitled to claim otherwise.
- 6.3.2 A London Agent shall only endorse a physical Warrant "rent paid" where it has issued a Warrant Endorse Instruction. The Depository shall not, for the avoidance of doubt, endorse as "rent paid" any Warrant lodged with it.
- 6.3.3 On withdrawal of a Warrant from the Depository in accordance with Regulation 7, if rent has been paid on the Warrant whilst it has been lodged with the Depository, the Account Holder shall present the Warrant to the London Agent which issued the Warrant for endorsement of "rent paid" on the physical Warrant.
- 6.3.4 Warrant holders must approach the Warehouse Company or its London Agent to settle the rent.

The London Agent and the Exchange will be informed of the withdrawing Account Holder's identity.

**6.4 Non-payment**

- 6.4.1 For Warrants where rent in respect of metal to which a Warrant relates is not paid by the end of Rent Payment Day (and the London Agent which issued the Warrant has not issued a Warrant Endorse Instruction in respect of it), the LMEsword System shall mark the electronic record of the Warrant as "rent not paid".
- 6.4.2 For Warrants where rent is subsequently paid in respect of any Warrant the electronic record of which is marked "rent not paid", on the issue of a Warrant Endorse Instruction the "rent not paid" mark shall be deleted and be replaced by "rent paid".

**7. WITHDRAWAL OF WARRANTS**

**7.1 Entitlement and Instruction**

- 7.1.1 Each Account Holder shall be entitled to require delivery to it of, and the Depository shall be obliged so to deliver, each Warrant credited to an Account Holder's Account (including any of its Customer Accounts).
- 7.1.2 Where an Account Holder wishes to take delivery of a Warrant lodged with the Depository, it shall issue a Warrant Withdrawal Instruction in accordance with the LMEsword Operating Procedures. No Warrant Withdrawal Instruction shall be

accepted by the LMEsword System where the Warrant in question is at the relevant time the subject of a prior Warrant Withdrawal Instruction.

## **7.2 Collection of Warrants**

7.2.1 On receipt of a Warrant Withdrawal Instruction, the LMEsword System shall issue the Account Holder with a security code and notify the Depository by way of a Warrant Withdrawal Notification of the identity of the Account Holder and the Warrants the subject of the Warrant Withdrawal Instruction. On receipt of the notification, the Depository shall locate the Warrants to be withdrawn and arrange for them to be ready for collection and then issue to the Account Holder a Ready for Collection Instruction in accordance with the LMEsword Operating Procedures.

7.2.2 The Account Holder shall make arrangements for the collection of the Warrants in question from the Depository, in accordance with the LMEsword Operating Procedures.

7.2.3 On attendance at the Depository, the Account Holder or its representative shall present the relevant security code and any necessary identification in accordance with the LMEsword Operating Procedures. The Depository shall in accordance with the LMEsword Operating Procedures check the security code and, if it is valid, issue a Warrant Withdrawal Acknowledgement in accordance with the LMEsword Operating Procedures and simultaneously release the Warrant.

7.2.4 The LMEsword System shall thereupon debit the Warrant from the Account Holder's Account and mark it "out of Depository".

7.2.5 In the event that the electronic record of a Warrant withdrawn from the Depository is marked:

- (i) "rent not paid" in accordance with Regulation 4;
- (ii) "amended" in accordance with Regulation 9; or
- (iii) "not valid" in accordance with Regulation 10;

the Depository shall stamp the physical Warrant accordingly on its release of the Warrant.

## **8. WARRANT CANCELLATION AND METAL TAKE UP**

### **8.1 Warrant Cancellation**

8.1.1 The obligations of LMEsword Participants on the cancellation of a Warrant shall continue to be governed by the Warehouse Contract and the arrangements agreed between the Warehouse and the person for whom the Warehouse holds the metal in question, supplemented in the case of London Agents by this Regulation 8. The Depository shall have no responsibilities in relation to the cancellation of Warrants or the taking delivery of metal represented by Warrants.

8.1.2 On a Warrant being presented to a London Agent or Warehouse for cancellation, the London Agent or Warehouse shall apply its normal procedures prior to cancelling the Warrant. On satisfactory completion of those procedures, the London Agent shall issue a Warrant Cancel Instruction in accordance with the LMEsword Operating Procedures.

- 8.1.3 Only Warrants the electronic record of which are marked "out of Depository" may be cancelled. Provided the LMEsword System accepts the Warrant Cancel Instruction, it shall mark the electronic record of the Warrant as "cancelled" and notify the London Agent thereof. The London Agent shall thereupon cancel the Warrant.

## 8.2 **Time Expired Warrants**

After 16:30 each day an Account Holder and London Agent can run reports to inform them of the Warrants expired or due to expire. Upon Time Expiry the Account Holder must settle outstanding rent by contacting the London Agent in accordance with Regulation 6.3.4.

## 8.3 **Remove Warrant**

- 8.3.1 On the metal represented by a cancelled Warrant being delivered out by a Warehouse, the Warehouse shall notify its London Agent which shall issue a Remove Warrant Instruction in accordance with the LMEsword Operating Procedures. A Warehouse shall not so deliver metal unless the relevant Warrant has previously been cancelled in accordance with Regulation 8.1. The Exchange shall prescribe by Notice or in the LMEsword Operating Procedures the procedure for dealing with the reporting of deliveries out of only part of the metal represented by a Warrant.

- 8.3.2 Provided the electronic record of the Warrant in question is marked "cancelled", the LMEsword System shall following the issue of a Remove Warrant Instruction in accordance with the LMEsword Operating Procedures remove the Warrant from the LMEsword System (save that a record of its existence shall be retained within it solely for audit purposes).

- 8.3.3 A London Agent shall also issue a Remove Warrant Instruction in other circumstances as prescribed by the LMEsword Operating Procedures.

## 9. **WARRANT AMENDMENT AND REPLACEMENT**

### 9.1 **General Duties**

The requirements and procedures relating to the amendment and replacement of a Warrant shall be governed by the terms of the Warehouse Contract and the Warrant itself, as supplemented by this Regulation 9. Endorsement of a Warrant "rent paid" shall be subject to Regulation 6.

### 9.2 **Notification of Amendments**

- 9.2.1 On any LMEsword Participant becoming aware of a need to make an amendment to a detail of a Warrant which is prescribed in the LMEsword Operating Procedures (an "amendable detail"), it shall notify the London Agent which issued the Warrant.

- 9.2.2 On a London Agent becoming aware or being notified of a need to make an amendment to an amendable detail of a Warrant which it has issued, it shall issue a Warrant Amend Instruction in accordance with the LMEsword Operating Procedures.

- 9.2.3 On receipt of a Warrant Amend Instruction in respect of a Warrant, the LMEsword System shall amend the electronic record of the Warrant accordingly, mark its electronic record "amended" and, in the case of a Warrant lodged with the Depository, notify the relevant Account Holder of the amendment.

### 9.3 **Replacement of Warrants**

- 9.3.1 On the amendment of an amendable detail of the electronic record of a Warrant marked "out of Depository" in circumstances where the Warrant has not been presented to the London Agent, the Exchange and the London Agent may take such steps as they deem appropriate to publicise the fact of such amendment.
- 9.3.2 The holder of such a Warrant must, on its becoming aware of the fact of such amendment, present the Warrant to the London Agent which issued the Warrant.
- 9.3.3 Where an Account Holder withdraws a Warrant from the Depository the electronic record of which is marked "amended" and which is itself stamped as such by the Depository in accordance with Regulation 7, the Account Holder must present the Warrant to the London Agent which issued the Warrant.
- 9.3.4 On presentation to a London Agent of a Warrant in accordance with this Regulation 9.3, the London Agent shall take delivery of the Warrant and issue a replacement Warrant utilising the LMEsword Software in accordance with the LMEsword Operating Procedures.
- 9.3.5 In other cases where a London Agent is entitled to issue a replacement Warrant in accordance with the Warehouse Contract, it shall do so utilising the LMEsword Software in accordance with the LMEsword Operating Procedures.

## 10. **INCORRECT OR INVALID WARRANTS**

### 10.1 **Notification**

- 10.1.1 The obligations of LMEsword Participants in relation to a Warrant, or to metal the subject of a Warrant, which does not comply with the requirements of the Exchange shall be as set out in the Rules and the Warehouse Contract, as supplemented by this Regulation 10.
- 10.1.2 On a LMEsword Participant becoming aware of any irregularity in respect of a Warrant or the metal to which a Warrant relates (not being the need to amend an amendable detail), it shall notify the Exchange thereof. The Exchange may make such enquiries and take such steps as it sees fit to determine the existence and nature of such irregularity.
- 10.1.3 On a LMEsword Participant other than the Clearing House being made aware of the need to return a Warrant to a London Agent for cancellation and reissue, it shall take all necessary steps to obtain and deliver up the Warrant to the London Agent which must cancel it and issue a new Warrant in accordance with the Warehouse Contract.

### 10.2 **Invalid Warrant Instruction**

- 10.2.1 In the event that the Exchange concludes that there is a material irregularity in a Warrant or the metal which it represents, or some other relevant regulatory event has occurred, it may issue an Invalid Warrant Instruction in accordance with the LMEsword Operating Procedures. On receipt, the LMEsword System shall mark the electronic record of the Warrant "not valid".
- 10.2.2 Delivery of a Warrant the electronic record of which is marked "not valid" shall not constitute good delivery under a Contract.

- 10.2.3 The Exchange may, where it is satisfied that the irregularity or event has been remedied, reverse an Invalid Warrant Instruction in accordance with the LMEsword Operating Procedures. On receipt the LMEsword System shall remove the "not valid" mark from the electronic record of the Warrant.
- 10.2.4 Where a Warehouse ceases to be listed in Appendix III of the Rules, Warrants previously issued by it shall continue to be treated as Warrants for the purposes of these LMEsword Regulations until the Exchange otherwise directs and/or issues an Invalid Warrant Instruction in accordance with this Regulation 10.2.
- 10.2.5 Each Account Holder agrees to withdraw from the Depository any Warrant the electronic record of which is credited to its Account where the Exchange so directs.

## **11. GENERAL**

### **11.1 Charges and Fees**

- 11.1.1 The Exchange shall fix the subscription, transaction and other fees payable by LMEsword Participants from time to time and publish them in an Administrative Procedure and will publish the same on the LME website. Such fees may vary for different classes of LMEsword Participant. Such fees shall be debts due to the Exchange and shall be payable in accordance with the LMEsword Operating Procedures.
- 11.1.2 Each LMEsword Participant agrees to pay all fees payable under the LMEsword Regulations promptly. Failure to pay such fees when due shall constitute a breach of the LMEsword Regulations by the LMEsword Participant in question.
- 11.1.3 If a LMEsword Participant serves a Withdrawal Notice in accordance with Regulation 2.6 but that Notice is not received by the Secretary on or before the 30th day of November of the year in which the LMEsword Participant intends its participation to cease, it will be liable for payment of the relevant annual subscription for the following year.

### **11.2 Reports and Enquires**

LMEsword Participants may obtain reports from and make enquiries of the LMEsword System as described in the LMEsword Operating Procedures. Reports will be available at all times that the LMEsword System is operational and each Account Holder agrees that these will be transmitted electronically and can be printed by the Account Holder. Reports will detail the description and amounts of all Warrants credited to an Account or Accounts of the Account Holder. Each Account Holder agrees to treat such a report as a sufficient statement of its Warrants held by the Depository.

### **11.3 Instructions and Notices**

- 11.3.1 Instructions to be issued under the LMEsword Regulations or LMEsword Operating Procedures must be issued in accordance with the LMEsword Operating Procedures. In the event that for any reason it is impossible for a LMEsword Participant, the Depository or the Exchange to issue or receive an Instruction, or the LMEsword System is unable to receive an Instruction, the Exchange shall specify the steps the affected person(s) should take. References in the remainder of this Regulation 11.3 to a notice or other communication shall not include an Instruction. Instructions shall be

deemed issued when received by the LMEsword System, and shall be processed in the order determined by the LMEsword System.

11.3.2 All notices and other communications to be served under the LMEsword Regulations or LMEsword Operating Procedures shall be served as follows:

(i) if to the Exchange, to:

Post Trade Operations  
The London Metal Exchange  
10 Finsbury Square  
London EC2A 1AJ  
Fax No. +44(0)20 7256 8864

E-mail: [posttradeoperations@lme.com](mailto:posttradeoperations@lme.com)

(ii) if to another LMEsword Participant or the Depository, to the address and fax number notified to the Exchange by the LMEsword Participant or, as the case may be, the Depository from time to time.

11.3.3 All notices and other communications under the LMEsword Regulations shall be served by fax or in writing. Service will be deemed effective, in the case of notices sent by fax, on the date that transmission is received by an employee of, or other person working for, the recipient in legible form (with the burden of proving receipt being upon the sender which will not be met by a transmission report generated by the sender's fax machine). Notices or other communications shall not be capable of having the effect of an Instruction unless the Exchange provides otherwise in the LMEsword Operating Procedures or in a notice issued by the Exchange, for example in the event of an emergency.

11.3.4 In the event of difficulty in using fax to send notices under the LMEsword Regulations, notices and other communications may be served in writing and delivered in person or by courier or by post, with such service deemed effective on the date of receipt, unless that date is not a Business Day in which case the notice shall be deemed given and effective on the first following day that is a Business Day.

11.3.5 All notices and other communications shall be in writing and in the English language.

11.3.6 Notices and other communications shall only be validly served by a LMEsword Participant if they are signed by a designated signatory notified to the Exchange.

11.3.7 Neither the Exchange nor the Depository shall be liable for any actions taken or omitted to be taken in good faith on the basis of any Instruction served in accordance with the LMEsword Operating Procedures or notice or other communication however served which purports to have been given by or on behalf of a LMEsword Participant, nor shall any of them be taken to have notice of any matter disclosed in an Instruction (other than the existence of the Instruction). Neither the Exchange nor the Depository shall be under any duty to verify the genuineness of any Instruction or of the signature or the authority of the person which purports to sign a notice or other communication on behalf of a LMEsword Participant.

11.3.8 The Depository shall not be obliged to take account of or act on any direction of an Account Holder other than an Instruction or notice or communication permitted by the Exchange.



#### 11.4 **Release**

Any liability to the Exchange under the LMEsword Regulations may in whole or in part be released, compounded or compromised or time or indulgence given by the Exchange in its absolute discretion as regards any LMEsword Participant under such liability without in any way prejudicing or affecting its rights against any other or others of the LMEsword Participants under the same or a like liability, whether joint and several or otherwise.

#### 11.5 **Waiver**

Without prejudice to Regulation 2.5 of Part 1 of the Rules, no failure of the Exchange to exercise, and no delay by it in exercising, any right, power or remedy in connection with the LMEsword Regulations (each a "Right") will operate as a waiver thereof, nor will any single or partial exercise of any Right preclude any other or further exercise of such Right or the exercise of any other Right. The Rights provided in the LMEsword Regulations are cumulative and not exclusive of any other Rights (whether provided by law or otherwise). Any express waiver of any breach of the LMEsword Regulations shall not be deemed to be a waiver of any subsequent breach.

#### 11.6 **Invalidity**

If any provision in the LMEsword Regulations shall be held to be illegal, invalid or unenforceable, in whole or in part, under any enactment or rule of law, such provision or part shall to that extent be deemed not to form part of the LMEsword Regulations but the legality, validity and enforceability of the remainder of the LMEsword Regulations shall not be affected.

#### 11.7 **Governing Law and Submission to the Jurisdiction**

11.7.1 The LMEsword Regulations shall be governed by and construed in accordance with English law.

11.7.2 Except to the extent otherwise provided in the Warehouse Contract (in the case of Warehouses) or the relevant Service Level Agreement (in the case of the Depository and the Operator) any dispute arising out of or in connection with the LMEsword Regulations shall be referred to arbitration in accordance with the Rules.

#### 11.8 **Exclusion of Liability**

11.8.1 The Exchange shall not have any liability for any damage, loss, expense or liability of any nature which a LMEsword Participant may suffer or incur due to or connected with it being or acting as a LMEsword Participant, including liability for negligence or liability arising out of development and operation of the LMEsword System, except to the extent of direct losses or expenses attributable to its fraud or wilful default. In no event shall the Exchange be liable for special, indirect or consequential damages or loss of any kind whatsoever regardless of whether it has notice of the likelihood of such damages or loss and regardless of the form of action.

11.8.2 The Depository shall have no liability for any damage, loss, expense or liability of any nature which a LMEsword Participant may suffer or incur due to or connected with it being or acting as a LMEsword Participant, except to the extent of direct losses or expenses attributable to the Depository's fraud, wilful default or negligence in the performance of its obligations expressly set out in these Regulations and provided that the Depository shall not be liable to the extent that any such damage, loss, expense

or liability is caused by a person other than the Depository. In no event shall the Depository be liable for special, indirect or consequential damage or loss of any kind whatsoever (including, without limitation, loss of bargain or profits), regardless of whether it has notice of the likelihood of such damages or loss and regardless of the form of action. The exclusions of liability set out in this Regulation 11.8.2 and Regulation 11.8.3 do not apply to death or personal injury arising from any failure by the Depository to take reasonable care or to exercise reasonable skill.

- 11.8.3 In the event of the loss, damage, destruction or wrongful release of a Warrant in circumstances in which the Depository is liable in accordance with Regulation 11.8.2, the maximum liability and obligation of the Depository shall be limited to issuing an indemnity in an amount not exceeding the market value of the Warrant at the time of the discovery of the loss, damage, destruction or wrongful release and otherwise on reasonable terms but not requiring the provision of any security.
- 11.8.4 Each Account Holder agrees to indemnify the Depository and to keep it indemnified against any costs, claims, losses, liabilities, damages, fines, penalties, taxes and other amounts which may be imposed on, incurred by or asserted against the Depository in respect of any liability arising from the fact that it holds any Warrants as bailee or sub-bailee for other persons (including, without limitation, any obligations to pay income, value added or any other tax or duty, or to maintain insurance in relation to any such Warrants) which is determined by the Depository to be applicable to that Account Holder and which is not due to the Depository's fraud, wilful default or negligence.
- 11.8.5 The Depository is not responsible for the production or the accuracy of reports generated by the LMEsword System and is not responsible for the operation or efficacy of the LMEsword System.

## 11.9 **Errors**

- 11.9.1 In the event that a Warrant is mistakenly credited to or debited from an Account Holder's Account, the affected Account Holder, shall immediately on their becoming aware of that event notify the Exchange which shall notify the affected parties and, if there is no disagreement as to the facts, make the necessary change to the LMEsword System's records, if any.
- 11.9.2 In the event that any LMEsword Participant becomes aware that any detail in the electronic record of a Warrant is or appears to be incorrect, it shall notify the Exchange which shall notify the London Agent which issued the Warrant and, if the Warrant is lodged with the Depository, the Depository and the Account Holder to whose Account the Warrant is credited. If there is no disagreement as to the facts, the Exchange shall make the necessary change to the LMEsword System's records.
- 11.9.3 In the event that there is disagreement as to the facts, the matter shall be referred to arbitration in accordance with the Rules.

## 11.10 **Legal Effect of Transfers**

- 11.10.1 By and upon the debiting of a Warrant by the LMEsword System from the Account of an Account Holder (the "Transferor") and its crediting to the Account of another Account Holder (the "Transferee"), the Depository shall hold the Warrant in question to the order of the Transferee, for as long as it remains in its Account. The Release Instruction (in the case of ex- cleared transfers under Regulation 5.2.5),

the Ex-cleared Transfer Instruction and Ex-cleared Transfer Accept Instruction (in the case of ex-cleared transfers under Regulation 5.2.4) and the Cleared Transfer Instruction (in the case of cleared transfers under Regulation 5.4) shall constitute an instruction by the Transferor (and, as applicable, the Transferee), on behalf of the Transferor and Transferee, to the Depository to hold the Warrant to the order of the Transferee. By and upon the crediting of the Warrant by the LMEsword System to the Transferee's Account the Depository makes attornment to the effect that it from that point holds the Warrant to the order of the Transferee.

11.10.2 In addition, the Depository is pursuant to the LMEsword Regulations authorised by each Warehouse to receive instructions concerning the holding of the metal represented by Warrants. By and upon the crediting of a Warrant by the LMEsword System to the Transferee's Account, the Depository makes attornment, for and on behalf of the Warehouse for whom the London Agent issued the Warrant, to the effect that the metal represented by the Warrant shall from the moment of the crediting of the Warrant to the Transferee's Account be held by the Warehouse to the order of the Transferee. The Depository shall not disclose to any Warehouse the identity of any Account Holder to whose order metal is held from time to time, unless explicitly provided for in these Regulations or the Exchange directs it to.

11.10.3 Unless the parties otherwise agree, property in the metal represented by a Warrant shall pass at the time the Warrant is delivered, that is (in the case of Warrants lodged with the Depository) at the time the parties' Accounts are debited and credited.

#### 11.11 **Amendment of LMEsword Regulations**

The Exchange may amend the LMEsword Regulations or the LMEsword Operating Procedures in the same way as it may amend any other of its Rules. All LMEsword Participants shall be notified of any such amendment prior to its taking effect, except where an immediate amendment is in the opinion of the Exchange essential for the proper functioning of LMEsword.

#### 11.12 **Force Majeure**

Nothing in these LMEsword Regulations shall require any person to do anything contrary to applicable English law or regulation and no person shall be liable for a breach of these LMEsword Regulations where compliance is impossible due to a failure of the LMEsword System and they have not caused the LMEsword System failure in question.

#### 11.13 **Representation by Account Holder**

On each occasion the Depository is required to release a Warrant to an Account Holder in accordance with Regulation 7.2, the Account Holder is deemed to represent to the Depository that it is in full compliance with the laws and regulations of each jurisdiction which is or may be applicable to the withdrawal of the Warrant.

#### 11.14 **Insolvency or Delisting of a Warehouse**

In the event of the insolvency or delisting of a warehouse, the Exchange may undertake such acts, or require such acts to be performed, as it considers in its sole discretion are necessary in order to ensure the orderly functioning of the market. This may include, without limitation, suspending relevant Warrants in LMEsword, or requiring Warrant-holders to cancel relevant Warrants in LMEsword and create new Warrants at a later date (either at the same location or a different location and either at

the same warehouse company or at a different warehouse company). The provision shall be without prejudice to any rights or obligations the Exchange may have under its agreement with warehouse companies or any relevant warehousing policy from time to time.

## **12. INTERPRETATION**

### **12.1 Definitions**

In these LMEsword Regulations terms defined in the Rules and not defined below shall have the same meanings and the following words and expressions shall, unless the context otherwise requires, bear the following meanings:

"Account" means an account of an Account Holder with the Depository, recorded by the LMEsword System and established in accordance with the LMEsword Regulations and LMEsword Operating Procedures, to which Warrants may be credited and debited;

"Account Holder" means the Clearing House and any person admitted as an Account Holder by the Exchange, and which has not withdrawn or ceased to be an Account Holder, under Regulation 2;

"Business Day" has the meaning given in the Rules;

"Clearing House" means the clearing house for the time being designated by the Exchange;

"Clearing Member" has the meaning given in the Rules;

"Clearing Participant" means a Clearing Member which is an Account Holder;

"Customer" means a person with whom an Account Holder has entered into a written agreement under which the Account Holder has authority to hold Warrants for the Customer as bailee and lodge such Warrants with the Depository as sub-bailee or bailee on the terms of the LMEsword Regulations and with authority to make delivery of such Warrants for and on behalf of the Customer;

"Customer Account" means an Account to which Warrants held by an Account Holder as bailee for its Customer may be credited and debited, which may comprise a single Account for Warrants held for some or all of the Account Holders' Customers and/or specific Accounts for one or more specific Customers;

"Customer Collection Account" has the meaning given in Regulation 4.3;

"Depository" means the person appointed from time to time by the Exchange to act as the Depository for LMEsword and which has agreed to be bound by the LMEsword Regulations;

"the Exchange" means the London Metal Exchange;

"Giver" has the meaning given in Regulation 5.2.1;

"Giving Clearing Participant" has the meaning given in Regulation 5.4.2;

"House Account" means an Account which is not a Customer Account; "House Collection Account" has the meaning given in Regulation 4.3; "Instruction" shall be construed in accordance with Regulation 12.2;

"LMEsword Operating Procedures" means the manual issued by the Exchange pursuant to the LMEsword Regulations setting out detailed procedures and information relating to the operation of LMEsword;

"LMEsword Participant" means an Account Holder or a Warehouse;

"LMEsword Regulations" means the Regulations governing the operation of LMEsword issued by the Exchange as amended from time to time in accordance with the terms thereof and forming Part 10 of the Rules;

"LMEsword Software" means the software licensed to each Account Holder and London Agent for the purpose of facilitating the issue of Warrants and the provision of details thereof to the LMEsword System;

"LMEsword System" means the system for, inter alia, the electronic transfer of title to Warrants governed and constituted by the LMEsword Regulations;

"London Agent" means a London agent appointed by a Warehouse in accordance with the terms of the Warehouse Contract or a London office of a Warehouse nominated to act as the Warehouse's London Agent for the purposes of LMEsword;

"Member" means a member of the Exchange;

"Overseas Undertaking" has the meaning given in the Rules;

"person" includes an individual, partnership, unincorporated association and body corporate;

"Premium Warrant" has the meaning given in the Rules;

"Remote Participant Agreement" means an agreement between Account Holders substantially in the form prescribed by the Exchange under which one Account Holder agrees to act for the other in the giving of Instructions to the LMEsword System in accordance with the LMEsword Regulations and LMEsword Operating Procedures;

"Rent Payment Day" means the day on which rent in respect of the storage of metal under Warrant becomes due;

"Rules" means the rules and regulations issued by the Exchange (and incorporating the LMEsword Regulations) governing the London Metal Exchange administered by the Exchange as the same may be amended in accordance with the Articles of Association of the Exchange and a reference to a Rule shall be construed accordingly;

"Secretary" means any person appointed to perform the duties of Secretary of the Exchange;

"Service Level Agreement" means the agreement entered into by the Depository with the Exchange under which it agrees to act as such and comply with the obligations set out therein;

"Software Licence Agreement" means the licence agreement to be entered into by each Account Holder and London Agent relating to the LMEsword Software;

"Taker" has the meaning given in Regulation 5.2.1;

"Taking Clearing Participant" has the meaning given in Regulation 5.4.5;

"Undertaking" has the same meaning as set out in Section 1161 Companies Act 2006;

"Warehouse" means a warehouse which is party to the Warehouse Contract and listed in Appendix III of the Rules;

"Warehouse Contract" means the agreement between the Exchange and each Warehouse setting out the Warehouse's obligations as a Warehouse and under which the Warehouse agrees to abide by the LMEsword Regulations;

"Warrant" means a warehouse warrant issued by a Warehouse in accordance with the Warehouse Contract;

"Withdrawal Notice" has the meaning given in Regulation 2.6.2.

## 12.2 **Interpretation**

- 12.2.1 Where the LMEsword Regulations refer to a document or thing being "prescribed", that shall mean prescribed by the Exchange from time to time in the LMEsword Operating Procedures or in a Notice issued by it, and the Exchange may prescribe different dates for different purposes, category of LMEsword Participant and metal.
- 12.2.2 Words importing the singular shall, where the context permits, include the plural and vice versa. Words importing gender shall include each gender.
- 12.2.3 Where the LMEsword Regulations refer to an act being undertaken by the Exchange, that act may be performed by the Exchange acting through the Directors of the Exchange or any duly authorised Committee of the Directors of the Exchange or duly authorised individual.
- 12.2.4 References to an "Instruction" shall mean any of the types of Instruction referred to in the LMEsword Regulations, such as, without limitation, a "Warrant Lodge Instruction" or "Ex- cleared Transfer Instruction", each of which shall consist of an electronic communication of the relevant type served by a LMEsword Participant in accordance with the LMEsword Operating Procedures. Any purported service of an Instruction otherwise than in accordance with the LMEsword Operating Procedures shall be of no effect unless the Exchange otherwise directs. The LMEsword Operating Procedures shall provide for the circumstances in which Instructions shall be deemed cancelled and all other details relevant to their issue.
- 12.2.5 Where reference is made to a London Agent which issued a Warrant, that shall be deemed also to refer to a London Agent which has succeeded to the responsibilities of the London Agent which issued the Warrant.
- 12.2.6 Where reference is made to "the" or "these" "LMEsword Regulations" that shall be deemed to include the LMEsword Operating Procedures where the context permit.
- 12.2.7 References to a "Category" of Member shall be construed in accordance with the definitions of the categories of Membership set out in the Rules.
- 12.2.8 In these LMEsword Regulations only, reference to a "Warrant" or "Warrants" shall include reference to a "Premium Warrant" or "Premium Warrants", as the context may allow.

## **PART 11**

### **MONTHLY AVERAGE FUTURE REGULATIONS**

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#### **CONTENTS**

| <b>Section</b> |                                       | <b>Page</b> |
|----------------|---------------------------------------|-------------|
| 1              | Relationship with Trading Regulations | 11-1        |
| 2              | Permitted Monthly Average Futures     | 11-1        |
| 3              | Cash Settlement Fee                   | 11-2        |
| 4              | Price Information                     | 11-2        |





## **PART 11: MONTHLY AVERAGE FUTURE REGULATIONS**

### **1. RELATIONSHIP WITH TRADING REGULATIONS**

- 1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Monthly Average Future Regulations or unless the context otherwise requires, apply to Monthly Average Futures.
- 1.2 The Clearing House Rules shall apply to Cleared Monthly Average Futures.

### **2. PERMITTED MONTHLY AVERAGE FUTURES**

- 2.1 Monthly Average Futures shall be available in respect of such metals and in such lot sizes as set out in Table 1.1 below:

**Table 1.1**

| <b>Metal</b>            | <b>Lot size (tonnes)</b> | <b>Months</b> |
|-------------------------|--------------------------|---------------|
| Primary Aluminium       | 25                       | 63            |
| NASAAC Aluminium Alloy  | 20                       | 27            |
| Aluminium Alloy         | 20                       | 27            |
| Special High Grade Zinc | 25                       | 27            |
| Tin                     | 5                        | 15            |
| Nickel                  | 6                        | 27            |
| Copper Grade A          | 25                       | 63            |
| Lead                    | 25                       | 15            |

- 2.2 The Monthly Average Settlement Price for a Monthly Average Future month must be calculated by reference to a calendar month.
- 2.3 For each metal, Monthly Average Futures shall be available in respect of each tradable month from and including the month in which the Contract is made out to the number of months for that metal as set out in Table 1.1 above.
- 2.4 A new tradable month will become available for trading, in respect of any Monthly Average Future authorised by the Exchange, at the opening of business on the first Business Day of the month in which trading of a Monthly Average Future for the relevant underlying metal is authorised to begin.
- 2.5 Trading may be conducted, in respect of any Monthly Average Future authorised by the Exchange, until the close of business on the Last Trading Day for such Monthly Average Future. Trading times for all Monthly Average Futures shall not be later than 12.30 hours London time on the Last Business Day.
- 2.6 Monthly Average Futures shall be traded in US Dollars only.

- 2.7 Monthly Average Futures may be traded on the telephone and LME Select but not on the Ring.
- 2.8 The minimum price movement for a Monthly Average Future shall be \$0.01 US dollars per metric tonne.
- 2.9 All Monthly Average Futures shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.
- 3. **CASH SETTLEMENT FEE**
- 3.1 The Exchange may charge a fee in relation to each Monthly Average Future. The amount of such fee shall be determined and published by the Exchange from time to time.
- 4. **PRICE INFORMATION**
- 4.1 Regulation 4 of the Trading Regulations shall apply to Monthly Average Futures.
- 4.2 The Exchange shall publish the Notional Average Price and Monthly Average Settlement Price for the relevant metal for each tradable month.

**PART 12**  
**PREMIUM CONTRACT REGULATIONS**

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**CONTENTS**

| <b>Section</b> |   | <b>Page</b> |
|----------------|---|-------------|
| 1              | Relationship with Trading Regulations                   | 12-1        |
| 2              | Aluminium Premium Contract Specification                | 12-1        |
| 3              | Settlement of Aluminium Premium Contracts               | 12-3        |
| 4              | Matters to be Agreed on Execution of a Premium Contract | 12-8        |



## **PART 12: PREMIUM CONTRACT REGULATIONS**

### **1. RELATIONSHIP WITH TRADING REGULATIONS**

1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Premium Contract Regulations or unless the context otherwise requires, apply to Premium Contracts.

1.2 The Clearing House Rules shall apply to Cleared Premium Contracts.

### **2. ALUMINIUM PREMIUM CONTRACT SPECIFICATION**

#### **2.1 Premium Warrant Jurisdictions**

The following table sets out the Premium Warrant Jurisdiction for each type of Aluminium Premium Contract:

| Premium Contract                      | Premium Warrant Jurisdiction  |
|---------------------------------------|---|
| LME Aluminium US Premium              | The following regions of the United States of America, as defined by the US Census Bureau: <ul style="list-style-type: none"><li>• Mid-West</li><li>• South</li></ul> |
| LME Aluminium West-Europe Premium     | Western Europe, as defined by the UN Geoscheme M49 classification   |
| LME Aluminium East-Asia Premium       | Eastern Asia, as defined by the UN Geoscheme M49 classification   |
| LME Aluminium South-East Asia Premium | South-Eastern Asia, as defined by the UN Geoscheme M49 classification   |

#### **2.2 Metal and Premium Warrant**

The underlying metal for each Aluminium Premium Contract shall be high grade primary aluminium satisfying the requirements of Part 6 of the Special Contract Rules for Metals that is:

- (a) held by a Qualifying Premium Warrant Warehouse in the Premium Warrant Jurisdiction applicable to the type of Aluminium Premium Contract; and
- (b) represented by a Premium Warrant issued by the Qualifying Premium Warrant Warehouse.

#### **2.3 Lot Size**

The Lot size for each Aluminium Premium Contract is 25 tonnes.

## 2.4 **Prompt Date**

The Prompt Date for each Aluminium Premium Contract shall be the third Wednesday of each maturity month, subject to the Trading Regulations.

## 2.5 **Maturity Months**

Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 2.9 below) for the calendar month on which the Contract is made, in which case, fourteen months.

## 2.6 **Trading Platform**

Aluminium Premium Contracts may be traded:

- (a) in the Ring;
- (b) in the inter-office market; or
- (c) through LME Select

## 2.7 **Trading Hours**

Aluminium Premium Contracts may be traded on the following platforms at the following times:

| Platform            | Trading Hours  |
|---------------------|--|
| Ring                | For Official Prices: 5 minutes at the end of R2<br>For Closing Prices: 5 minutes during K2 |
| LME Select          | Between 01:00 and 19:00 London time on a Business Day                                      |
| Inter-office market | 24 hours a day during a Business Day   |

## 2.8 **Last Trading Time**

The last trading time for Aluminium Premium Contracts shall be 19:00 London time on the Last Trading Day.

## 2.9 **Settlement Basis**

Aluminium Premium Contracts shall be physically settled in accordance with Regulation 3 below.

## 2.10 **Currency**

US Dollars.

## 2.11 **Price Information**

- (a) Regulation 4 of the Trading Regulations shall apply to Premium Contracts.

- (b) Official Prices for Premium Contracts shall be determined in accordance with Trading Regulation 5.
- (c) Closing Prices for Premium Contracts shall be determined in accordance with Trading Regulation 6.

## 2.12 **Minimum Price Movement**

The minimum price movement for any Aluminium Premium Contract shall be as follows:

|                     | Minimum price movement per tonne |         |
|---------------------|----------------------------------|---------|
| Venue               | Outright                         | Carries |
| Ring                | \$0.50                           | \$0.01  |
| LME Select          | \$0.50                           | \$0.01  |
| Inter-office market | \$0.01                           | \$0.01  |

## 3. **SETTLEMENT OF ALUMINIUM PREMIUM CONTRACTS**

3.1 Aluminium Premium Contracts shall be settled on the basis set out in this Regulation 3.

3.2 Settlement of Aluminium Premium Contracts that are:

- (a) Cleared Premium Contracts shall be made by offset or by delivery and settlement of differences on the Prompt Date in accordance with Regulations 3.4 and 3.5 and 3.7 to 3.9 below;
- (b) Client Premium Contracts shall be made by offset or by delivery in accordance with Regulations 3.4 and 3.5 and 3.10 to 3.11 below.

3.3 The net Lots covered by the Aluminium Premium Contracts remaining following offset under Regulation 3.8 or 3.10 (as applicable) shall be settled on their Prompt Date by payment, subject in the case of Cleared Premium Contracts to the Clearing House Rules.

### 3.4 **Seller's Delivery Obligation**

The seller's obligation under Aluminium Premium Contracts shall be to deliver Premium Warrants corresponding to the net Lots covered by such Contracts to the buyer.

### 3.5 **Buyer's Delivery and Payment Obligations**

The buyer's obligation under Aluminium Premium Contracts shall be to deliver to the seller:

- (a) Standard Warrants, for high grade primary aluminium satisfying the requirements of Part 6C of the Special Contract Rules for Metals, corresponding to the net Lots covered by such Contracts;
- plus

- (b) the Settlement Price for the Aluminium Premium Contract, subject to any adjustments made pursuant to these Regulations in order to take account of:
  - (i) any rent and weight adjustments; and
  - (ii) the "Free on Truck" charges levied by the Qualifying Premium Warrant Warehouse that issued the Premium Warrant delivered under (a) above.

The buyer and seller's respective obligations shall be subject to the application of offsetting and settlement of differences pursuant to Regulations 3.7 and 3.8 below.

### 3.6 **Cleared Premium Contracts – General**

- (a) Settlement of all Cleared Premium Contracts whether by offset or by delivery and the settlement of differences shall be made on the relevant Prompt Date by reference to the Settlement Price determined for that Prompt Date for that Premium Contract.
- (b) In the event that:
  - (i) a buyer under a Cleared Premium Contract with an obligation to deliver Standard Warrants on the Prompt Date is also a buyer under a Cleared Metal Contract with an entitlement to receive Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date; or
  - (ii) a seller under a Cleared Premium Contract with an entitlement to receive Standard Warrants on the Prompt Date is also a seller under a Cleared Metal Contract with an obligation to deliver Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date,

then the respective obligations and entitlements of the buyer or seller (as applicable) under the Cleared Premium Contract in respect of the delivery of Standard Warrants shall be netted against the respective entitlements and obligations of that party under the Cleared Metal Contract in respect of the delivery of such Standard Warrants, in order to produce a net entitlement to receive or deliver Standard Warrants under both Contracts.

### 3.7 **Cleared Premium Contracts - Settlement of Differences:**

Differences shall be established on the relevant Prompt Date, in respect of all Cleared Premium Contracts, between the Premium Contract Price and the Settlement Price determined for that Prompt Date. The Clearing House shall account to Clearing Members for differences thus established by placing the same to their credit or debit as the case may require in accordance with the Clearing House Rules.

### 3.8 **Cleared Premium Contracts – Settlement by Offset:**

Bought and sold Cleared Premium Contracts of a Clearing Member for the same Premium Warrant Jurisdiction and Prompt Date and in the same currency shall, to the extent that they match each other, be settled on their Prompt Date by offsetting.



**Cleared Premium Contracts - Settlement by Delivery**

- (a) The net Lots covered by Cleared Premium Contracts following offset under Regulation 3.8 which match as to Premium Warrant Jurisdiction and tonnage but not necessarily as to currency, shall be offset for the purposes of establishing the net number of Premium Warrants to be settled by delivery subject to the Clearing House Rules.
- (b) Subject to Trading Regulation 17.8, delivery of Premium Warrants under Regulation 3.5(a) above or Standard Warrants under Regulation 3.5(b) above shall be effected pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures and the Clearing House Rules.
- (c) The Clearing House shall raise invoices or credit notes for the contract weight of the net Lots covered by such Cleared Premium Contracts at the Settlement Price and in the currency of the relevant Cleared Premium Contract and shall deliver the same to the relevant Clearing Members. Such invoices and credit notes will include the value of the Standard Warrant (if applicable) and shall be for the contract weight without allowance for storage rent accrued and differences between contract weight and Warrant weight.
- (d) On the Business Day following the Prompt Date the Clearing House shall call on:
  - (i) the seller or buyer as requisite in order that allowances for accrued storage rent, and any difference between Premium Warrant weight and contract weight be accounted for in respect of Premium Warrants transferred to the buyer in accordance with the Clearing House Rules; and
  - (ii) the seller or buyer as requisite in order that allowances for accrued storage rent, and any difference between Standard Warrant weight and contract weight be accounted for in respect of Standard Warrants transferred to the seller in accordance with the Clearing House Rules; and
  - (iii) the buyer in order that the "Free on Truck" charges applicable to the Premium Warrants received by the buyer are debited from the buyer.
- (e) Payments and receipts in respect of the invoices and credit notes raised by the Clearing House under Regulation 3.9(c) shall be effected through the payment system or, in the case of payments to sellers, in such other form as shall be specified by the Clearing House.
- (f) If a Clearing Member fails duly to deliver a Premium Warrant or Standard Warrant due to be delivered to the Clearing House, the Clearing House may, without prejudice to its rights under the Clearing House Rules:
  - (i) without prejudice to the accrued rights for damages of the Clearing House and any other affected Clearing Member(s), direct the Premium Warrant or Standard Warrant be delivered to and by the Clearing Member on the Business Day next following the Prompt Date, that the Contract terms be adjusted accordingly and the parties' payment obligations and entitlements thereunder be adjusted to give such rate of compensation to the party

entitled to receive the Premium Warrant or Standard Warrant as the Exchange may from time to time direct; or

(ii) where:

- (1) the Exchange has taken steps or issued directions under Trading Regulation 17.1 or 17.2; or
- (2) the Exchange or the Clearing House otherwise direct,

Invoice Back the metal due to be delivered in accordance with Trading Regulation 10.4.

This Regulation 3.9(f) shall apply subject to any directions of the Exchange made under Trading Regulation 17.1 or 17.2. The Exchange may prescribe such penalties for non-delivery of Standard Warrants or Premium Warrants as it may from time to time deem fit in the Operating Procedures or by Administrative Procedure.

### 3.10 **Client Premium Contracts - by Offset:**

- (a) Offsetting bought and sold Client Premium Contracts with the same Premium Warrant Jurisdiction, Prompt Date and currency shall be settled on contract (round) weights, buyer and seller paying or receiving as the case may be any difference between the Premium Contract Prices of the Contracts so offset.
- (b) In the event that:
  - (i) a buyer under a Client Premium Contract with an obligation to deliver Standard Warrants on the Prompt Date is also a buyer under a Client Metal Contract with an entitlement to receive Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date; or
  - (ii) a seller under a Client Premium Contract with an entitlement to receive Standard Warrants on the Prompt Date is also a seller under a Client Metal Contract with an obligation to deliver Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date; and
  - (iii) the Client counterparty to the Client Premium Contract and the Client counterparty to the Client Metal Contract are allocated to the same Client Account in the Clearing House;

then the respective obligations and entitlements of the buyer or seller (as applicable) under the Client Premium Contract in respect of the delivery of Standard Warrants shall be netted against the respective entitlements and obligations of that party under the Client Metal Contract in respect of the delivery of such Standard Warrants, in order to produce a net entitlement to receive or deliver Standard Warrants under both Contracts.

### 3.11 **Client Premium Contracts – Settlement by Delivery**

- (a) Delivery due under a Client Premium Contract shall be effected on the Prompt Date by delivery of Premium Warrants in exchange for Standard Warrants plus a

cash payment in accordance with Regulation 3.5 above. Premium Warrants and Standard Warrants shall be delivered either by way of a transfer pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers or (until further notice) by delivery of a physical Premium Warrant or Standard Warrant (as applicable). The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the option of the party making delivery.

- (b) In relation to Client Premium Contracts, Premium Warrants shall be invoiced and paid for at the Contract weight and at the Settlement Price pertaining to the Prompt Date, buyer and seller paying and receiving (as the case may be) any difference between Settlement Price and the Premium Contract Price. Such invoice will include the value of the Standard Warrant (if applicable).
- (c) In relation to Client Premium Contracts, weight differences (between Contract weight and actual Warrant weight) shall be settled at the Settlement Price. Warehouse rental accruals (where relevant) shall be allowed on the invoice.
- (d) Delivery of Premium Warrants and Standard Warrants and settlement in respect of unmatched Client Premium Contracts shall be effected in accordance with the terms of the Client Premium Contract between the parties and these Regulations. Such terms must require:
  - (i) Premium Warrants to be delivered by the seller under the Premium Contract:
    - (1) no later than 09:00 hours on the Prompt Date, when a Trading-Only Member or non- Member is the seller and transferor; and
    - (2) no later than 11:00 hours (so far as enabled by the seller's best endeavours) when a Clearing Member is the seller and transferor of the Premium Warrants;
  - (ii) Standard Warrants to be delivered by the buyer under the Premium Contract:
    - (1) no later than 09:00 hours on the Prompt Date when a Trading-Only Member or non-Member is the buyer and transferor; and
    - (2) no later than 13.30 hours (so far as enabled by the buyer's best endeavours) when a Clearing Member is the buyer and transferor of the Standard Warrants.
- (e) Delivery shall be effected either pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers or (until further notice) by delivery of the physical Premium Warrant or Standard Warrant (as applicable). The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the option of the party making delivery.
- (f) Weights of Premium Warrants and Standard Warrants in all cases shall be accepted as between buyer and seller.

### 3.12 **Cleared Contracts**

- (a) In these Premium Contract Regulations, references to "Cleared Contracts", "Cleared Metal Contracts" and "Cleared Premium Contracts" shall be construed to include any Cleared Contract that arises pursuant to the Clearing House Rules upon:
  - (i) the Execution of any Agreed Trade, pursuant to these Rules and the Clearing House Rules; and
  - (ii) the Execution of any Agreed Trade having equivalent characteristics to such Agreed Trade, pursuant to these Rules and the Clearing House Rules. Trading Regulation 9.1 shall apply to these Premium Contract Regulations for the purposes of explaining the meaning of the term "equivalent characteristics".
- (b) Any Cleared Contract that arises between a Clearing Member and the Clearing House pursuant to the Clearing House Rules, following the acceptance by the Clearing House of an Agreed Client Trade in respect of a Client Premium Contract, shall be settled in accordance with (i) Regulations 3.6 to 3.9 above and (ii) the provisions of the Clearing House Rules.

### 4. **MATTERS TO BE AGREED ON EXECUTION OF A PREMIUM CONTRACT**

Without prejudice to Trading Regulation 3, a Premium Contract shall be conditional on the agreement between the parties to the Premium Contract of the following matters:

- (a) the Premium Warrant Jurisdiction; and
- (b) the Premium Contract Price, being the contract price for the Premium Contract, and a Premium Contract may not come into effect unless such matters are so agreed.

**PART 13**  
**LMEPRECIOUS REGULATIONS**

\*

**CONTENTS**

**PART 13A**  
**LMEPRECIOUS FUTURE REGULATIONS**

| <b>Section</b> |                                       | <b>Page</b> |
|----------------|---------------------------------------|-------------|
| 1              | Relationship with Trading Regulations | 13A-1       |
| 2              | LMEprecious Future Specifications     | 13A-1       |

**PART 13B**  
**LMEPRECIOUS OPTION REGULATIONS**

| <b>Section</b> |  | <b>Page</b> |
|----------------|--|-------------|
| 1              | Relationship with Trading Regulations            | 13B-1       |
| 2              | Permitted LMEprecious Options and Specifications | 13B-1       |
| 3              | Effect of Automatic Exercise                     | 13B-1       |
| 4              | Premiums   | 13B-1       |





## **PART 13A: LMEPRECIOUS FUTURE REGULATIONS**

### **1. RELATIONSHIP WITH OTHER REGULATIONS**

1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these LMEprecious Regulations or unless the context otherwise requires, apply to LMEprecious Futures.

1.2 Parts 1, 2, 3, 4, 8 and 9 shall all apply to LMEprecious Futures.

1.3 The Clearing House Rules shall apply to Cleared LMEprecious Futures.

### **2. LMEPRECIOUS FUTURE SPECIFICATIONS**

#### **2.1 Types of LMEprecious Future**

The following types of Contract shall be LMEprecious Futures:

- (a) "LMEprecious Gold Futures" (being LMEprecious Futures having the characteristics specified in the paragraphs below where the underlying metal is Gold); and
- (b) "LMEprecious Silver Futures" (being LMEprecious Futures having the characteristics specified in the paragraphs below where the underlying metal is Silver).

#### **2.2 Metal**

The underlying metal for each LMEprecious Future shall be as follows:

| Contract                  | Metal  |
|---------------------------|--------|
| LMEprecious Gold Future   | Gold   |
| LMEprecious Silver Future | Silver |

#### **2.3 Lot Size**

The Lot size for each LMEprecious Future shall be as follows:

| Contract                  | Lot size             | Code |
|---------------------------|----------------------|------|
| LMEprecious Gold Future   | 100 fine troy ounces | AU   |
| LMEprecious Silver Future | 5000 troy ounces     | AG   |

#### **2.4 Prompt Date**

LMEprecious Futures may have the following Prompt Dates:

| Type               | Prompt Date Structure | Prompt Date   |
|--------------------|-----------------------|---|
| Daily<br>("Daily") | T+1 to T+25           | The Prompt Dates which are valid Daily Dates are:<br><br>- T+1, provided that T+1 exists; and |



|                                      |   |  |
|--------------------------------------|---|--|
| <b>Date"))</b>                       |   | <p>- T+2 to T+25.</p> <p>For the avoidance of doubt, a Prompt Date which is a valid Daily Date may also be a valid Monthly Date.</p>   |
| <b>Monthly ("Monthly Date"))</b>     | M1 to either M24 or M25 (dependent on Booking Date and Booking Time as further specified in this table) | <p>The Prompt Dates which are valid Monthly Dates are dependent on the Booking Date and Booking Time:</p> <ol style="list-style-type: none"> <li>1. If the Booking Date is between (i) the start of the first calendar day of the Booking Month and (ii) the end of the calendar day being three Business Days prior to the third Wednesday of the Booking Month: <ul style="list-style-type: none"> <li>– The Prompt Dates which are valid Monthly Dates are M1 to M25</li> </ul> </li> <li>2. If the Booking Date is after the calendar day being three Business Days prior to the third Wednesday of the Booking Month: <ul style="list-style-type: none"> <li>– The Prompt Dates which are valid Monthly Dates are M1 to M24.</li> </ul> </li> </ol> <p>For the avoidance of doubt, at midnight at the start of the Business Day two days prior to the third Wednesday of the Booking Month, the Prompt Dates represented by the notation <math>M_n</math> will each be advanced incrementally by one calendar month. Accordingly, the Prompt Date which immediately prior to such Business Day was identified as M1 will remain available for trading as the T+2 and then the T+1 Daily Date, until the Last Trading Time for the T+1 Prompt Date on the Business Day prior to the third Wednesday of the Booking Month.</p> <p>In each case above, if the third Wednesday of the Booking Month would not be a valid Settlement Business Day, then references to the third Wednesday of the Booking Month should be read as references to the relevant replacement Prompt Date pursuant to Regulation 8.4.1 of the Trading Regulations.</p> |
| <b>Quarterly ("Quarterly Date"))</b> | 12 Calendar Quarterly Dates following the Monthly Dates   | <p>The Prompt Dates which are valid Quarterly Dates are:</p> <ul style="list-style-type: none"> <li>– the first Calendar Quarterly Date which is not any of (i) M1-M24, where M25 is not a valid Monthly Date per the definition above, or (ii) M1-M25, where M25 is a valid Monthly Date per the definition above (the <b>"First Quarterly Date"</b>);</li> </ul> <p>and</p> <ul style="list-style-type: none"> <li>– the eleven subsequent Calendar Quarterly Dates following the First Quarterly Date.</li> </ul>   |

For the purpose of this paragraph 2.4, the following terms have the following meanings.

- (a) "**T+n**" (where n is a positive integer) identifies a Prompt Date in reference to the Business Day (for the avoidance of doubt, being a twenty four (24) hour period starting at 00:00 (midnight), London time) on which a Contract is entered into (the "**Booking Date**"). To identify the appropriate settlement date for a given "T+n" reference, first determine whether the first Business Day following the Booking Date is also a Settlement Business Day.

**(A) If the first Business Day following the Booking Date is also a Settlement Business Day:**

count forward "n" Settlement Business Day(s) from the Booking Date and it will fall upon that Settlement Business Day. For example:

- (i) assuming 2 January, 3 January, 4 January, 5 January are all Settlement Business Days;
- (ii) if 2 January is the Booking Date:
- (A) 3 January is T+1;
- (B) 4 January is T+2;
- (C) 5 January is T+3, and so on.

**(B) If the first Business Day following the Booking Date is not also a Settlement Business Day:**

count forward "n" minus one (n-1) Settlement Business Day(s) from the Booking Date and it will fall upon that Settlement Business Day. In this scenario, T+1 will not exist. For example:

- (i) assuming 3 January is a Business Day but not a Settlement Business Day, and 2 January, 4 January, 5 January are all Settlement Business Days;
- (ii) if 2 January is the Booking Date:
- (A) T+1 does not exist;
- (B) 4 January is T+2;
- (C) 5 January is T+3, and so on.

- (b) "**Mn**" (where n is a positive integer) identifies a monthly Prompt Date in reference to the date on which a Contract is entered into (the "**Booking Date**"). Let the "**Booking Month**" be the calendar month in which the Booking Date falls. Then:

- (i) if the T+2 Prompt Date in respect of the Booking Date falls before the third Wednesday in the Booking Month, then M1 is the third Wednesday of the Booking Month, M2 is the third Wednesday of the calendar month following the Booking Month, and so on (with each increment of n representing one further calendar month); or

- (ii) if the T+2 Prompt Date in respect of the Booking Date falls on or after the third Wednesday in the Booking Month, then M1 is the third Wednesday of the calendar month following the Booking Month, M2 is the third Wednesday of the calendar month following the calendar month following the Booking Month, and so on (with increment of n representing one further calendar month).

In each case above, if the third Wednesday in the Booking Month would not be a Settlement Business Day, then references to the third Wednesday of the Booking Month should be read as references to the relevant replacement Prompt Date pursuant to Regulation 8.4.1 of the Trading Regulations.

- (c) "**Booking Time**" means, in respect of a Contract Executed on a Booking Date, the time of Execution of the Contract.
- (d) "**Calendar Quarter**" means a period of three consecutive months, commencing on 1 January, 1 April, 1 July or 1 October in any calendar year.
- (e) "**Calendar Quarterly Date**" identifies a quarterly Prompt Date falling on the third Wednesday in the third calendar month of the relevant Calendar Quarter.

## 2.5 **Trading Platform**

LMEprecious Futures may be traded on LME Select and the inter-office market but not in the Ring.

## 2.6 **Trading Hours**

LMEprecious Futures may be traded on the following platforms at the following times:

| Platform            | Trading Hours   |
|---------------------|---|
| LME Select          | Between 01:00 and 20:00 London time on a Business Day |
| Inter-office market | 24 hours a day during a Business Day                  |

## 2.7 **Last Trading Time**

The last trading time for LMEprecious Futures shall be 16:00 London time on the Last Trading Day.

The Last Trading Day for LMEprecious Futures shall be the Business Day which is one Business Day before the Prompt Date.

## 2.8 **Settlement Basis**

LMEprecious Futures shall be physically settled in accordance with Regulation 9 of the Trading Regulations.

## 2.9 **Currency**

US Dollars.

## 2.10 Minimum Price Movement

(a) The minimum price movement for any LMEprecious Gold Future shall be as follows:

|                     | Minimum price movement per fine troy ounce |         |
|---------------------|--|---------|
| Venue               | Outright                                   | Carries |
| LME Select          | \$0.1000                                   | \$0.001 |
| Inter-office market | \$0.0001                                   | \$0.001 |

(b) The minimum price movement for any LMEprecious Silver Future shall be as follows:

|                     | Minimum price movement per troy ounce |           |
|---------------------|---------------------------------------|-----------|
| Venue               | Outright                              | Carries   |
| LME Select          | \$0.00500                             | \$0.00001 |
| Inter-office market | \$0.00001                             | \$0.00001 |

## **PART 13B: LMEPRECIOUS OPTION REGULATIONS**

### **1. RELATIONSHIP WITH OTHER REGULATIONS**

- 1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these LMEprecious Option Regulations or unless the context otherwise requires, apply to LMEprecious Options.
- 1.2 Parts 1, 2, 3, 4, 8 and 9 shall all apply to LMEprecious Options.
- 1.3 The Clearing House Rules shall apply to Cleared LMEprecious Options.
- 1.4 References in this Part 13B to LMEprecious Options or any "Contracts" relating to such LMEprecious Options shall be construed to include any Cleared Contract that has arisen pursuant to the registration of the LMEprecious Option at the Clearing House (provided that Cleared Contracts that arise pursuant to the registration of LMEprecious Options that are Client Contracts shall be treated in the same way as Cleared Contracts that are pursuant to the registration of Cleared LMEprecious Options).

### **2. PERMITTED LMEPRECIOUS OPTIONS AND SPECIFICATIONS**

#### **2.1 Types of LMEprecious Option**

The following types of Contract shall be LMEprecious Options:

- (a) "LMEprecious Gold Options" (being LMEprecious Options having the characteristics specified in the paragraphs below where the underlying metal is Gold); and
- (b) "LMEprecious Silver Options" (being LMEprecious Options having the characteristics specified in the paragraphs below where the underlying metal is Silver).

#### **2.2 Underlying Contract and Lot Size**

The underlying for each LMEprecious Option shall be as follows:

| Contract                  | Underlying Contract                | Lot size             | Code |
|---------------------------|------------------------------------|----------------------|------|
| LMEprecious Gold Option   | LMEprecious Gold Future (Monthly)  | 100 fine troy ounces | AU   |
| LMEprecious Silver Option | LMEpreious Silver Future (Monthly) | 5000 troy ounces     | AG   |

#### **2.3 Currency**

US Dollars.

#### **2.4 Expiry Day and Time**

The Expiry Day for an LMEprecious Option shall be the Business Day which is two Business Days before the Prompt Date for the LMEprecious Option.

The Expiry Time for an LMEprecious Option shall be the time on the Expiry Day that the Exchange Reference Price is determined by the Exchange (which shall be 15:02 or such later time as the Exchange may require).

## 2.5 **Prompt Date**

Where any reference is made to the Prompt Date of an LMEprecious Option, such reference shall mean the Prompt Date of the underlying LMEprecious Future for such LMEprecious Option.

LMEprecious Options may have as their Prompt Dates each third Wednesday in each calendar month from and including the first calendar month to and including the twenty fourth calendar month.

On the Expiry Day, the current month's third Wednesday date will no longer be tradable as an LMEprecious Option Prompt Date. On that Business Day only there will be twenty three tradable third Wednesday Prompt Dates.

On the Business Day following Expiry Day, the new twenty fourth calendar month will be tradable as a LMEprecious Option Prompt Date.

If any Prompt Date would fall on a day which is not a Settlement Business Day, then the Prompt Date shall be determined in accordance with Regulation 8.4.1 of the Trading Regulations.

## 2.6 **Strike Price Gradations**

The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be posted in the Exchange.

## 2.7 **Trading Platform**

LMEprecious Options may be traded on LME Select and the inter-office market but not in the Ring.

All LMEprecious Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

## 2.8 **Trading Hours**

LMEprecious Options may be traded on the following platforms at the following times:

| Platform            | Trading Hours   |
|---------------------|---|
| LME Select          | Between 01:00 and 20:00 London time on a Business Day |
| Inter-office market | 24 hours a day during a Business Day                  |

## 2.9 **Last Trading Time**

The last trading time for LMEprecious Options shall be 20:00 London time on the Last Trading Day.

The Last Trading Day for LMEprecious Options shall be the Business Day which is one Business Day before the Expiry Day. (For example, if the Expiry Day is on a Monday, the Last Trading Day shall be on the preceding Friday.)

## 2.10 Minimum Price Movement

- (a) the minimum fluctuation in the Strike Price for LMEprecious Options shall be as follows:

| Contract                  | Minimum Strike Price movement |
|---------------------------|-------------------------------|
| LMEprecious Gold Option   | \$5 per fine troy ounce       |
| LMEprecious Silver Option | \$0.25 per troy ounce         |

- (b) the minimum fluctuation in premiums for LMEprecious Options shall be as follows:

| Contract                  | Minimum premium movement   |
|---------------------------|----------------------------|
| LMEprecious Gold Option   | \$0.01 per fine troy ounce |
| LMEprecious Silver Option | \$0.001 per troy ounce     |

## 2.11 Settlement Basis: Automatic Exercise into Underlying Future

2.12 LMEprecious Options are European-style options.

2.13 An LMEprecious Option shall be automatically exercised on its Granter at the Expiry Time on the Expiry Day for the relevant LMEprecious Option if at that time it is:

- (a) either a Call Option or a Put Option and is In the Money; or  
 (b) a Call Option and is At the Money,

and in each case forms part of a Member's open registered position with the Clearing House.

2.14 Notification of automatic exercise of a Client LMEprecious Option shall be made in such manner as has been agreed between Granter and Taker.

2.15 Any LMEprecious Option not exercised as prescribed shall be deemed after its Expiry Time on its Expiry Day to have been abandoned.

## 3. EXERCISE REFERENCE PRICE

3.1.1 The Exercise Reference Price for LMEprecious Options shall be the Settlement Price determined by the Exchange between 15:00 and 15:02 on the Expiry Day (or such later time on the Expiry Day that the Exchange may specify by Notice), where such Settlement Price is calculated using a VWAP from transactions on LME Select between such periods as shall be specified by way of Notice. Such Exchange Reference Price shall be published by the Exchange following its determination.

The Exchange may specify a minimum volume threshold with respect to each LMEprecious Option that is subject to this Settlement Price process, which shall be advised to the market from time to time by way of Notice.

3.1.2 In the event that the minimum volume threshold requirement is not reached, then the Exercise Reference Price shall be determined as follows:

- (a) it shall be the last traded price within the bid/offer on the close of the pricing period, unless any of the following apply;
- (b) if the last traded price is outside of the bid/offer on the close of the pricing period, then the closest price to the last trade that falls within the bid/offer will be used;
- (c) if no trades have occurred during the pricing period, then the mid-point of the bid/offer on the close of the pricing period will be used;
- (d) if no trades have occurred during the pricing period and no bid/offer exists on the close of the pricing period, then the last traded price may be used but there is no obligation on the Exchange to determine that Exercise Reference Price at that level;
- (e) if no trades have occurred during that day and no bid/offer exists, then the Exercise Reference Price will be determined with reference to market activity in related Prompt Dates (in respect of the underlying LMEprecious Future) and/or market activity during the pricing period on the previous Business Day; and
- (f) where no such pricing information exists, then the Exercise Reference Price will be determined by the Exchange in its absolute discretion.

#### 4. **EFFECT OF AUTOMATIC EXERCISE**

4.1 On the automatic exercise of an LMEprecious Option on the Expiry Day an LMEprecious Future Contract, in the form representing the underlying for the LMEprecious Option, shall arise between Granter and Taker of the declared LMEprecious Option, the price of such LMEprecious Future Contract Contract being the Strike Price in the LMEprecious Options Contract.

4.2 Upon such automatic exercise:

- (a) a Cleared LMEprecious Option Contract shall be closed automatically and simultaneously replaced with a Cleared LMEprecious Future in accordance with these Rules and the Clearing House Rules;
- (b) a Client LMEprecious Option Contract shall be closed automatically and simultaneously replaced with a Client LMEprecious Option, in accordance with these Rules;
- (c) in respect of such Contracts as are described in (a) and (b) above:
  - (i) where a Call Option is exercised:
    - (1) the Granter under the Option Contract shall be the Seller under the Future Contract; and
    - (2) the Taker under the Option Contract shall be the Buyer under the Future Contract; and



- (ii) where a Put Option is exercised:
    - (1) the Granter under the Option Contract shall be the Seller under the Future Contract; and
    - (2) the Taker under the Option Contract shall be the Buyer under the Future Contract; and
  - (d) the corresponding positions in respect of the LMEprecious Future Contract(s) shall be recorded by the Clearing House in the relevant account(s) of the Clearing Member at the Clearing House (which may, for the avoidance of doubt, include a "house" or "proprietary" account and a "client" account that is either segregated on an "omnibus" basis or an "individual client" basis).
- 4.3 Prompt Dates for LMEprecious Futures Contracts resulting from the automatic exercise of LMEprecious Options shall be the third Wednesday in the relevant month or, if that day is not a Business Day, the next succeeding day which is a Business Day.
- 4.4 LMEprecious Futures Contracts which arise on the automatic exercise of an LMEprecious Option shall be settled in accordance with the Trading Regulations and the LMEprecious Future Regulations.
- 5. **PREMIUMS**
- 5.1 The amount of the premium payable on opening every LMEprecious Option shall be the premium input into the Matching System, as determined via LME Select or by the Granter and the Taker in the inter-office market.
  - (a) Payment of the premium by the Taker of a Cleared LMEprecious Option to the Granter shall be effected through the payment system, in accordance with Clearing House Rules, prior to 12.00 hours on the next Business Day following the day on which the LMEprecious Option is traded.
  - (b) Payment of the premium by the Taker of a Client LMEprecious Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the LMEprecious Option is traded.
- 5.2 The Taker of a Cleared LMEprecious Option may apply the value of such LMEprecious Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open Cleared Contracts of the said Taker, subject to, and in accordance with the Clearing House Rules.
- 5.3 The Taker of a Cleared LMEprecious Option or Client LMEprecious Option shall not be permitted to receive cash payment in respect of any positive value of such Option nor apply any credit arising therefrom to the purchase of another LMEprecious Option.
- 5.4 For the avoidance of doubt, this paragraph 4 has no relevance to any premium (including any Premium Contract Price) under a Premium Contract.



## **APPENDICES**

### **I Listed Brands**

This appendix is no longer reproduced in the LME Rulebook but is available on the LME website at <http://www.lme.com/trading/warehousing-and-brands/brands/approved-brands/> or in hard copy from the Exchange.

### **II Listed Samplers and Assayers**

This appendix is no longer reproduced in the LME Rulebook but is available on the LME website at <http://www.lme.com/trading/warehousing-and-brands/brands/samplers-and-assayers/> or in hard copy from the Exchange.

### **III Listed Warehouses**

This appendix is no longer reproduced in the LME Rulebook but is available on the LME website at <http://www.lme.com/trading/warehousing-and-brands/warehousing/approved-warehouses/> or in hard copy from the Exchange.

### **IV Miscellany**

Market Calls – LME trading times are no longer reproduced in the LME Rulebook but are available on the LME website at <http://www.lme.com/trading/times-and-dates/>



## **APPENDIX IV**

### **MISCELLANY**

In this section may be stored sheets of additional information from time to time distributed. Provided with this book is an example – the current timetable of LME market calls. Users of the book may, as they choose, install further items, recording their titles on the contents table on the following page.



## CONTENTS

Section

Page

|     |                   |      |
|-----|-------------------|------|
| 1.  | Market Calls..... | IV-1 |
| 2.  | .....             |      |
| 3.  | .....             |      |
| 4.  | .....             |      |
| 5.  | .....             |      |
| 6.  | .....             |      |
| 7.  | .....             |      |
| 8.  | .....             |      |
| 9.  | .....             |      |
| 10. | .....             |      |
| 11. | .....             |      |
| 12. | .....             |      |
| 13. | .....             |      |
| 14. | .....             |      |
| 15. | .....             |      |
| 16. | .....             |      |
| 17. | .....             |      |
| 18. | .....             |      |
| 19. | .....             |      |
| 20. | .....             |      |
| 21. | .....             |      |
| 22. | .....             |      |
| 23. | .....             |      |
| 24. | .....             |      |





## Matching Rules

### Defined Terms

1. Capitalised terms not otherwise defined herein shall have the meaning ascribed to them in the Rules and Regulations of the LME (the “**LME Rulebook**”). These matching rules form part of the Administrative Procedures that may be adopted by the Exchange (also referred to as the “**LME**”) from time to time in accordance with the LME Rulebook.

### General Information

2. All business transacted on the Exchange is subject to price validation, whether that be on an order-by-order basis for business agreed and Executed on LMEselect, or trade-by-trade for business ~~Executed~~agreed non-electronically (i.e. on the Ring and inter-office market). For the avoidance of doubt, and as set out in Trading Regulation 2, agreement of a trade results in an Agreed Trade that is "Executed", provided that the Acceptance Criteria are satisfied. The point at which Execution occurs on each of the LME's Execution Venues is set out more fully in Trading Regulation 2.
3. Where an order or trade fails any pre-execution check, including the price validation check, Regulation 3.10.1 of Part 3 of the Rules requires Members to follow the relevant Administrative Procedure in relation to the correction of ~~“Failed Checks”~~ (meaning Pre-Execution Checks set out at Regulation 2.8.1 of Part 3 of the Rules that have not been met, and, in respect of Ring trades, the price validation check undertaken on entry of the trade into the Matching System). Where an order or trade fails the price validation check, Members are required to contact the Exchange to explain the rationale as to the price of the rejected order or trade. In relation to the correction of any Failed Checks, the Member may be required to provide such additional information as the Exchange deems necessary and appropriate in determining whether the relevant order or trade should be permitted to be re-submitted in its original form. Members should note that where re-submission has been permitted, there may be a requirement to post additional collateral to the Clearing House, and Members must comply with such requirements.
4. The hours on each Business Day during which the Matching System is open and able to receive information regarding Agreed Trades (being the "Opening Hours" for the purpose of the LME Rulebook) are ~~06.01~~:00 to 20:00 London time in respect of trades for the LME Base Service, and ~~06.01~~:00 ~~–to~~ 20:15 London time in respect of trades for the LMEprecious Service. Requests for extensions to either the relevant TOM matching deadline (or the trading day +1 matching deadline in the case of LMEprecious, i.e. the deadline for the T+1

Prompt Date as defined in Part 13 of the Rules), or the London inter-office trade input deadline will only be granted in exceptional circumstances. Requests must be made to LME Post-Trade Operations no later than 15 minutes prior to the relevant deadline (email: [posttradeoperations@lme.com](mailto:posttradeoperations@lme.com); tel. no. +44 (0)20 7113 8201). The relevant deadlines are as follows:

#### **LME Base Service**

~~TOM Trading Deadline: 12:30 London time~~

~~TOM Matching Deadline: 13:30 London~~

~~time Trade Input Deadline: 20:00 London~~

~~time LMEprecious Service~~

~~Trading day +1 (i.e. T+1 Prompt Date, as defined in Part 13 of the Rules)~~

~~Trading Deadline: 16:00 London time~~

TOM Trading Deadline: 12:30 London time TOM Matching Deadline: 13:30 London time Trade Input Deadline: 20:00 London time

#### **LMEprecious Service**

Trading day +1 (i.e. T+1 Prompt Date, as defined in Part 13 of the Rules)

Trading Deadline: 16:00 London time

Trading day +1 (i.e. T+1 Prompt Date, as defined in Part 13 of the Rules)  
Matching Deadline: 17:00 London time

Trade Input Deadline: 20:15 London time

5. The trading hours for the agreement of trades are as follows (all times are London time):

|              | LME Base Service  | LMEprecious Service |
|--------------|---|---------------------|
| Ring         | <del>(see Appendix I)</del> <u>See the "Trading Time and Dates" section of the <a href="http://www.lme.com">www.lme.com</a></u> | n/a                 |
| LME Select   | 01:00 – 19:00   | 01:00 – 20:00       |
| Inter-office | 24 hours  | 24 hours            |

6. For the LME to fulfil its regulatory reporting obligations ~~LMEsmart~~, the Matching System will connect to LMEselect at 01:00. Members should therefore give consideration as to when they connect to ~~LMEsmart~~the Matching System. In order to receive all trade messaging Members will be required to login to the

system in advance of the 01:00 opening. Should members choose to login after the open they will be ~~require~~required to perform a Trade Mass Status Request whereby only the current state of the transaction is captured.

#### ~~Registration~~

7. Members are responsible for the input of ~~trades~~an Agreed Trade and all relevant particulars of an Agreed Trade into the Matching System within the timescales set out in Regulation 3.5 of the Trading Regulations, subject that registration of Agreed Trade halves ~~executed~~agreed during Asian business hours (including those arranged by a Registered Intermediating Broker) must be submitted to ~~LMEsmart~~the Matching System by 08:30. Members are not obligated to submit ~~trade~~Agreed Trade halves from 01:00, when ~~LMEsmart~~the Matching System opens.

8. Members must retain a full audit trail for all orders submitted to LME Select, all ~~trades-Executed~~Agreed Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange. Where Members have Executed transactions in currencies other than US Dollars, the audit trail for these transactions must include the relevant US Dollars price and the FX rate used to calculate the non-US Dollars price. In addition, Members must ensure that they have appropriate documentation in place with their Clients prior to ~~executing~~arranging, agreeing or Executing orders received from them (e.g. give-up agreement etc.).

~~8.9.~~ Index Contracts, Ferrous Futures LMEmini Contracts, Monthly Average Futures, Premium Contracts and LMEprecious Futures may only be executed in US Dollars. All other contracts may be executed in US Dollars, Euro, Japanese Yen or Pounds Sterling.

#### ~~Trades-executed~~

~~9.10.~~ Agreed trades that are agreed as Carries should be entered as such in to the Matching System and the audit trail for the transaction should clearly demonstrate whether a trade is an outright or a Carry. When submitting Carry trades into the Matching System, Members must follow market convention and enter the near leg first followed by all other legs in chronological prompt date order.

~~10.11.~~ Members are advised that where there is a requirement to adjust (Reversal/Correction) a previously registered Member to Member Carry trade when the near leg has expired all subsequent legs should be entered to the Matching System as outright trades. Where a Member to Client Carry trade requires adjustment, only the individual leg that requires adjustment need be reversed and then corrected, where appropriate.

~~11.~~12. Members must not use the LME Base Service or LMEprecious Service for any abusive practice which may include, but is not limited to, the avoidance or evasion of the Rules or any Administrative Procedure.

~~12.~~13. Members are reminded that, when entering trades to the Matching System they must use their own order/trade data and not rely upon that entered by the other party to the trade.

~~1. Appendix II summarises the relevant matching category combinations, details of which are as follows.~~

### Trade Categories and Post Trade Functions

~~13.~~14. The following trade categories will apply for all business that is agreed non-electronically ~~Executed business~~<sup>1</sup>:

- **Normal** – is used to enter ~~current~~new market ~~price~~-trades ~~executed~~Executed on the Ring, Basis Ring (as described in paragraph ~~15~~16 below), ~~Inter or agreed in the inter-~~office market or via the Matching System. This trade category should also be used when adjusting trades ~~executed~~Executed in LME Select following the application of the Lending Rules.
- **Give-Up Executor/Give-Up Clearer** – is used to effect the give-up of a transaction to another Clearing Member.
- **OTC Bring-On** – is used to convert a previously executed over-the-counter contract to a ~~contract~~Cleared Contract, where the intention is to bring the transaction on-Exchange. Further information regarding the OTC Bring-On trade category is contained in the section headed “OTC Bring-Ons and OTC Backloading” below.
- **OTC Take Off** – is used to convert an on-Exchange ~~contract~~Contract to an over-the-counter contract.
- **Financing** – is used to enter a trade that relates to financing transactions.
- **Exception Reportable** – this trade category can only be used with the prior approval of the Exchange. Members must contact the LME Post Trade Operations team (posttradeoperations@lme.com, phone no: +44 (0)-20 7113 8201) in advance of submitting an Exception transaction to the Matching

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<sup>1</sup> ~~Business executed on~~Executed via LME Select will always have a Trade Category of Normal.

System, providing details and the rationale for the transaction. This category can only be used in order to submit a trade to the Matching System that has been identified by the Member as a reportable transaction under MiFID II. ~~This category is to be used for trades which the Member wants LME to report on its behalf.~~

- **Exception Non-Reportable** – this trade category can only be used with the prior approval of the Exchange. Members must contact the LME Post Trade Operations team ([posttradeoperations@lme.com](mailto:posttradeoperations@lme.com), phone no: +44 (0)20 7113 8201) in advance of submitting an Exception transaction to the Matching System, providing details and the rationale for the transaction. This category can only be used in order to submit a trade to the Matching System that has been identified by the Member as a non-reportable transaction under MiFID II. An example of this would be the submission of a transaction derived from an option expiry.

#### Post Trade Functions

- **Transfer** – is used to effect the move of a registered single trade or group of trades (“a position”) between Members or alternatively within a Member’s own client account structure.

#### Price Types

~~14.~~15. The following price types will apply for all business that is agreed non-electronically ~~Executed trades~~<sup>2</sup>:

- **Current** – must be used to record ~~transactions-executed~~Agreed Trades arranged at current market prices and transactions executed at current market process that are subsequently averaged for entry to the Matching System on TD+0 or TD+1.
- **Historic** – must be used to record all other transactions (e.g. OTC Bring-Ons, transfers (as applicable) and historic price carries) from TD+2 onwards.

Because of the requirement to match trades within 10 minutes of Execution Agreement of an Agreed Trade (see Regulation 3.5 Part 3, of the LME Rules), the “Average Price” price type is no longer available, as trades must not be held back from submission to matching. However, Members may create a single average price transaction for a single Client within their own systems, provided a full audit trail is maintained of any such actions (see paragraph ~~32~~34 below).

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<sup>2</sup> — ~~Business executed on~~Executed via LME Select will always have a price type of Current.

### Venue Codes

~~45-~~16. The following venue codes will apply:

- **Select** – for all electronically Executed business.
- **Ring** – for all business Executed in the Ring.
- **Basis Ring** – for any trade agreed between a Category 1 Member and their Client pursuant to an order placed with that Category 1 Member, that is filled during the relevant Ring or kerb session, basis a price(s) discovered in the Ring by Category 1 Members through trading or quoting.
- **Inter-office** – for all other business agreed non-electronically, including trades arranged by RIBs, and which is Executed ~~business~~pursuant to confirmation by the Matching System.

### Short Price Codes

~~46-~~17. The following price codes will apply:

- **Settlement Price (“S”) Code** – where the price for an outright trade or the near leg of a Carry is based upon that day’s Settlement Price with other Carry leg(s) priced relative to the first leg plus or minus an agreed premium or discount.
- **Closing Price (“C”) Code** – where the price is based upon that day’s Closing Price for the relevant Prompt Date for each outright trade or Carry leg and may include plus or minus an agreed premium or discount.
- **Basis the Closing Price (“B”) Code** – where the pricing basis for the near leg of a Carry is the Closing Price for the relevant Prompt Date and the other leg(s) is priced relative to the first leg plus or minus an agreed premium or discount.
- **Yesterday’s Settlement Price (“YS”) Code** – where the price is the previous Business Day’s relevant Settlement Price.
- **Valuation Price (“V”) Code** – where the price is the previous Business Day’s relevant Closing Price.

- **Mean Cash (“MC”) Code** – where the price is the mean of the bid/offer spread for the relevant Cash prompt based on the Official Price.
- **Mean 3 Month (“M3”) Code** – where the price is the mean of the bid/offer spread for the relevant 3 Month prompt based on the Official Price.

~~17.~~18. In all cases where a short price code has been used, and once the relevant absolute value has been made available, the Matching System will substitute the correct price for each code, and calculate absolute values for all leg(s) containing a price differential. For short price codes YS and V, the substitution of the absolute price will occur automatically upon submission.

#### Trade Submission Deadlines

~~18.~~19. Regulation 3.5 of Part 3, of the Rules sets out the deadlines for matching Contracts.

~~19.~~20. Where Client Contracts have been agreed after 19:50 London time with respect to LME Base Contracts, and 20:05 for LMEprecious Contracts (i.e. 10 minutes prior to the relevant close of the Matching System), then the registration of these transactions must be completed by 08:30 London time on the following Business Day including those transactions arranged by RIBs.

~~20.~~21. Regulation 3.5.1(~~ed~~) of Part 3 of the Rules states that business ~~executed~~Executed in the Ring must be submitted within 10 minutes of the close of the Ring trading- period in which the Agreed Trade was Executed, ~~and Appendix II contains details of the Ring sessions, associated Matching Periods and Ring time codes to be used for the submission of these trades.~~ Where ~~trades~~Agreed Trades have ~~been Executed~~agreed, either in the Ring or in the inter-office market, using either the Official, Mean or Closing Price as the basis for the trade price, then the relevant Ring time code should be entered, but the matching deadline will be 10 minutes after all relevant data has been made available by the Exchange (i.e. after any objection period, and once the Official Prices/Closing Prices have been declared final).

22. As set out in Rule 3.5.1 of Part 3 of the Rulebook, RIBs are responsible for registered Agreed Trades in the Matching System within 10 minutes of arranging the trade in the inter-office market. Where a RIB has registered an Agreed Trade in the Matching System, the Clearing Member must approve or reject the Agreed Trade within the Matching System within 10 minutes of such registration.

## Trade Times

~~21.~~[23.](#) Depending on the venue, the Trade Time field must be completed as follows:

- **Select** – this field is automatically populated upon the matching of relevant orders, no further action is required by Members.
- **Ring** – either “R 1-4” if Executed during a Ring session or “K 1-2” if Executed during a kerb session.
- **Basis Ring** – either “C 1-4” if agreed during a Ring session or “D 1-2” if agreed during a kerb session.
- **Interoffice** – the time at which the trade was agreed<sup>3</sup>, and must be entered as HH:MM:SS.

## Accounts

~~22.~~[24.](#) The Matching System supports the following accounts:

- **H** – House, for all proprietary, non-Client business;
- **U** – Unallocated, sub-account of H, for all business that is to be given-up to another Clearing Member even where the details of the Clearing Member are known;
- **C** – Client, for all business allocated to a net omnibus segregated Client account (OSA);
- **G** – Client, for all business allocated to a gross omnibus segregated Client account (GOSA);
- **S** – Client, for all business allocated to an individual segregated Client account (ISA); and
- **X** – Client OSA, for those transactions for which an invalid ISA, OSA or GOSA identifier has been submitted.

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<sup>3</sup> ~~—~~ Note that this will record the time of: [\(i\) the Contingent Agreement to Trade; or \(ii\) the agreement of the Agreed Trade arranged by the RIB](#); pursuant to Regulation 2.5.1(c) of Part 3 of the LME Rules, the Agreed Trade shall, provided that it satisfies the Acceptance Criteria, be Executed at the time that the Matching System confirms that the Agreed Trade is matched and that all Pre-Execution Checks are satisfied.



~~23-25.~~ The Client Code field ("Cust") is a mandatory entry field for Client Contracts. This field must be populated with the code used to identify the beneficial owner of the Client Contract in the Member's books and records. This code must be consistent with that used when reporting positions to the Exchange. ~~Where required, the short code representing the Legal Entity Identifier (LEI) should also be supplied.~~

~~24-26.~~ When entering orders ~~to LME Select and/or when entering trades to the Matching System~~ on LME Select, Members must ensure that they identify the correct account where appropriate. Trades incorrectly identified will be allocated to an X Account of the Clearing Member and it will be the responsibility of the Clearing Member to reverse the trade and allocate it to the right account in accordance with the procedures set out in paragraphs ~~35-41~~ 37-43 below.

### **Post-Trade/Administrative Functions**

~~The following~~

~~25-27.~~ ~~This~~ section ~~(s) detail~~ details the post-trade/administrative functions that are available for Members; Members are encouraged to contact the Exchange if they are unsure how to effect any particular post-trade activity (email: [posttradeoperations@lme.com](mailto:posttradeoperations@lme.com), phone +44 (0)20 7113 8201).

### Transfer

28. This post-trade category should be used to move a single trade or a group of trades ("a position") between Members, for a common Client or non-common Client between two Clearing Members; or alternatively within a Member's own account structure.

~~26-29.~~ This post-trade category should also be used where Members wish to undertake a metal position exchange (formerly referred to as a metal position swap) whereby users of physical metal swap (exchange) an existing on-Exchange hedge and a commitment to deliver physical metal. The entry recorded in the Matching System is therefore the movement of a position for a non-common Client.

~~27-30.~~ When undertaking a physical metal swap for a non-common Client Members are required to have a 4-way agreement in place prior to entering such a transaction. Members must maintain a full audit trail in order to demonstrate complete history of a transaction. Each Member must confirm via the agreement that the Client is a direct customer, is a commercial user of the metal concerned and had given the Member written instructions regarding the metal swap transaction. The Member must ensure that the transaction is not in breach of LME Rules or other appropriate legal requirements.

~~28~~31. Members executing an exchange for physical (“**EFP**”) transaction and in doing so wish to create a new hedge on Exchange (as opposed to using an existing position), should use the Financing trade category. Where the Members or their Clients wish to use an existing position as a hedge for an EFP transaction, then this constitutes a metal position exchange and the Transfer trade category should be used.

~~29~~32. Where transferring a Client position between Clearing Members for the Base Service, the position must first be moved out of the relevant GOSA/OSA/ISA account to the Member’s House account using the Transfer post-trade category. Once this registration has been completed, the Transfer trade half may be entered into the Matching System for matching with the other Clearing Member to effect the Transfer. Once the Client position has been received into the Member’s House account, the position should subsequently be moved to the relevant GOSA/OSA/ISA account.

~~30~~33. For the LMEprecious service, transferring a Client position between Clearing Members does not need to be moved out of the relevant GOSA/OSA/ISA account to the Member’s House account. Instead, the transfer can be effected directly from the relevant GOSA/OSA/ISA account to the other Clearing Member’s GOSA/OSA/ISA account as appropriate.

~~34~~34. Client positions may be transferred at the original “Historic” contract price, or “Current” market price (usually the Closing Price for the relevant Prompt Date). Members may transfer a single trade or a trade weighted average of the longs AND a trade weighted average of the shorts as long as they maintain a sufficient audit trail to demonstrate how the “average” price was calculated and which pricing basis was used. **Members may not offset long and short positions between two or more accounts to effect a position transfers, for the purpose of avoiding or evading the Matching Rules or otherwise.** Members may not average/amalgamate trades using different pricing bases.

~~32~~35. The Transfer post-trade category should also be used to offset a **common** Client’s delivery exposure for the Cash Today (“**TOM**”) or Cash Prompt Date for existing on-Exchange positions. In these circumstances, a net position may be offset at each Clearing Member by submitted the relevant entries to the Matching System priced at the Official Settlement Price for the Prompt Date.

~~33~~36. The Transfer post-trade category may also be used to offset an existing on- Exchange position at one Member with an OTC position at another Member for a **common Client**, or an existing OTC position at one Member with an on- Exchange position at another Member for a common ~~client~~Client

using the Transfer trade category in conjunction with the OTC Bring-On trade category as applicable.

#### Reversal/Correction Cancellation Flag

~~34.~~37. To execute a Reversal/Correction the cancellation trade flag should be used to correct errors that may have occurred in one or more of the fields entered into the Matching System at the point of trade submission. In addition, this facility should also be used in conjunction with the revised Give-Up process detailed below.

~~35.~~38. Trades previously submitted with a Reversal/Correction trade category must be submitted with the same trade category as the previously registered trade. The new trade must have the correct Cancellation Flag and the Cancel Link Id set to the Matching Reference Number of the original trade.

~~36.~~39. Trades submitted to the Matching System with the Reversal trade flag must reflect the exact economic trade details of the trade originally registered other than the 'Buy/Sell' indicator. For the avoidance of doubt, no partial Reversals are permitted.

~~37.~~40. Client Contracts may be cancelled and resubmitted to the Matching System on the day of trade ("T") but errors identified thereafter (T+1 onwards) must be corrected using the Reversal/Correction above.

41. In the event that a trade Executed in LME Select requires a price adjustment as a result of the Lending Rules, Members must use the Reversal/Correction process Normal trade category against venue ~~Inter~~inter-office to effect the necessary adjustment.

~~38.~~42. The Reversal/Correction process can also be used to effect a currency conversion in which an existing Client Contract is converted from one currency accepted by the Exchange to another currency accepted by the Exchange.

43. In the event that an Agreed Trade is arranged by a RIB and is matched and submitted to the Matching System, the following process should be followed in order to execute a Reversal/Correction:

- the RIB must liaise with each Clearing Member to agree the correct details of the Agreed Trade to be re-submitted;
- once agreed, each Clearing Member shall enter two new trades with the Reversal/Correction trade category, to: (i) cancel the original registration of

the Agreed Trade in the Matching System; and (ii) register in the Matching System the Agreed Trade with the correct details agreed by each Client of the RIB.

#### Use of UNAs to Facilitate Issuing of Client Contracts and Other Uses

44. The process for use of the "UNA" mnemonic in Give-Ups is set out below, particularly at paragraphs 51 to 61. The Exchange acknowledges that Members use the "UNA" mnemonic other than in connection with the registration of Give-Ups. For example, UNAs are used in connection with the registration of Client Contracts, in circumstances other than those involving the facilitation of Give-Up trades. Such use of the "UNA" mnemonic is permitted, provided that:

- (a) Members comply with their obligations under Regulation 3.3 of the Trading Regulations and the provisions of the Clearing House Rules regarding the allocation of positions to the relevant position-keeping account at the Clearing House;
- (b) it is the sole responsibility of the Member to ensure that it allocates positions in respect of Contracts to an appropriate position-keeping account at the Clearing House to enable the Member and its Client(s) to comply with any applicable legal or regulatory requirements and/or any contractual obligations; and
- (c) such use is permissible under, and consistent with, the broader requirements set out in these Matching Rules and the LME Rulebook (in each case as amended from time to time).

#### Details of Certain Business Processes

##### Financing

~~2.~~ The Financing trade category is used for financing transactions where the prices are likely to be away from the prevailing current market price. Under

~~39.45.~~ MiFID II, securities financing transactions are not considered to be reportable transactions. Therefore, the use of the Financing trade category will not result in any transaction reporting obligations, provided the transaction itself meets the following criteria:

- (a) a repurchase transaction – involves selling a commodity and agreeing to repurchase it in the future. The transaction must be governed by an agreement to transfer commodities, or guaranteed rights relating to title to commodities subject to:

- (i) the seller can only transfer or pledge a particular commodity to one counterparty at a time;
  - (ii) the seller must agree to repurchase them, or substituted commodities of the same description; and
  - (iii) the seller must agree to repurchase them at a specified price on a specific future date; or
- (b) securities or commodities lending and securities or commodities borrowing – where a counterparty transfers commodities subject to a commitment that the borrower will return equivalent commodities on a future date or when requested to by the transferor; or
- (c) a buy-sell back transaction or sell-buy back transaction – where a counterparty buys commodities, or guaranteed rights relating to title to commodities, and agrees to sell them (or commodities/guaranteed rights of the same description) back to the other party at a specified price on a future date. A sell-buy back represents the other side of the transaction; or
- (d) a margin lending transaction – this only applies to securities, not commodities.

~~40.~~46. Historic Price Carry submission would be effected via the Financing Trade Category. Historic Price Carry trades are used to roll or carry forward an existing Client Contract to a valid Prompt Date on the basis of the original contract price between the same Members. Notice 99/484 : A472 : R034 ('RULES ON HISTORIC/ORIGINAL PRICE CARRIES') remains in force.

### Give-Ups

~~3.~~ Give-Up trades ~~may~~must be registered in the Matching System in relation to a trade that is concluded on any Execution Venue. ~~However, the following process must be undertaken for business executed on the Ring or the inter-office venue regardless of whether the Clearing Member is known at the time of the Execution of the Client order or not. Members may follow this process for business executed on LME Select if they wish.~~

~~41.~~47. Within 10 minutes from the time of Execution of the Client order, the executing Member must enter a Give-Up Executor trade half. Irrespective of which Execution Venue the trade is concluded on, Give-Up trades may only be submitted to the Matching System with venue code ~~"Inter-office"~~"\_". Members are not permitted to submit Give-Up trades against any other venue code.

~~Within 10 minutes from~~

48. Where the executing Member knows the identity of the Give-Up Clearer at the time ~~of~~ at which it enters the Give-Up Executor trade half, the executing Member may register the Give-Up Executor trade half directly to the Give-Up Clearer. In this scenario, the executing Member must include the Give-Up Clearer's mnemonic in the counterparty field.
49. However, in order to facilitate Members' compliance with the 10 minute window mentioned above, Members may elect (but are not obligated) to use the process set out in paragraphs 51 to 61 below (the "UNA process"). Members may use this process whether or not the Clearing Member is known at the time of the Execution of the Client order, and for business that is executed on any of the LME Execution Venues.
- ~~42.~~50. Where an executing Member uses the UNA process, the executing Member must enter ~~a Give-Up Executor trade half. The executing Member must enter~~ the member mnemonic "UNA" in the counterparty field. In both the trade to fulfil the Client order and the Give-Up Executor trade the account should be entered as "H".
- ~~43.~~51. The submission of the Give-Up Executor trade half into the Matching System will automatically generate a Give-Up Clearer trade half, with an account field of "U". This will create a matched trade that will be submitted for clearing, resulting in a cleared trade. This will lead to equal and opposite positions on the executing Member's H and U accounts.
- ~~4. — No fees are applied to trade halves submitted to the Matching System against mnemonic "UNA" in the counterparty field.~~
- ~~44.~~52. Where the Clearing Member is known, the executing Member may then cancel or reverse the cleared trade by following either of the steps outlined in paragraph ~~40~~53 below. When the Clearing Member has been advised in due course by the Client that the executing Member has filled his order, the Clearing Member will then enter a Give-Up Clearer trade half to the Matching System.
- ~~45.~~53. Where the executing Member has been advised of the Clearing Member to whom the trade should be given-up to for clearing, then the executing Member may do one of the following:
- (a) Cancel the cleared trade that was created through the system-generated Give-Up Clearer trade half with the UNA member mnemonic, and submit a Give-Up Executor trade half with the now known Clearing Member mnemonic in the Counterparty field, with an appropriate Client reference where known; or

- (b) Reverse the original Give-Up Executor trade half with the UNA member mnemonic, and submit a Give-Up Executor trade half with the now known Clearing Member mnemonic in the Counterparty field and with an appropriate Client reference where known.

54. When the ~~relevant~~ Give-Up ~~Clearer~~ Executor enters their reversal half trade ~~has been entered, using either of (a) or (b) above~~, then a new matched trade will be created, but with the original trade date/time retained.

~~46.~~55. If the executing Member chooses to follow (a) above, then they must ensure that the Give-Up Executor trade half that contains the Clearing Member mnemonic also includes such information that allows for it to be identified as being related to the original cleared trade. In this regard, Members are reminded of the general obligation to ensure that they maintain a full audit trail for all orders, trade and post-trade operations.

~~47.~~56. For both (a) and (b) the Execution Time of the Give-Up Executor trade half must be the same as that entered on the original cleared Give-Up Executor/Give-Up Clearer trade.

~~48.~~57. Where the details of the original trade have changed – e.g. Prompt Date, price, volume – then the executing Member may again choose to follow either (a) or (b) as above. However, in these circumstances the Execution Time of either the Give-Up Executor trade half must be the time at which the amended details of the trade were agreed with the Client.

~~49.~~58. Members are reminded of the need to ensure that orders which are to be given-up to other Members for clearing, are done so in a timely fashion, and that it is the responsibility of all Members, executing and clearing, to ensure that they, and their Clients recognise the importance of transmitting any Client instructions and processing this business as swiftly as possible.

~~50.~~59. Where it has not been possible to effect a give-up on trade date (“T”), then the Cleared Trade, created through the submission of the Give-Up Executor trade half and the system-generated Give-Up Clearer trade half, will be processed by the Clearing House together with all other Cleared Trades in accordance with the Clearing House Rules.

~~51.~~60. Regulation 2.11 of Part 3 of the Rules requires Members to comply with, amongst other things, the timing requirements for the processing of Give-Ups. The deadline for processing Give-Ups that have not been processed on T, is 10:00 (London time) on T+1. This is to be ~~effective~~ achieved by the executing



Member reversing the original Cleared Trade, and then submitting a Give-Up Executor trade half in the same manner as the original trade half, with the Trade Date and Time being the original time at which the Client order was executed. However, Members should be aware that they may be required to provide the Exchange with such additional information as the Exchange may request from time to time to demonstrate why it was not possible to process the Give-Up on T.

#### OTC Bring-Ons and Backloading

~~52.~~61. The OTC Bring-On category may be used where a Member has:

- (a) Entered into an over-the-counter contract with another Member;
- (b) Agreed with that other Member a Contingent Agreement to Trade pursuant to which the parties agree to submit transaction details reflecting the terms of the over-the-counter contract.

~~53.~~62. An Agreed Trade that is submitted with the OTC Bring-On category shall therefore be treated in the same way as any other Agreed Trade made in the inter-office market.

~~54.~~63. It is the responsibility of the Members that are counterparties to the original over-the-counter contract to take any action that may be necessary to terminate or cancel such contract when the Agreed Trade represented by the Contingent Agreement to Trade is Executed. Neither the Exchange nor the Clearing House shall have any responsibility or liability to any person in respect of the original over-the-counter contract.

The Clearing House may offer services to enable Members to clear through the Clearing House Cleared Contracts representing multiple, previously executed, over-the-counter contracts (an "**OTC Backloading Service**"). Such services shall be governed by the terms of any agreement pursuant to which the Clearing House and/or the Exchange makes such services available. Such contracts shall be input into the Matching System pursuant to a Contingent Agreement to Trade, in the same manner as an OTC Bring-On, save that the particulars of the Contingent Agreement to Trade shall be determined pursuant to the OTC Backloading Service. The Exchange shall treat any Agreed Trade submitted to the Matching System resulting from an OTC Backloading Service in the same manner as any other Agreed Trade represented by a Contingent Agreement to Trade agreed in the inter-office market.

#### OTC Take Off



~~55.~~64. The OTC Take Off category may be used to convert a Client Contract to an OTC contract. Cleared Contracts that are not Client Contracts cannot be taken off exchange.

~~56.~~65. For each contract taken off exchange the member must be able to provide full details of the relevant Client Contract. The OTC Take Off created must be for the same contractual commitment as the original Client Contract.

~~57.~~66. Member must maintain a full audit trail for the OTC Take Off transaction including the client instructions to take each trade off exchange.

~~58.~~67. Neither the Exchange nor the Clearing House shall have any responsibility or liability to any person in respect of the over-the-counter contract.

| Contract                 | Session                | Matching-Period        | Time-code     | Matching-Period        | Price-code           |
|--------------------------|------------------------|------------------------|---------------|------------------------|----------------------|
| Steel-Billet             | <del>11:40-11:45</del> | <del>11:45-11:55</del> | <del>R1</del> |                        |                      |
| Aluminium-Alloy / NASAAG | <del>11:45-11:50</del> | <del>11:50-12:00</del> | <del>R1</del> |                        |                      |
| Tin                      | <del>11:50-11:55</del> | <del>11:55-12:05</del> | <del>R1</del> |                        |                      |
| Primary-Aluminium        | <del>11:55-12:00</del> | <del>12:00-12:10</del> | <del>R1</del> |                        |                      |
| Copper                   | <del>12:00-12:05</del> | <del>12:05-12:15</del> | <del>R1</del> |                        |                      |
| Lead                     | <del>12:05-12:10</del> | <del>12:10-12:20</del> | <del>R1</del> |                        |                      |
| Zinc                     | <del>12:10-12:15</del> | <del>12:15-12:25</del> | <del>R1</del> |                        |                      |
| Nickel                   | <del>12:15-12:20</del> | <del>12:20-12:30</del> | <del>R1</del> |                        |                      |
| Cobalt / Molybdenum      | <del>12:20-12:25</del> | <del>12:25-12:35</del> | <del>R1</del> |                        |                      |
| Interval                 | <del>12:25-12:30</del> |                        |               |                        |                      |
| Copper                   | <del>12:30-12:35</del> | <del>12:35-12:45</del> | <del>R2</del> | <del>13:25-13:35</del> | <del>S, MC, M3</del> |
| Aluminium-Alloy / NASAAG | <del>12:35-12:40</del> | <del>12:40-12:50</del> | <del>R2</del> | <del>13:25-13:35</del> | <del>S, MC, M3</del> |
| Tin                      | <del>12:40-12:45</del> | <del>12:45-12:55</del> | <del>R2</del> | <del>13:25-13:35</del> | <del>S, MC, M3</del> |
| Lead                     | <del>12:45-12:50</del> | <del>12:50-13:00</del> | <del>R2</del> | <del>13:25-13:35</del> | <del>S, MC, M3</del> |

|   |                          |                          |                  |                          |                      |
|---|--------------------------|--------------------------|------------------|--------------------------|----------------------|
| Zinc  | <del>12:50 – 12:55</del> | <del>12:55 – 13:05</del> | <del>R2</del>    | <del>13:25 – 13:35</del> | <del>S, MC, M3</del> |
| Primary Aluminium                                       | <del>12:55 – 13:00</del> | <del>13:00 – 13:10</del> | <del>R2</del>    | <del>13:25 – 13:35</del> | <del>S, MC, M3</del> |
| Nickel  | <del>13:00 – 13:05</del> | <del>13:05 – 13:15</del> | <del>R2</del>    | <del>13:25 – 13:35</del> | <del>S, MC, M3</del> |
| Premium Aluminium                                       | <del>13:05 – 13:10</del> | <del>13:10 – 13:20</del> | <del>R2</del>    | <del>13:25 – 13:35</del> | <del>S, MC, M3</del> |
| Steel Billet  | <del>13:10 – 13:15</del> | <del>13:15 – 13:25</del> | <del>R2</del>    | <del>13:25 – 13:35</del> | <del>S, MC, M3</del> |
| <b>Publication of full data set for Official Prices</b> |                          | <b>13:25</b>             |                  |                          |                      |
| Kerb Trading  | <del>13:25 – 13:35</del> | <del>13:35 – 13:45</del> | <del>K1</del>    |                          |                      |
| Interval  | <del>13:35 – 14:55</del> |                          |                  |                          |                      |
| <b>Contract</b>   | <b>Session</b>           | <b>Matching Period</b>   | <b>Time Code</b> | <b>Matching Period</b>   | <b>Price Code</b>    |
| Aluminium Alloy / NASAAG                                | <del>14:55 – 15:00</del> | <del>15:00 – 15:10</del> | <del>R3</del>    |                          |                      |
| Lead  | <del>15:00 – 15:05</del> | <del>15:05 – 15:15</del> | <del>R3</del>    |                          |                      |
| Zinc  | <del>15:05 – 15:10</del> | <del>15:10 – 15:20</del> | <del>R3</del>    |                          |                      |
| Copper  | <del>15:10 – 15:15</del> | <del>15:15 – 15:25</del> | <del>R3</del>    |                          |                      |
| Primary Aluminium                                       | <del>15:15 – 15:20</del> | <del>15:20 – 15:30</del> | <del>R3</del>    |                          |                      |
| Tin   | <del>15:20 – 15:25</del> | <del>15:25 – 15:35</del> | <del>R3</del>    |                          |                      |
| Nickel  | <del>15:25 – 15:30</del> | <del>15:30 – 15:40</del> | <del>R3</del>    |                          |                      |

|   |                                     |                                     |    |                                     |     |
|---|-------------------------------------|-------------------------------------|----|-------------------------------------|-----|
| Steel Billet                                    | <del>15:30</del> — <del>15:35</del> | <del>15:35</del> — <del>15:45</del> | R3 |                                     |     |
| Interval  | <del>15:35</del> — <del>15:40</del> |                                     |    |                                     |     |
| Lead  | <del>15:40</del> — <del>15:45</del> | <del>15:45</del> — <del>15:55</del> | R4 |                                     |     |
| Zinc  | <del>15:45</del> — <del>15:50</del> | <del>15:50</del> — <del>16:00</del> | R4 |                                     |     |
| Copper  | <del>15:50</del> — <del>15:55</del> | <del>15:55</del> — <del>16:05</del> | R4 |                                     |     |
| Primary Aluminium                               | <del>15:55</del> — <del>16:00</del> | <del>16:00</del> — <del>16:10</del> | R4 |                                     |     |
| Tin   | <del>16:00</del> — <del>16:05</del> | <del>16:05</del> — <del>16:15</del> | R4 |                                     |     |
| Nickel  | <del>16:05</del> — <del>16:10</del> | <del>16:10</del> — <del>16:20</del> | R4 |                                     |     |
| Aluminium Alloy / NASAAC                        | <del>16:10</del> — <del>16:15</del> | <del>16:15</del> — <del>16:25</del> | R4 |                                     |     |
| Interval  | <del>16:15</del> — <del>16:20</del> |                                     |    |                                     |     |
| Zinc (4 min / 1 min)                            | <del>16:20</del> — <del>16:25</del> | <del>16:25</del> — <del>16:35</del> | K2 | <del>17:50</del> — <del>18:00</del> | B,C |
| Tin (4 min / 1 min)                             | <del>16:25</del> — <del>16:30</del> | <del>16:30</del> — <del>16:40</del> | K2 | <del>17:50</del> — <del>18:00</del> | B,C |
| Copper (4 min / 1 min)                          | <del>16:30</del> — <del>16:35</del> | <del>16:35</del> — <del>16:45</del> | K2 | <del>17:50</del> — <del>18:00</del> | B,C |
| Cobalt / Molybdenum (4 min / 1 min)             | <del>16:35</del> — <del>16:40</del> | <del>16:40</del> — <del>16:50</del> | K2 | <del>17:50</del> — <del>18:00</del> | B,C |
| Aluminium (4 min / 1 min)                       | <del>16:40</del> — <del>16:45</del> | <del>16:45</del> — <del>16:55</del> | K2 | <del>17:50</del> — <del>18:00</del> | B,C |
| Prem Aluminium / Alloy / NASAAC (4 min / 1 min) | <del>16:45</del> — <del>16:50</del> | <del>16:50</del> — <del>17:00</del> | K2 | <del>17:50</del> — <del>18:00</del> | B,C |

|  |                          |                          |               |                          |                |
|--|--------------------------|--------------------------|---------------|--------------------------|----------------|
| <del>Lead / Steel Billet (4 min / 1 min)</del>             | <del>16:50 — 16:55</del> | <del>16:55 — 17:05</del> | <del>K2</del> | <del>17:50 — 18:00</del> | <del>B,C</del> |
| <del>Nickel (4 min / 1 min)</del>                          | <del>16:55 — 17:00</del> | <del>17:00 — 17:10</del> | <del>K2</del> | <del>17:50 — 18:00</del> | <del>B,C</del> |
| <del>Publication of full data set for Closing Prices</del> | <del>17:50</del>         |                          |               |                          |                |

~~Matching period for NON-REFERENCED trades against the Official Price or Closing Price~~

~~Matching period for REFERENCED trades against Official Price or Closing Price~~

## COMBINATIONS OF MATCHING

### CATEGORIES

| Trade Category         | Price Type       | Venue                                | Trade Flag          | Reportable | Price Banding | 10 Minute Matching Rule | Short Price Code |   |   |   |   | Trade Items |     |       |
|------------------------|------------------|--------------------------------------|---------------------|------------|---------------|-------------------------|------------------|---|---|---|---|-------------|-----|-------|
|                        |                  |                                      |                     |            |               |                         | S                | G | B | Y | V | R/K         | G/D | HH:MM |
| Normal                 | Current          | Select/Ring/Basis Ring/Inter-Officer | Reversal/Correction | Y          | Yes           | Yes                     | X                | X | X | X | X | X           | X   | X     |
| Normal                 | Historic         | Select/Ring/Basis Ring/Inter-Officer | Reversal/Correction | Y          | Yes           | Yes                     | -                | - | - | - | - | X           | X   | X     |
| Give-up Executer       | Current          | Inter-Officer                        | Reversal/Correction | Y          | Yes           | Yes                     | X                | X | X | - | - | -           | -   | X     |
| Give-up Executer       | Historic         | Inter-Officer                        | Reversal/Correction | Y          | Yes           | Yes                     | -                | - | - | - | - | -           | -   | X     |
| Give-up Clearer        | Current          | Inter-Officer                        | Reversal/Correction | N          | Yes           | Yes                     | X                | X | X | - | - | -           | -   | X     |
| Give-up Clearer        | Historic         | Inter-Officer                        | Reversal/Correction | N          | Yes           | Yes                     | -                | - | - | - | - | -           | -   | X     |
| OTC Bring On           | Current/Historic | Inter-Officer                        | Reversal/Correction | Y          | Yes           | Yes                     | -                | - | - | - | - | -           | -   | X     |
| OTC Bring Off          | Current/Historic | Inter-Officer                        | Reversal/Correction | Y          | Yes           | Yes                     | -                | - | - | - | - | -           | -   | X     |
| Financing              | Current/Historic | Inter-Officer                        | Reversal/Correction | N          | Yes           | Yes                     | -                | - | - | - | - | -           | -   | X     |
| Exception — Reportable | Historic         | Inter-Officer                        | Reversal/Correction | Y          | Yes           | Yes                     | -                | - | - | - | - | X           | X   | X     |
| Exception — Non        | Historic         | Inter-Officer                        | Reversal/Correction | N          | Yes           | Yes                     | -                | - | - | - | - | X           | X   | X     |



|            |                  |               |                     |   |    |    |   |   |   |   |   |   |   |   |
|------------|------------------|---------------|---------------------|---|----|----|---|---|---|---|---|---|---|---|
| Reportable |                  |               |                     |   |    |    |   |   |   |   |   |   |   |   |
| Transfer   | Current/Historic | Inter-Officer | Reversal/Correction | N | No | No | X | X | X | X | X | - | - | X |

## Matching Rules

### Defined Terms

1. Capitalised terms not otherwise defined herein shall have the meaning ascribed to them in the Rules and Regulations of the LME (the “**LME Rulebook**”). These matching rules form part of the Administrative Procedures that may be adopted by the Exchange (also referred to as the “**LME**”) from time to time in accordance with the LME Rulebook.

### General Information

2. All business transacted on the Exchange is subject to price validation, whether that be on an order-by-order basis for business agreed and Executed on LMEselect, or trade-by-trade for business agreed non-electronically (i.e. on the Ring and inter-office market). For the avoidance of doubt, and as set out in Trading Regulation 2, agreement of a trade results in an Agreed Trade that is "Executed", provided that the Acceptance Criteria are satisfied. The point at which Execution occurs on each of the LME's Execution Venues is set out more fully in Trading Regulation 2.
3. Where an order or trade fails any pre-execution check, including the price validation check, Regulation 3.10.1 of Part 3 of the Rules requires Members to follow the relevant Administrative Procedure in relation to the correction of “**Failed Checks**” (meaning Pre-Execution Checks set out at Regulation 2.8.1 of Part 3 of the Rules that have not been met, and, in respect of Ring trades, the price validation check undertaken on entry of the trade into the Matching System). Where an order or trade fails the price validation check, Members are required to contact the Exchange to explain the rationale as to the price of the rejected order or trade. In relation to the correction of any Failed Checks, the Member may be required to provide such additional information as the Exchange deems necessary and appropriate in determining whether the relevant order or trade should be permitted to be re-submitted in its original form. Members should note that where re-submission has been permitted, there may be a requirement to post additional collateral to the Clearing House, and Members must comply with such requirements.





4. The hours on each Business Day during which the Matching System is open and able to receive information regarding Agreed Trades (being the "Opening Hours" for the purpose of the LME Rulebook) are 01:00 to 20:00 London time in respect of trades for the LME Base Service, and 01:00 to 20:15 London time in respect of trades for the LMEprecious Service. Requests for extensions to either the relevant TOM matching deadline (or the trading day +1 matching deadline in the case of LMEprecious, i.e. the deadline for the T+1 Prompt Date as defined in Part 13 of the Rules), or the London inter-office trade input deadline will only be granted in exceptional circumstances. Requests must be made to LME Post-Trade Operations no later than 15 minutes prior to the relevant deadline (email: [posttradeoperations@lme.com](mailto:posttradeoperations@lme.com); tel. no. +44 (0)20 7113 8201). The relevant deadlines are as follows:

#### **LME Base Service**

TOM Trading Deadline: 12:30 London time TOM Matching Deadline: 13:30 London time Trade Input Deadline: 20:00 London time

#### **LMEprecious Service**

Trading day +1 (i.e. T+1 Prompt Date, as defined in Part 13 of the Rules)  
Trading Deadline: 16:00 London time

Trading day +1 (i.e. T+1 Prompt Date, as defined in Part 13 of the Rules)  
Matching Deadline: 17:00 London time

Trade Input Deadline: 20:15 London time

5. The trading hours for the agreement of trades are as follows (all times are London time):

|            | LME Base Service   | LMEprecious Service |
|------------|--|---------------------|
| Ring       | See the "Trading Time and Dates" section of the <a href="http://www.lme.com">www.lme.com</a> | n/a                 |
| LME Select | 01:00 – 19:00  | 01:00 – 20:00       |



|              |          |          |
|--------------|----------|----------|
| Inter-office | 24 hours | 24 hours |
|--------------|----------|----------|

6. For the LME to fulfil its regulatory reporting obligations, the Matching System will connect to LMEselect at 01:00. Members should therefore give consideration as to when they connect to the Matching System. In order to receive all trade messaging Members will be required to login to the system in advance of the 01:00 opening. Should members choose to login after the open they will be required to perform a Trade Mass Status Request whereby only the current state of the transaction is captured.
7. Members are responsible for the input of an Agreed Trade and all relevant particulars of an Agreed Trade into the Matching System within the timescales set out in Regulation 3.5 of the Trading Regulations, subject that registration of Agreed Trade halves agreed during Asian business hours (including those arranged by a Registered Intermediating Broker) must be submitted to the Matching System by 08:30. Members are not obligated to submit Agreed Trade halves from 01:00, when the Matching System opens.
8. Members must retain a full audit trail for all orders submitted to LME Select, all Agreed Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange. Where Members have Executed transactions in currencies other than US Dollars, the audit trail for these transactions must include the relevant US Dollars price and the FX rate used to calculate the non-US Dollars price. In addition, Members must ensure that they have appropriate documentation in place with their Clients prior to arranging, agreeing or Executing orders received from them (e.g. give-up agreement etc.).
9. Index Contracts, Ferrous Futures LMEmini Contracts, Monthly Average Futures, Premium Contracts and LMEprecious Futures may only be executed in US Dollars. All other contracts may be executed in US Dollars, Euro, Japanese Yen or Pounds Sterling.
10. Agreed trades that are agreed as Carries should be entered as such in to the Matching System and the audit trail for the transaction should clearly demonstrate whether a trade is an outright or a Carry. When submitting Carry



trades into the Matching System, Members must follow market convention and enter the near leg first followed by all other legs in chronological prompt date order.

11. Members are advised that where there is a requirement to adjust (Reversal/Correction) a previously registered Member to Member Carry trade when the near leg has expired all subsequent legs should be entered to the Matching System as outright trades. Where a Member to Client Carry trade requires adjustment, only the individual leg that requires adjustment need be reversed and then corrected, where appropriate.
12. Members must not use the LME Base Service or LMEprecious Service for any abusive practice which may include, but is not limited to, the avoidance or evasion of the Rules or any Administrative Procedure.
13. Members are reminded that, when entering trades to the Matching System they must use their own order/trade data and not rely upon that entered by the other party to the trade.

#### Trade Categories and Post Trade Functions

14. The following trade categories will apply for all business that is agreed non-electronically<sup>1</sup>:
  - **Normal** – is used to enter new market trades Executed on the Ring, Basis Ring (as described in paragraph 16 below), or agreed in the inter-office market or via the Matching System. This trade category should also be used when adjusting trades Executed in LME Select following the application of the Lending Rules.
  - **Give-Up Executor/Give-Up Clearer** – is used to effect the give-up of a transaction to another Clearing Member.
  - **OTC Bring-On** – is used to convert a previously executed over-the- counter contract to a Cleared Contract, where the intention is to bring the

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<sup>1</sup> Business Executed via LME Select will always have a Trade Category of Normal.



transaction on-Exchange. Further information regarding the OTC Bring-On trade category is contained in the section headed “OTC Bring-Ons and OTC Backloading” below.

- **OTC Take Off** – is used to convert an on-Exchange Contract to an over-the-counter contract.
- **Financing** – is used to enter a trade that relates to financing transactions.
- **Exception Reportable** – this trade category can only be used with the prior approval of the Exchange. Members must contact the LME Post Trade Operations team ([posttradeoperations@lme.com](mailto:posttradeoperations@lme.com), phone no: +44 (0)20 7113 8201) in advance of submitting an Exception transaction to the Matching System, providing details and the rationale for the transaction. This category can only be used in order to submit a trade to the Matching System that has been identified by the Member as a reportable transaction under MiFID II.
- **Exception Non-Reportable** – this trade category can only be used with the prior approval of the Exchange. Members must contact the LME Post Trade Operations team ([posttradeoperations@lme.com](mailto:posttradeoperations@lme.com), phone no: +44 (0)20 7113 8201) in advance of submitting an Exception transaction to the Matching System, providing details and the rationale for the transaction. This category can only be used in order to submit a trade to the Matching System that has been identified by the Member as a non-reportable transaction under MiFID II. An example of this would be the submission of a transaction derived from an option expiry.

#### Post Trade Functions

- **Transfer** – is used to effect the move of a registered single trade or group of trades (“a position”) between Members or alternatively within a Member’s own client account structure.

#### Price Types

15. The following price types will apply for all business that is agreed non-



electronically<sup>2</sup>:

- **Current** – must be used to record Agreed Trades arranged at current market prices and transactions executed at current market process that are subsequently averaged for entry to the Matching System on TD+0 or TD+1.
- **Historic** – must be used to record all other transactions (e.g. OTC Bring-Ons, transfers (as applicable) and historic price carries) from TD+2 onwards.

Because of the requirement to match trades within 10 minutes of Agreement of an Agreed Trade (see Regulation 3.5 Part 3, of the LME Rules), the “Average Price” price type is no longer available, as trades must not be held back from submission to matching. However, Members may create a single average price transaction for a single Client within their own systems, provided a full audit trail is maintained of any such actions (see paragraph 34 below).

#### Venue Codes

16. The following venue codes will apply:

- **Select** – for all electronically Executed business.
- **Ring** – for all business Executed in the Ring.
- **Basis Ring** – for any trade agreed between a Category 1 Member and their Client pursuant to an order placed with that Category 1 Member, that is filled during the relevant Ring or kerb session, basis a price(s) discovered in the Ring by Category 1 Members through trading or quoting.
- **Inter-office** – for all other business agreed non-electronically, including trades arranged by RIBs, and which is Executed pursuant to confirmation by the Matching System.

#### Short Price Codes

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<sup>2</sup> Business Executed via LME Select will always have a price type of Current.



17. The following price codes will apply:

- **Settlement Price (“S”) Code** – where the price for an outright trade or the near leg of a Carry is based upon that day’s Settlement Price with other Carry leg(s) priced relative to the first leg plus or minus an agreed premium or discount.
- **Closing Price (“C”) Code** – where the price is based upon that day’s Closing Price for the relevant Prompt Date for each outright trade or Carry leg and may include plus or minus an agreed premium or discount.
- **Basis the Closing Price (“B”) Code** – where the pricing basis for the near leg of a Carry is the Closing Price for the relevant Prompt Date and the other leg(s) is priced relative to the first leg plus or minus an agreed premium or discount.
- **Yesterday’s Settlement Price (“YS”) Code** – where the price is the previous Business Day’s relevant Settlement Price.
- **Valuation Price (“V”) Code** – where the price is the previous Business Day’s relevant Closing Price.
- **Mean Cash (“MC”) Code** – where the price is the mean of the bid/offer spread for the relevant Cash prompt based on the Official Price.
- **Mean 3 Month (“M3”) Code** – where the price is the mean of the bid/offer spread for the relevant 3 Month prompt based on the Official Price.

18. In all cases where a short price code has been used, and once the relevant absolute value has been made available, the Matching System will substitute the correct price for each code, and calculate absolute values for all leg(s) containing a price differential. For short price codes YS and V, the substitution of the absolute price will occur automatically upon submission.



### Trade Submission Deadlines

19. Regulation 3.5 of Part 3, of the Rules sets out the deadlines for matching Contracts.
20. Where Client Contracts have been agreed after 19:50 London time with respect to LME Base Contracts, and 20:05 for LMEprecious Contracts (i.e. 10 minutes prior to the relevant close of the Matching System), then the registration of these transactions must be completed by 08:30 London time on the following Business Day including those transactions arranged by RIBs.
21. Regulation 3.5.1(d) of Part 3 of the Rules states that business Executed in the Ring must be submitted within 10 minutes of the close of the Ring trading-period in which the Agreed Trade was Executed. Where Agreed Trades have been agreed, either in the Ring or in the inter-office market, using either the Official, Mean or Closing Price as the basis for the trade price, then the relevant Ring time code should be entered, but the matching deadline will be 10 minutes after all relevant data has been made available by the Exchange (i.e. after any objection period, and once the Official Prices/Closing Prices have been declared final).
22. As set out in Rule 3.5.1 of Part 3 of the Rulebook, RIBs are responsible for registered Agreed Trades in the Matching System within 10 minutes of arranging the trade in the inter-office market. Where a RIB has registered an Agreed Trade in the Matching System, the Clearing Member must approve or reject the Agreed Trade within the Matching System within 10 minutes of such registration.

### Trade Times

23. Depending on the venue, the Trade Time field must be completed as follows:
  - **Select** – this field is automatically populated upon the matching of relevant orders, no further action is required by Members.
  - **Ring** – either “R 1-4” if Executed during a Ring session or “K 1-2” if Executed during a kerb session.



- **Basis Ring** – either “C 1-4” if agreed during a Ring session or “D 1-2” if agreed during a kerb session.
- **Interoffice** – the time at which the trade was agreed<sup>3</sup>, and must be entered as HH:MM:SS.

#### Accounts

24. The Matching System supports the following accounts:

- **H** – House, for all proprietary, non-Client business;
- **U** – Unallocated, sub-account of H, for all business that is to be given-up to another Clearing Member even where the details of the Clearing Member are known;
- **C** – Client, for all business allocated to a net omnibus segregated Client account (OSA);
- **G** – Client, for all business allocated to a gross omnibus segregated Client account (GOSA);
- **S** – Client, for all business allocated to an individual segregated Client account (ISA); and
- **X** – Client OSA, for those transactions for which an invalid ISA, OSA or GOSA identifier has been submitted.

25. The Client Code field (“Cust”) is a mandatory entry field for Client Contracts. This field must be populated with the code used to identify the beneficial owner of the Client Contract in the Member’s books and records. This code must be consistent with that used when reporting positions to the Exchange.

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<sup>3</sup> Note that this will record the time of: (i) the Contingent Agreement to Trade; or (ii) the agreement of the Agreed Trade arranged by the RIB; pursuant to Regulation 2.5.1(c) of Part 3 of the LME Rules, the Agreed Trade shall, provided that it satisfies the Acceptance Criteria, be Executed at the time that the Matching System confirms that the Agreed Trade is matched and that all Pre-Execution Checks are satisfied.





26. When entering orders on LMEselect, Members must ensure that they identify the correct account where appropriate. Trades incorrectly identified will be allocated to an X Account of the Clearing Member and it will be the responsibility of the Clearing Member to reverse the trade and allocate it to the right account in accordance with the procedures set out in paragraphs 37-43 below.

### **Post-Trade/Administrative Functions**

27. This section details the post-trade/administrative functions that are available for Members; Members are encouraged to contact the Exchange if they are unsure how to effect any particular post-trade activity (email: [posttradeoperations@lme.com](mailto:posttradeoperations@lme.com), phone +44 (0)20 7113 8201).

#### Transfer

28. This post-trade category should be used to move a single trade or a group of trades (“a position”) between Members, for a common Client or non-common Client between two Clearing Members or alternatively within a Member’s own account structure.
29. This post-trade category should also be used where Members wish to undertake a metal position exchange (formerly referred to as a metal position swap) whereby users of physical metal swap (exchange) an existing on-Exchange hedge and a commitment to deliver physical metal. The entry recorded in the Matching System is therefore the movement of a position for a non-common Client.
30. When undertaking a physical metal swap for a non-common Client Members are required to have a 4-way agreement in place prior to entering such a transaction. Members must maintain a full audit trail in order to demonstrate complete history of a transaction. Each Member must confirm via the agreement that the Client is a direct customer, is a commercial user of the metal concerned and had given the Member written instructions regarding the metal swap transaction. The Member must ensure that the transaction is not in breach of LME Rules or other appropriate legal requirements.
31. Members executing an exchange for physical (“**EFP**”) transaction and in



doing so wish to create a new hedge on Exchange (as opposed to using an existing position), should use the Financing trade category. Where the Members or their Clients wish to use an existing position as a hedge for an EFP transaction, then this constitutes a metal position exchange and the Transfer trade category should be used.

32. Where transferring a Client position between Clearing Members for the Base Service, the position must first be moved out of the relevant GOSA/OSA/ISA account to the Member's House account using the Transfer post-trade category. Once this registration has been completed, the Transfer trade half may be entered into the Matching System for matching with the other Clearing Member to effect the Transfer. Once the Client position has been received into the Member's House account, the position should subsequently be moved to the relevant GOSA/OSA/ISA account.
33. For the LMEprecious service, transferring a Client position between Clearing Members does not need to be moved out of the relevant GOSA/OSA/ISA account to the Member's House account. Instead, the transfer can be effected directly from the relevant GOSA/OSA/ISA account to the other Clearing Member's GOSA/OSA/ISA account as appropriate.
34. Client positions may be transferred at the original "Historic" contract price, or "Current" market price (usually the Closing Price for the relevant Prompt Date). Members may transfer a single trade or a trade weighted average of the longs AND a trade weighted average of the shorts as long as they maintain a sufficient audit trail to demonstrate how the "average" price was calculated and which pricing basis was used. **Members may not offset long and short positions between two or more accounts to effect a position transfers, for the purpose of avoiding or evading the Matching Rules or otherwise.** Members may not average/amalgamate trades using different pricing bases.
35. The Transfer post-trade category should also be used to offset a **common** Client's delivery exposure for the Cash Today ("**TOM**") or Cash Prompt Date for existing on-Exchange positions. In these circumstances, a net position may be offset at each Clearing Member by submitted the relevant entries to the Matching System priced at the Official Settlement Price for the Prompt Date.
36. The Transfer post-trade category may also be used to offset an existing on-



Exchange position at one Member with an OTC position at another Member for a **common Client**, or an existing OTC position at one Member with an on- Exchange position at another Member for a common Client using the Transfer trade category in conjunction with the OTC Bring-On trade category as applicable.

#### Reversal/Correction Cancellation Flag

37. To execute a Reversal/Correction the cancellation trade flag should be used to correct errors that may have occurred in one or more of the fields entered into the Matching System at the point of trade submission. In addition, this facility should also be used in conjunction with the revised Give-Up process detailed below.
38. Trades previously submitted with a Reversal/Correction trade category must be submitted with the same trade category as the previously registered trade. The new trade must have the correct Cancellation Flag and the Cancel Link Id set to the Matching Reference Number of the original trade.
39. Trades submitted to the Matching System with the Reversal trade flag must reflect the exact economic trade details of the trade originally registered other than the 'Buy/Sell' indicator. For the avoidance of doubt, no partial Reversals are permitted.
40. Client Contracts may be cancelled and resubmitted to the Matching System on the day of trade ("T") but errors identified thereafter (T+1 onwards) must be corrected using the Reversal/Correction above.
41. In the event that a trade Executed in LME Select requires a price adjustment as a result of the Lending Rules, Members must use the Reversal/Correction process Normal trade category against venue inter-office to effect the necessary adjustment.
42. The Reversal/Correction process can also be used to effect a currency conversion in which an existing Client Contract is converted from one currency accepted by the Exchange to another currency accepted by the Exchange.



43. In the event that an Agreed Trade is arranged by a RIB and is matched and submitted to the Matching System, the following process should be followed in order to execute a Reversal/Correction:

- the RIB must liaise with each Clearing Member to agree the correct details of the Agreed Trade to be re-submitted;
- once agreed, each Clearing Member shall enter two new trades with the Reversal/Correction trade category, to: (i) cancel the original registration of the Agreed Trade in the Matching System; and (ii) register in the Matching System the Agreed Trade with the correct details agreed by each Client of the RIB.

#### Use of UNAs to Facilitate Issuing of Client Contracts and Other Uses

44. The process for use of the “UNA” mnemonic in Give-Ups is set out below, particularly at paragraphs 51 to 61. The Exchange acknowledges that Members use the “UNA” mnemonic other than in connection with the registration of Give-Ups. For example, UNAs are used in connection with the registration of Client Contracts, in circumstances other than those involving the facilitation of Give-Up trades. Such use of the “UNA” mnemonic is permitted, provided that:

- (a) Members comply with their obligations under Regulation 3.3 of the Trading Regulations and the provisions of the Clearing House Rules regarding the allocation of positions to the relevant position-keeping account at the Clearing House;
- (b) it is the sole responsibility of the Member to ensure that it allocates positions in respect of Contracts to an appropriate position-keeping account at the Clearing House to enable the Member and its Client(s) to comply with any applicable legal or regulatory requirements and/or any contractual obligations; and
- (c) such use is permissible under, and consistent with, the broader requirements set out in these Matching Rules and the LME Rulebook (in each case as amended from time to time).



## Details of Certain Business Processes

### Financing

45. The Financing trade category is used for financing transactions where the prices are likely to be away from the prevailing current market price. Under MiFID II, securities financing transactions are not considered to be reportable transactions. Therefore, the use of the Financing trade category will not result in any transaction reporting obligations, provided the transaction itself meets the following criteria:
- (a) a repurchase transaction – involves selling a commodity and agreeing to repurchase it in the future. The transaction must be governed by an agreement to transfer commodities, or guaranteed rights relating to title to commodities subject to:
    - (i) the seller can only transfer or pledge a particular commodity to one counterparty at a time;
    - (ii) the seller must agree to repurchase them, or substituted commodities of the same description; and
    - (iii) the seller must agree to repurchase them at a specified price on a specific future date; or
  - (b) securities or commodities lending and securities or commodities borrowing – where a counterparty transfers commodities subject to a commitment that the borrower will return equivalent commodities on a future date or when requested to by the transferor; or
  - (c) a buy-sell back transaction or sell-buy back transaction – where a counterparty buys commodities, or guaranteed rights relating to title to commodities, and agrees to sell them (or commodities/guaranteed rights of the same description) back to the other party at a specified price on a future date. A sell-buy back represents the other side of the transaction; or



(d) a margin lending transaction – this only applies to securities, not commodities.

46. Historic Price Carry submission would be effected via the Financing Trade Category. Historic Price Carry trades are used to roll or carry forward an existing Client Contract to a valid Prompt Date on the basis of the original contract price between the same Members. Notice 99/484 : A472 : R034 ('RULES ON HISTORIC/ORIGINAL PRICE CARRIES') remains in force.

#### Give-Ups

47. Give-Up trades must be registered in the Matching System in relation to a trade that is concluded on any Execution Venue. Within 10 minutes from the time of Execution of the Client order, the executing Member must enter a Give-Up Executor trade half. Irrespective of which Execution Venue the trade is concluded on, Give-Up trades may only be submitted to the Matching System with venue code "Inter-office". Members are not permitted to submit Give-Up trades against any other venue code.
48. Where the executing Member knows the identity of the Give-Up Clearer at the time at which it enters the Give-Up Executor trade half, the executing Member may register the Give-Up Executor trade half directly to the Give-Up Clearer. In this scenario, the executing Member must include the Give-Up Clearer's mnemonic in the counterparty field.
49. However, in order to facilitate Members' compliance with the 10 minute window mentioned above, Members may elect (but are not obligated) to use the process set out in paragraphs 51 to 61 below (the "**UNA process**"). Members may use this process whether or not the Clearing Member is known at the time of the Execution of the Client order, and for business that is executed on any of the LME Execution Venues.
50. Where an executing Member uses the UNA process, the executing Member must enter the member mnemonic "UNA" in the counterparty field. In both the trade to fulfil the Client order and the Give-Up Executor trade the account should be entered as "H".



51. The submission of the Give-Up Executor trade half into the Matching System will automatically generate a Give-Up Clearer trade half, with an account field of "U". This will create a matched trade that will be submitted for clearing, resulting in a cleared trade. This will lead to equal and opposite positions on the executing Member's H and U accounts.
52. Where the Clearing Member is known, the executing Member may then cancel or reverse the cleared trade by following either of the steps outlined in paragraph 53 below. When the Clearing Member has been advised in due course by the Client that the executing Member has filled his order, the Clearing Member will then enter a Give-Up Clearer trade half to the Matching System.
53. Where the executing Member has been advised of the Clearing Member to whom the trade should be given-up to for clearing, then the executing Member may do one of the following:
  - (a) Cancel the cleared trade that was created through the system- generated Give-Up Clearer trade half with the UNA member mnemonic, and submit a Give-Up Executor trade half with the now known Clearing Member mnemonic in the Counterparty field, with an appropriate Client reference where known; or
  - (b) Reverse the original Give-Up Executor trade half with the UNA member mnemonic, and submit a Give-Up Executor trade half with the now known Clearing Member mnemonic in the Counterparty field and with an appropriate Client reference where known.
54. When the Give-Up Executor enters their reversal half trade, then a new matched trade will be created, but with the original trade date/time retained.
55. If the executing Member chooses to follow (a) above, then they must ensure that the Give-Up Executor trade half that contains the Clearing Member mnemonic also includes such information that allows for it to be identified as being related to the original cleared trade. In this regard, Members are reminded of the general obligation to ensure that they maintain a full audit trail for all orders, trade and post-trade operations.



56. For both (a) and (b) the Execution Time of the Give-Up Executor trade half must be the same as that entered on the original cleared Give-Up Executor/Give-Up Clearer trade.
57. Where the details of the original trade have changed – e.g. Prompt Date, price, volume – then the executing Member may again choose to follow either (a) or (b) as above. However, in these circumstances the Execution Time of either the Give-Up Executor trade half must be the time at which the amended details of the trade were agreed with the Client.
58. Members are reminded of the need to ensure that orders which are to be given-up to other Members for clearing, are done so in a timely fashion, and that it is the responsibility of all Members, executing and clearing, to ensure that they, and their Clients recognise the importance of transmitting any Client instructions and processing this business as swiftly as possible.
59. Where it has not been possible to effect a give-up on trade date (“T”), then the Cleared Trade, created through the submission of the Give-Up Executor trade half and the system-generated Give-Up Clearer trade half, will be processed by the Clearing House together with all other Cleared Trades in accordance with the Clearing House Rules.
60. Regulation 2.11 of Part 3 of the Rules requires Members to comply with, amongst other things, the timing requirements for the processing of Give-Ups. The deadline for processing Give-Ups that have not been processed on T, is 10:00 (London time) on T+1. This is to be achieved by the executing Member reversing the original Cleared Trade, and then submitting a Give-Up Executor trade half in the same manner as the original trade half, with the Trade Date and Time being the original time at which the Client order was executed. However, Members should be aware that they may be required to provide the Exchange with such additional information as the Exchange may request from time to time to demonstrate why it was not possible to process the Give-Up on T.

#### OTC Bring-Ons and Backloading

61. The OTC Bring-On category may be used where a Member has:





- (a) Entered into an over-the-counter contract with another Member;
  - (b) Agreed with that other Member a Contingent Agreement to Trade pursuant to which the parties agree to submit transaction details reflecting the terms of the over-the-counter contract.
62. An Agreed Trade that is submitted with the OTC Bring-On category shall therefore be treated in the same way as any other Agreed Trade made in the inter-office market.
63. It is the responsibility of the Members that are counterparties to the original over-the-counter contract to take any action that may be necessary to terminate or cancel such contract when the Agreed Trade represented by the Contingent Agreement to Trade is Executed. Neither the Exchange nor the Clearing House shall have any responsibility or liability to any person in respect of the original over-the-counter contract.

The Clearing House may offer services to enable Members to clear through the Clearing House Cleared Contracts representing multiple, previously executed, over-the-counter contracts (an "**OTC Backloading Service**"). Such services shall be governed by the terms of any agreement pursuant to which the Clearing House and/or the Exchange makes such services available. Such contracts shall be input into the Matching System pursuant to a Contingent Agreement to Trade, in the same manner as an OTC Bring-On, save that the particulars of the Contingent Agreement to Trade shall be determined pursuant to the OTC Backloading Service. The Exchange shall treat any Agreed Trade submitted to the Matching System resulting from an OTC Backloading Service in the same manner as any other Agreed Trade represented by a Contingent Agreement to Trade agreed in the inter-office market.

#### OTC Take Off

64. The OTC Take Off category may be used to convert a Client Contract to an OTC contract. Cleared Contracts that are not Client Contracts cannot be taken off exchange.



65. For each contract taken off exchange the member must be able to provide full details of the relevant Client Contract. The OTC Take Off created must be for the same contractual commitment as the original Client Contract.
66. Member must maintain a full audit trail for the OTC Take Off transaction including the client instructions to take each trade off exchange.
67. Neither the Exchange nor the Clearing House shall have any responsibility or liability to any person in respect of the over-the-counter contract.



# LME Clear Limited Rules and Procedures

## **LME CLEAR LIMITED**

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A private limited company. Registered in England no 07611628. Registered office as above..

[LME.COM/CLEAR](https://lme.com/clear)

## CONTENTS

| <b>RULE</b>  | <b>PAGE</b> |
|--|-------------|
| <b>RULE 1 – DEFINITIONS AND INTERPRETATION</b>                             | <b>1</b>    |
| <b>RULE 2 - GENERAL PROVISIONS</b>   | <b>34</b>   |
| <b>RULE 3 - MEMBERSHIP</b>   | <b>52</b>   |
| <b>RULE 4 - ACCOUNTS</b>   | <b>64</b>   |
| <b>RULE 5 - CLIENT BUSINESS AND PORTABILITY ARRANGEMENTS</b>               | <b>68</b>   |
| <b>RULE 6 - ACCEPTANCE</b>   | <b>75</b>   |
| <b>RULE 7 - SETTLEMENT AND CONTRACT PERFORMANCE</b>                        | <b>83</b>   |
| <b>RULE 8 - MARGIN REQUIREMENT AND COLLATERAL</b>                          | <b>90</b>   |
| <b>RULE 9 - DEFAULT FUND</b>   | <b>95</b>   |
| <b>RULE 10 - DEFAULT</b>   | <b>97</b>   |
| <b>RULE 11 - SETTLEMENT FINALITY</b>                                       | <b>137</b>  |
| <b>RULE 12 - COMPRESSION</b>   | <b>138</b>  |
| <b>MEMBERSHIP PROCEDURE</b>  | <b>146</b>  |
| <b>PART A – INTRODUCTION AND GENERAL MATTERS</b>                           | <b>147</b>  |
| 1. INTRODUCTION  | 147         |
| 2. DEFINITIONS   | 147         |
| <b>PART B – MEMBERSHIP</b>   | <b>149</b>  |
| 1. MEMBERSHIP CATEGORIES   | 149         |
| 2. APPLICATIONS FOR MEMBERSHIP   | 149         |
| 3. MEMBERSHIP CRITERIA   | 150         |
| 4. REQUIREMENTS FOR SPECIFIC TYPES OF BUSINESS                             | 151         |
| 5. NET CAPITAL REQUIREMENTS AND CALCULATION                                | 153         |
| 6. ON-GOING REPORTING REQUIREMENTS   | 154         |
| 7. NOTIFICATION REQUIREMENTS   | 155         |
| 8. AUTHORISED REPRESENTATIVES  | 156         |
| 9. OTHER CONDITIONS  | 157         |
| 10. CHANGES TO SERVICES AND MEMBERSHIP STATUS                              | 157         |
| <b>PART C – COMPLAINTS</b>   | <b>159</b>  |
| 1. SCOPE OF COMPLAINTS   | 159         |
| 2. REGISTERING A COMPLAINT   | 159         |
| 3. PROCESSING A COMPLAINT  | 160         |
| 4. REFERRING COMPLAINTS TO LME CLEAR'S INDEPENDENT COMPLAINTS COMMISSIONER | 160         |
| <b>PART D – DISCIPLINE</b>   | <b>162</b>  |
| 1. INVESTIGATIONS  | 162         |
| 2. INITIATING PROCEEDINGS  | 162         |

|     |   |            |
|-----|---|------------|
| 3.  | DEFENCE   | 162        |
| 4.  | COMPOSITION OF DISCIPLINARY COMMITTEE                               | 163        |
| 5.  | THE DISCIPLINARY HEARING  | 163        |
| 6.  | THE DETERMINATION   | 164        |
| 7.  | PENALTIES   | 164        |
| 8.  | COSTS   | 165        |
| 9.  | SETTLEMENTS   | 165        |
| 10. | CONVICTIONS AND FINDINGS BY OTHER AUTHORITIES                       | 165        |
| 11. | FINES FOR SETTLEMENT FAILURES (LMEPRECIOUS)                         | 166        |
|     | <b>PART E – APPEAL</b>  | <b>167</b> |
| 1.  | INITIATING AN APPEAL  | 167        |
| 2.  | COMPOSITION OF THE APPEAL COMMITTEE                                 | 167        |
| 3.  | THE APPEAL HEARING  | 168        |
| 4.  | THE DETERMINATION   | 168        |
| 5.  | COSTS   | 168        |
|     | <b>CLEARING PROCEDURES</b>  | <b>169</b> |
|     | <b>PART A – INTRODUCTION AND GENERAL MATTERS</b>                    | <b>170</b> |
| 1.  | INTERPRETATION AND INTRODUCTION                                     | 170        |
| 2.  | INTRODUCTION TO PART A OF THE CLEARING PROCEDURES                   | 170        |
| 3.  | LONDON TIME   | 171        |
| 4.  | ELIGIBLE PRODUCTS   | 171        |
| 5.  | INSTRUMENTS   | 171        |
| 6.  | CLOSING PRICES, SETTLEMENT PRICES, MARKET DATA AND PRICE SETS       | 172        |
| 7.  | REPORTING   | 174        |
| 8.  | INTERPRETATION OF "POSTING" AND "FOR VALUE" (CASH SETTLEMENT TERMS) | 175        |
|     | <b>PART B – TRANSACTION AND POSITION MANAGEMENT</b>                 | <b>176</b> |
| 1.  | INTRODUCTION  | 176        |
| 2.  | SUBMISSION OF TRANSACTIONS TO LME CLEAR                             | 176        |
| 3.  | TRANSACTION ACCEPTANCE  | 177        |
| 4.  | POSITION UPDATE AND MAINTENANCE AND SETTLEMENT TO MARKET            | 182        |
| 5.  | SETTLEMENT TO MARKET PROCESS  | 184        |
| 6.  | OPTION EXERCISE AND ASSIGNMENT                                      | 187        |
| 7.  | DELIVERY POSITIONS  | 191        |
|     | <b>PART C – VALUATION, MARGINING AND RISK MANAGEMENT</b>            | <b>194</b> |
| 1.  | INTRODUCTION  | 194        |
| 2.  | COMPOSITION OF MARGIN REQUIREMENTS                                  | 194        |

|    |   |            |
|----|---|------------|
| 3. | INITIAL MARGIN REQUIREMENT                                    | 194        |
| 4. | VARIATION MARGIN REQUIREMENT                                  | 195        |
| 5. | ADDITIONAL MARGIN   | 196        |
| 6. | CALCULATION OF MARGIN REQUIREMENTS                            | 196        |
| 7. | MEMBER'S OBLIGATION TO ENSURE TRANSACTIONS ARE COLLATERALISED | 197        |
|    | <b>PART D – TREASURY AND COLLATERAL MANAGEMENT</b>            | <b>198</b> |
| 1. | INTRODUCTION  | 198        |
| 2. | LME CLEAR TREASURY ARRANGEMENTS                               | 198        |
| 3. | ACCEPTABLE FORMS OF COLLATERAL                                | 198        |
| 4. | COLLATERAL MANAGEMENT   | 201        |
| 5. | COVER DISTRIBUTION  | 208        |
|    | <b>PART E – SECURE PAYMENT SYSTEM AND CASH SETTLEMENTS</b>    | <b>214</b> |
| 1. | INTRODUCTION  | 214        |
| 2. | SECURE PAYMENT SYSTEM   | 214        |
| 3. | CASH SETTLEMENTS  | 216        |
|    | <b>PART F – PHYSICAL DELIVERY</b>                             | <b>219</b> |
| 1. | INTRODUCTION  | 219        |
| 2. | LME WARRANT DELIVERY PROCEDURES                               | 219        |
| 3. | LMEPRECIOUS FUTURE DELIVERY PROCEDURE                         | 229        |
| 4. | OTC BULLION PRODUCT DELIVERY PROCEDURE                        | 232        |
|    | <b>PART G – INTEREST, FEES AND CHARGES</b>                    | <b>235</b> |
| 1. | INTRODUCTION  | 235        |
| 2. | FEES  | 235        |
| 3. | INTEREST ON BALANCES  | 236        |
| 4. | INVOICING   | 236        |
|    | <b>DEFAULT PROCEDURES</b>                                     | <b>238</b> |
|    | <b>PART A – INTRODUCTION</b>                                  | <b>239</b> |
|    | <b>PART B – DEFAULT FUND</b>                                  | <b>240</b> |
| 1. | CALCULATION OF DEFAULT FUND CONTRIBUTIONS                     | 240        |
| 2. | FREQUENCY AND REPORTING                                       | 243        |
| 3. | COLLECTION OF DEFAULT FUND CONTRIBUTION                       | 244        |
| 4. | INTEREST PAYMENTS   | 244        |
|    | <b>PART C – DEFAULT MANAGEMENT</b>                            | <b>245</b> |
| 1. | DEFAULT MANAGEMENT GENERALLY                                  | 245        |
| 2. | DEFAULT FIRE DRILL  | 245        |
| 3. | DEFAULT NOTICE  | 245        |

|    |   |     |
|----|---|-----|
| 4. | ACTIVATION OF DEFAULT MANAGEMENT PROCESS  | 245 |
| 5. | DEFAULT MANAGEMENT GOVERNANCE   | 246 |
| 6. | RISK REDUCTION OF DEFAULTING MEMBER'S POSITIONS   | 247 |
| 7. | LOSSES IN EXCESS OF DEFAULT FUND  | 252 |
| 8. | BUSINESS VIABILITY REVIEW   | 253 |
|    | PART D – PORTING PROCEDURE  | 254 |
|    | SECTION 1: MAINTENANCE DOCUMENTATION IN SUPPORT OF AUTOMATIC PORTING PROCESS            | 255 |
|    | SECTION 2: PORTING PROCESS  | 257 |
|    | SETTLEMENT FINALITY PROCEDURE   | 261 |
| 1. | APPLICATION   | 261 |
| 2. | DEFINITIONS AND INTERPRETATION  | 261 |
| 3. | SPECIFICATION OF TRANSFER ORDERS FOR THE PURPOSE OF THE SETTLEMENT FINALITY REGULATIONS | 265 |
| 4. | PROHIBITION ON REVOCATION OF TRANSFER ORDERS  | 273 |
| 5. | GENERAL OBLIGATIONS OF MEMBERS AS PARTICIPANTS  | 273 |
| 6. | PROVISION OF INFORMATION  | 273 |
| 7. | NOTIFICATION OF INSOLVENCY EVENTS   | 273 |
|    | LME CLEAR LIMITED   | 275 |
|    | ANNEXES   | 275 |
|    | ANNEX 1 – ELIGIBLE PRODUCTS   | 276 |
|    | Eligible Metal  | 294 |
|    | ANNEX 2 – ELIGIBLE CURRENCIES, COLLATERAL AND HAIRCUTS                                  | 295 |
|    | ANNEX 3 – FEES AND CHARGES  | 296 |
|    | ANNEX 4 – LIST OF AVAILABLE REPORTS   | 297 |
|    | ANNEX 5 – MARGIN PARAMETERS   | 298 |
|    | ANNEX 6 – CLIENT BUSINESS TERMS   | 299 |
|    | ANNEX 7 – DELIVERY TIMETABLES   | 307 |
|    | ANNEX 8 – AUCTION PROCESS   | 308 |

# **LME CLEAR LIMITED**

## **RULES**



## Rule 1

**RULE 1 – DEFINITIONS AND INTERPRETATION****1.1 DEFINITIONS**

**1.1.1** In the Rules, the following words and expressions shall, unless the context otherwise requires, bear the meanings set opposite them:

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| <b>"Acceptance"</b>  | has the meaning set out in Rule 6.4.3, and <b>"Accepted"</b> shall be construed accordingly;  |
| <b>"Acceptance Criteria"</b>                                 | has the meaning set out in Clearing Procedure B3.1;   |
| <b>"Acceptance Time"</b>                                     | has the meaning set out in Rule 6.4.3;  |
| <b>"Accepting Member"</b>                                    | means a Member that accepts a Transaction that is the subject of a Give-Up;   |
| <b>"Accounts"</b>  | means an account established and maintained by LME Clear in respect of a Member, in accordance with Rule 4 ( <i>Accounts</i> ), including any: <ul style="list-style-type: none"> <li>(a) House Accounts; or</li> <li>(b) Client Accounts, which may be either:               <ul style="list-style-type: none"> <li>(i) an Omnibus Segregated Client Account; or</li> <li>(ii) an Individual Segregated Client Account;</li> </ul> </li> <li>(c) Administrative Accounts;</li> </ul> |
| <b>"Act of Misconduct"</b>                                   | has the meaning set out in Membership Procedure A 2.1;  |
| <b>"Additional Amount Applied"</b>                           | has the meaning set out in Default Procedure C6.6;  |
| <b>"Additional Capital"</b>                                  | has the meaning set out in Membership Procedure A 2.1;  |
| <b>"Additional Collateral Management Charge" (or "ACMC")</b> | has the meaning set out in Clearing Procedure D4.3;   |
| <b>"Administrative Account"</b>                              | means an Account in the books and records of LME Clear established in accordance with Rule 4 ( <i>Accounts</i> ), to record Respective Entitlements in respect of Transactions cleared by a Member in the circumstances described in Rule 4.2.10;   |
| <b>"Affected Party"</b>                                      | means whichever of LME Clear or the Member as is unable to perform any of its obligations arising out of, in connection with or relating to the Rules as a result of a Force Majeure Event;   |
| <b>"Affiliate"</b>   | means, in relation to any person, a Subsidiary of that person or a Holding Company of such person or any other Subsidiary of  |

Rule 1

such Holding Company;

**"Aggregate Member Entitlement"** has the meaning set out in Rule 10.13 (*LME Clear Default*);

**"Aggregate Member Obligation"** has the meaning set out in Rule 10.13 (*LME Clear Default*);

**"Aggregated Contract"** means a Contract in a Net Position Product that is maintained on an aggregated basis within an Omnibus Segregated Client Account, in accordance with Clearing Procedure B5, and including any Contract that comprises the aggregation of multiple Aggregated Contracts in accordance with the aggregation process in Clearing Procedure B5;

**"Allocated DFC Amount"** has the meaning set out in Default Procedure C6.6;

**"Allocation ID"** means an individual mnemonic to be used by a Member to identify:

(a) an individual Client within a Direct Gross Omnibus Segregated Client Account; or

(b) an individual Indirect Client within an Indirect Gross Omnibus Segregated Client Account,

and which shall be used by such Member to identify Contracts and Positions allocable to such Client or Indirect Client (as applicable) in such Account;

**"Amount Applied"** has the meaning set out in Default Procedure C6.6;

**"Annex"** means an annex to the Rules and Procedures and published on the Website, as amended by LME Clear from time to time;

**"Appeal Committee"** has the meaning set out in Membership Procedure A 2.1;

**"Applicable Law"** means (a) all regional, national and international laws, rules, regulations, standards and directions, including those imposed by any competent regulatory authority which apply from time to time to the person or activity, and (b) all other regulations applying to LME Clear or a Member and any binding rules or non-binding guidance issued by a Clearing House Regulator and / or a Regulator of a Member, including FSMA, EMIR, the Recognition Regulations and the Settlement Finality Regulations;

**"Applicable Clearing Regulations"** means all Applicable Law binding on LME Clear in the United Kingdom and the European Union that governs, regulates or specifies in any way the manner in which LME Clear shall be required to make available and / or perform its obligations as the operator of the Clearing System including FSMA, EMIR, the Recognition Regulations and the Settlement Finality

Rule 1

Regulations;

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|--|---|
| <b>"Applicant"</b>                               | means any person that applies to LME Clear to become a Member;  |
| <b>"Approved Delivery Facility"</b>              | means the delivery facilities specified in the Clearing Procedures as being approved by LME Clear to deliver the Underlying Assets under a Contract;  |
| <b>"Approved Execution Arrangement"</b>          | has the meaning set out in Clearing Procedure B 3.2;  |
| <b>"Approved Settlement Bank"</b>                | means a Settlement Bank approved by LME Clear as being eligible to participate in the Secure Payment System; the settlement banks approved by LME Clear from time to time shall be those listed on the Website;   |
| <b>"Approved Transaction Platform"</b>           | <p>means:</p> <ul style="list-style-type: none"> <li>(a) an Organised Market; or</li> <li>(b) a venue or facility for the execution, matching, reporting or confirmation of transactions,</li> </ul> <p>that is approved by LME Clear to submit Transactions to the Clearing System and that is specified as such in the Clearing Procedures;</p> |
| <b>"Asset Cover"</b>                             | means the assets (whether in the form of cash, securities, gold, LME Warrants or otherwise) provided by a Member to LME Clear as Collateral and Default Fund Contributions;   |
| <b>"Auction Portfolio"</b>                       | means a portfolio of Open Contracts of the Defaulting Member and any connected hedging agreement made by LME Clear under Default Procedure C6.2, as determined by LME Clear in accordance with Default Procedure C6.3;  |
| <b>"Authorised Representative"</b>               | means the management representative appointed by the Member in accordance with Membership Procedure B8;   |
| <b>"Automatic Compression"</b>                   | means the application of a Compression Run in accordance with the process set out in Rule 12.2.2;   |
| <b>"Automatic Exercise Option Contract"</b>      | means a Contract under which the option is automatically exercised on the Option Exercise Date, in accordance with the Clearing Procedures;   |
| <b>"Automatic Porting Designation Documents"</b> | has the meaning set out in Section 1 of Default Procedure D ( <i>Porting Procedure</i> );   |
| <b>"Automatic Porting Process"</b>               | means the process for the transfer of Contracts, Positions and Collateral allocated to a Client Account in respect of which LME Clear is in receipt of accurate, complete and up to date Automatic Porting Designation Documents, as specified in Rule  |

Rule 1

10.7 (*Portability of Client Accounts*) and Default Procedure D (*Default Procedures*), and specifically Default Procedure D2.2 (*Automatic Porting Process*);

|                                 |   |
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| "Available Cash"                | has the meaning set out in Clearing Procedure D 5.5;  |
| "Available Cash Collateral"     | has the meaning set out in Clearing Procedure D 5.18;   |
| "Available Non-cash Collateral" | has the meaning set out in Clearing Procedure D 5.14;   |
| "Base Currency"                 | means US dollars;   |
| "Binding Membership Terms"      | has the meaning set out in Rule 2.1.1;  |
| "Board"                         | means the board of directors of LME Clear;  |
| "Board Risk Committee"          | means the committee established by LME Clear to consider matters relating to LME Clear's risk-management arrangements, and including representatives from selected Members and Clients;   |
| <u>"Bridge Institution"</u>     | <u>means an entity established by a resolution authority to take over and continue operating certain functions and operations of a Member;</u>  |
| "Brought Forward Position"      | means, on any Business Day, the Position arising from the Open Contract that was created pursuant to the previous Business Day's Settlement to Market Process;  |
| "Bullion"                       | [ <i>Definition to be included when OTC Bullion Products are included as Eligible Products</i> ]  |
| "Business Day"                  | means any day on which LME Clear is open for business to accept Transactions from one or more Approved Transaction Platforms;   |
| "Business Hours"                | means any hours within a day that is a Business Day;  |
| "Buyer"                         | means whichever party (LME Clear or the Member) under a Contract: <ul style="list-style-type: none"> <li>(a) has the right to receive the Underlying Asset; and / or</li> <li>(b) has the obligation to make payment of the Settlement Payment; or</li> <li>(c) is the Option Holder under an Option Contract;</li> </ul> |
| "Buy-In"                        | has the meaning set out in Rule 7.8.1;  |
| "Cash Collateral"               | means any Collateral in the form of cash;   |

Rule 1

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| <b>"Cash Contingent Variation Margin" (or "CCVM")</b>      | has the meaning set out in Clearing Procedure C 4.2(c);   |
| <b>"Cash Cover"</b>  | means any cash provided by a Member to LME Clear as Collateral, Default Fund Contribution or a similar purpose, whether or not provided in relation to a Client;  |
| <b><u>"Cash-Settled Future"</u></b>                        | <u>means those Eligible Products specified as such in Annex 1 (Eligible Products);</u>  |
| <b><u>"Cash-Settled Future Final Settlement Price"</u></b> | <u>has the meaning given to it in the LME Rules;</u>  |
| <b>"Cash Settlement"</b>                                   | means any cash amount payable by a Member to LME Clear or by LME Clear to a Member, including: <ul style="list-style-type: none"> <li>(a) Settlement Payments;</li> <li>(b) Option Contract Premiums;</li> <li>(c) Option Exercise Payments;</li> <li>(d) payments of Eligible Cash by way of Collateral or Default Fund Contribution;</li> <li>(e) all cash settlement-types specified in Clearing Procedure E3.4; and</li> <li>(f) any other cash payment calculated by LME Clear and notified by LME Clear to the Member as being payable by the Member or by LME Clear in accordance with the Rules;</li> </ul> |
| <b>"Circular"</b>  | means a Notice which is given by LME Clear to all Members by way of publication on the Website;   |
| <b>"Clearing Client"</b>                                   | means a Client that has established arrangements with a Member to clear Transactions with, or in respect of, one or more of its Indirect Clients;   |
| <b>"Clearing House Regulator"</b>                          | means the Bank of England, ESMA and any other Regulator having authority for regulating LME Clear or any aspect of its business;  |
| <b>"Clearing Procedures"</b>                               | means the Procedures appended to the Rules under the title "Clearing Procedures";   |
| <b><u>"Clearing Risk Committee"</u></b>                    | <u>means the committee established by LME Clear to oversee the day-to-day risk management of LME Clear and to assist LME Clear's chief risk officer to support the work of the Board Risk Committee;</u>  |
| <b>"Clearing System"</b>                                   | means the formal arrangements, rules and procedures operated by LME Clear and the services provided by it for the clearing and settlement of Contracts, as described in the Rules and the   |

Rule 1

Procedures (each as amended from time to time) as published from time to time by LME Clear;

**"Client"** means a person that has an agreement with a Member pursuant to which:

- (a) the Member enters into Transactions with or for that person; or
- (b) the Member agrees to take responsibility for the clearing via the Clearing System of Transactions entered into by such person,

(and which person may include a Non-Clearing Firm);

**"Client Account"** means an Account in the books and records of LME Clear established in accordance with Rule 4 (*Accounts*), to record Respective Entitlements in respect of Transactions cleared by a Member for one or more of its Clients;

**"Client Acknowledgement Form"** means a form, executed by a Member and a Client, in the form prescribed in Part A of Annex 6 (*Client Business Terms*);

**"Client Business"** means the business of a Member of entering into or clearing transactions in relation to Clients, which may, without limitation include:

- (a) the entering into Transactions by a Member with Clients;
- (b) the entering into Transactions by a Member (whether as principal or otherwise) with another counterparty in order to satisfy an order from, or another obligation to, a Client; or
- (c) the acceptance of responsibility by a Member for the clearing, via the Clearing System, of a Transaction on behalf of a Client;

**"Close of Business"** means the time on a Business Day from which LME Clear shall cease to receive new Transactions, which shall be as specified in Opening Hours Circulars, provided that LME Clear may decide to extend the Close of Business on any particular Business Day;

**"Closing Price"** has the relevant meaning set out in Clearing Procedure A6;

**"Close Out Amount"** has the meaning set out in Rule 10.13 (*LME Clear Default*);

**"Close Out Date"** has the meaning set out in Rule 10.13 (*LME Clear Default*);

**"Close Out Netting Notice"** means a Notice issued by a Member to LME Clear pursuant to and in accordance with Rule 10.13 (*LME Clear Default*);

Rule 1

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| <b>"Collateral"</b>                    | means cash, securities, gold, LME Warrants, instruments and other types of asset provided (or to be provided) by a Member to LME Clear to satisfy its Margin Requirement;   |
| <b>"Collateral Limits"</b>             | means any limitation on the proportion or amount of any type of Collateral that may be provided by a Member to LME Clear in satisfaction of its Margin Requirements that are set out in Annex 2 ( <i>Eligible Currencies, Collateral and Haircuts</i> );  |
| <b>"Collateral Specifications"</b>     | means the provisions set out in Annex 2 ( <i>Eligible Currencies, Collateral and Haircuts</i> ) dealing with Collateral, including Haircuts and certain eligibility criteria;   |
| <b>"Collateral Value"</b>              | means at any time, in respect of all Eligible Collateral provided by a Member at that time, an amount (in the Base Currency) equal to the Market Value of that Eligible Collateral at that time minus any applicable Haircut;   |
| <b>"Compressible Account"</b>          | has the meaning set out in Rule 12 ( <i>Compression</i> );  |
| <b>"Compression"</b>                   | means the replacement of multiple Contracts, between a Member and LME Clear, with a smaller number of Contracts by the aggregation of Contracts having the same direction, together with the netting of Contracts having opposite directions, that is effected in accordance with and subject to the provisions of Rule 12 ( <i>Compression</i> ) and <b>"Compressed"</b> shall mean the effect of the application of such process; |
| <b>"Compression Request"</b>           | has the meaning set out in Rule 12 ( <i>Compression</i> );  |
| <b>"Compression Run"</b>               | means an implementation of Compression, at the Compression Time, in accordance with a Compression Proposal;   |
| <b>"Compression Time"</b>              | means the time at which Compression is recorded in the Clearing System as having taken effect;  |
| <b>"Complainant"</b>                   | means a Member that makes a Complaint;  |
| <b>"Complaint"</b>                     | means a complaint brought by a Member in accordance with Membership Procedure C;  |
| <b>"Concentration Bank"</b>            | means a bank appointed as a concentration bank by LME Clear to hold and process cash amounts received or held by LME Clear for any purpose. A list of the Concentration Banks shall be set out on the Website;  |
| <b>"Consultation Process"</b>          | has the meaning set out in Rule 2.2.5;  |
| <b>"Contingent Agreement to Trade"</b> | has the meaning set out in the LME Rules;   |

## Rule 1

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| <b>"Contract"</b>                         | means a binding agreement between LME Clear and a Member that is formed under and in accordance with Rule 6 ( <i>Acceptance</i> ), and which is to be performed or discharged in accordance with the Rules;  |
| <b>"Contract Settled Under LME Rules"</b> | has the meaning set out in Rule 7.2.1;   |
| <b>"Core Economic Terms"</b>              | <p>means, in respect of a Contract:</p> <ul style="list-style-type: none"> <li>(a) the Prompt Date;</li> <li>(b) the Eligible Product comprised by the Contract;</li> <li>(c) the type (but not quantity) of Underlying Asset; and</li> <li>(d) the type (but not quantity) of Settlement Currency,</li> </ul> <p>being those features of a Contract that are capable of being Compressed with another Contract in accordance with Rule 12 (<i>Compression</i>);</p> |
| <b>"Counterparty Loss"</b>                | means a Loss incurred by LME Clear, including the loss of any asset or cash, pursuant to a default by a Treasury Counterparty that is also a Defaulting Member;  |
| <b>"Cover Distribution Process"</b>       | has the meaning set out in Clearing Procedure D5;  |
| <b>"Credit Check"</b>                     | has the meaning set out in Clearing Procedure B3.10;   |
| <b>"Custodian"</b>                        | means a custodian with which LME Clear may deposit Collateral and/or Default Fund Contributions and/or any other assets or funds from time to time;  |
| <b>"Cut Off Time"</b>                     | has the meaning set out in Rule 10.10.9;   |
| <b>"Dedicated Own Resources"</b>          | means the amount of dedicated own resources required to be held by LME Clear from time to time in compliance with Article 35(1) of the EMIR Level 2 (CCP Requirements) Regulation;   |
| <b>"Default Event"</b>                    | has the meaning set out in Rule 10.2;  |
| <b>"Default Fire Drill"</b>               | means a test of LME Clear's Default Procedures, carried out pursuant to Default Procedure C2;  |
| <b>"Default Fund"</b>                     | means the relevant fund maintained by LME Clear in respect of a Service, to which each Member that participates in such Service is required to contribute under Rule 9 ( <i>Default Fund</i> );  |
| <b>"Default Fund Contribution"</b>        | <p>means, as the context may require:</p> <ul style="list-style-type: none"> <li>(a) the amount to be contributed by a Member to a Default Fund; or</li> </ul>   |



Rule 1

- (b) the amount contributed at any time by a Member to a Default Fund,

in accordance with Rule 9 (*Default Fund*);

**"Default Loss"** means any Loss incurred by LME Clear as a result of a failure by a Member to fulfil its obligations to LME Clear;

**"Defaulting Member"** has the meaning set out in Rule 10.3.4;

**"Default Management Committee"** has the meaning set out in Default Procedure C5.1;

**"Default Notice"** means a notice issued by LME Clear (pursuant to Rule 10.3.3) declaring a Member to be a Defaulting Member;

**"Default Period"** has the meaning set out in Rule 10.10.6;

**"Default Procedures"** means the Procedures appended to the Rules, under the title "Default Procedures";

**"Default Requirements"** means the default requirements for the time being applicable under EMIR, Part VII of the Companies Act 1989 and the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001;

**"Default-Specific Cap"** has the meaning set out in Rule 10.10.4(a);

**"Default-Specific Replenishment Notice"** has the meaning set out in Rule 10.10.1(e);

**"Defence"** has the meaning set out in Membership Procedure A 2.1;

**"Delivery Adjustment Settlement"** means a payment due to or from a Member in respect of a delivered Underlying Asset, which shall take effect as a post-delivery adjustment to the Settlement Payment; and such Delivery Adjustment Settlement shall, for the avoidance of doubt, represent a Payment Obligation for the party that is due to make such payment;

**"Delivery Obligation"** means the obligation under a Contract for the Seller to deliver Underlying Assets to the Buyer;

**"Delivery Position"** means a Position in respect of a Contract under which the Seller has a Delivery Obligation;

**"Designated Member Transferee"** means a Member that has, pursuant to any Automatic Porting Designation Document, agreed to be treated as a Designated Member Transferee in respect of a Client Account for the purpose of the application of the Automatic Porting Process;

**"Direct Gross"** means an Omnibus Segregated Client Account having the

Rule 1

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| <b>Omnibus Segregated Client Account"</b>                   | features described in Rule 4.2.3(b);   |
| <b>"Direct Individual Segregated Client Account"</b>        | means an Individual Segregated Client Account that records the Contracts and their associated Collateral and Positions Registered by a Member in respect of a single Client of the Member;   |
| <b>"Direct Net Omnibus Segregated Client Account"</b>       | means an Omnibus Segregated Client Account having the features described in Rule 4.2.3(a);   |
| <b>"Discharged Rights and Obligations"</b>                  | has the meaning set out in Default Procedure D2.11;  |
| <b>"Disciplinary Committee"</b>                             | has the meaning set out in Membership Procedure A 2.1;   |
| <b>"Discounted Contingent Variation Margin" (or "DCVM")</b> | has the meaning set out in Clearing Procedure C4.2(b);   |
| <b>"DSS"</b>  | means the Detailed Service Specification document published by LME Clear on the Website, as such document may be updated by LME Clear from time to time;   |
| <b>"Eligible Cash"</b>                                      | means cash in an Eligible Currency and which complies with any criteria specified in the Rules including the Clearing Procedures;  |
| <b>"Eligible Collateral"</b>                                | means assets in the form of Eligible Cash, Eligible Securities, Eligible LME Warrants and Eligible Gold, and such other assets with such eligibility criteria as LME Clear may from time to time specify, and which comply with any criteria specified in the Rules including the Clearing Procedures;   |
| <b>"Eligible Compressible Contracts"</b>                    | means Contracts in those Eligible Products that are identified in Annex 1 ( <i>Eligible Products</i> ) as "Eligible Compressible Contracts";   |
| <b>"Eligible Currency"</b>                                  | means: <ul style="list-style-type: none"> <li>(a) in the context of any Cash Settlement to be performed in settlement of any Contract, the currency specified in the Collateral Specifications as being eligible for settlement of such Contract; or</li> <li>(b) in the context of Collateral provided or to be provided by a Member, any currency specified in the Collateral Specifications in which Eligible Collateral may be denominated;</li> </ul> |

## Rule 1

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| <b>"Eligible Gold"</b>                               | means Gold which complies with any criteria specified in the Rules including the Clearing Procedures;  |
| <b>"Eligible Product"</b>                            | means a contract that is eligible to be cleared via the Clearing System, the definitive list of which is set out in Annex 1 ( <i>Eligible Products</i> ), as amended by LME Clear from time to time;   |
| <b>"Eligible LME Warrants"</b>                       | means, at any time, LME Warrants relating to Eligible Metal which comply with any criteria specified in the Rules including the Clearing Procedures;   |
| <b>"Eligible Metal"</b>                              | means metal of a type that is specified in Annex 1 ( <i>Eligible Metal</i> );  |
| <b>"Eligible Securities"</b>                         | means securities denominated in Eligible Currencies, and which comply with any criteria specified in the Rules including the Clearing Procedures;  |
| <b>"EMIR"</b>  | means the EMIR Level 1 Regulation and the EMIR Level 2 Regulation, as amended from time to time;   |
| <b>"EMIR Level 1 Regulation"</b>                     | means Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, as amended from time to time;  |
| <b>"EMIR Level 2 Regulations"</b>                    | means: <ul style="list-style-type: none"> <li>(a) the EMIR Level 2 (Indirect Clearing) Regulation;</li> <li>(b) the EMIR Level 2 (CCP Requirements) Regulation; and the</li> <li>(c) EMIR Level 2 Capital Requirements;</li> </ul>   |
| <b>"EMIR Level 2 (Indirect Clearing) Regulation"</b> | means Commission Delegated Regulation (EU) No 149/2013 of 19 December 2012 supplementing the EMIR Level 1 Regulation with regard to regulatory technical standards on indirect clearing arrangements, the clearing obligation, the public register, access to a trading venue, non-financial counterparties, risk mitigation for OTC derivatives contracts not cleared by a CCP, as amended from time to time; |
| <b>EMIR Level 2 (CCP Requirements)</b>               | means Commission Delegated Regulation (EU) No 153/2014 of 19 December 2012 supplementing the EMIR Level 1 Regulation with regard to regulatory technical standards on requirements for central counterparties;   |
| <b>"EMIR Level 2 Capital Requirements"</b>           | means Commission Delegated Regulation (EU) No 152/2013 of 19 December 2012 supplementing the EMIR Level 1 Regulation with regard to regulatory technical standards on capital requirements for central counterparties;   |
| <b>"End of Day"</b>                                  | means, on any Business Day, the time following the completion by LME Clear of its netting and reconciliation processes in respect of Contracts and Positions that are open on that   |

## Rule 1

Business Day;

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| <b>"End of Day Margin Requirement"</b>       | means, in relation to any day, the amount of Collateral to be provided by a Member to LME Clear in accordance with Clearing Procedure C6.1, and calculated in accordance with Clearing Procedure D5.9 to 5.12;      |
| <b>"Enforcement Notice"</b>                  | has the meaning set out in Membership Procedure A;  |
| <b>"End of Day Position"</b>                 | has the meaning set out in Clearing Procedure B5.4;   |
| <b>"ESMA"</b>                                | means the European Securities Markets Authority (or any successor body);  |
| <b><u>"Exchange Traded Forward"</u></b>      | <u>means any of the products listed in part 2.2 of Annex 1;</u>   |
| <b><u>"Exchange Traded Future"</u></b>       | <u>means any of the products listed in part 2.3 of Annex 1;</u>   |
| <b>"Excess Collateral"</b>                   | means, in relation to Collateral held by LME Clear at any time in respect of an Account, the amount, if any, by which its Collateral Value then exceeds the Margin Requirement then applicable to the same Account; |
| <b>"Execution Price"</b>                     | means the price at which the original Transaction was executed by the Member, as reported to LME Clear by the Approved Transaction Platform;  |
| <b><del>"Executive Risk Committee"</del></b> | <del>means the committee established by LME Clear to oversee the day-to-day risk management of LME Clear and to assist LME Clear's chief risk officer to support the work of the Board Risk Committee;</del>        |
| <b>"Exerciser"</b>                           | has the meaning set out in Clearing Procedure B6.9;   |
| <b>"Exercise Result"</b>                     | has the meaning set out in Clearing Procedure B6.4;   |
| <b>"Exercise Time"</b>                       | has the meaning set out in Clearing Procedure B6.4;   |
| <b>"Excess Loss"</b>                         | has the meaning set out in Rule 10.10.1(d);   |
| <b>"Excess Release"</b>                      | has the meaning set out in Clearing Procedure D4.7;   |
| <b>"Ex-cleared Transfer Instruction"</b>     | has the meaning given to it in the LME Rules;   |
| <b>"Expiry Date"</b>                         | means the date on which a relevant Contract shall expire, as determined in accordance with the Product Specifications;  |
| <b>"Expiry Time"</b>                         | means the time on an Expiry Date on which a relevant Contract shall expire, as determined in accordance with the Product Specifications;  |

Rule 1

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| <b>"Extended Porting Transfer Period"</b> | <p>means a period that:</p> <ul style="list-style-type: none"> <li>(a) is during a Default Period;</li> <li>(b) commences at the end of the prior Porting Transfer Period and expires 24 Business Hours thereafter, unless LME Clear specifies another expiry time on the Website; and</li> <li>(c) is subsequent to, and therefore additional to, any prior Porting Transfer Period,</li> </ul> <p>within which LME Clear may effect a Transfer in accordance with Rule 10.7 (<i>Portability of Client Accounts</i>) and Default Procedure D (<i>Porting Procedure</i>);</p> |
| <b>"Failed Auction"</b>                   | <p>has the meaning set out in Default Procedure C6.48;</p>  |
| <b>"Failed Settlement Position"</b>       | <p>means:</p> <ul style="list-style-type: none"> <li>(a) a failure by a party to a Contract to fulfil a Payment Obligation or a Delivery Obligation (as the case may be) on the date on which such obligation is due to be fulfilled; or</li> <li>(b) any other failure by a member to make a Cash Settlement due under or in accordance with the Rules;</li> </ul>   |
| <b>"Fees"</b>                             | <p>means any fees or charges payable by a Member to LME Clear under the Rules including any fees or charges including any interest or accommodation charges set out in Annex 3 (<i>Fees and Charges</i>), as amended by LME Clear from time to time;</p>  |
| <b>"File Based Compression"</b>           | <p>means the application of a Compression Run in accordance with the process set out in Rule 12.2.1(a)(ii) and the remainder of Rule 12.2.1(b) to (h);</p>  |
| <b>"Financially Settling Contract"</b>    | <p>means a Contract for an Eligible Product that is settled by the payment of a Settlement Payment and under which no Underlying Asset is to be delivered;</p>  |
| <b>"Final Day"</b>                        | <p>has the meaning set out in Rule 10.10.2(d);</p>  |
| <b>"Final Delivery Position"</b>          | <p>has the meaning set out in Clearing Procedure B7.3;</p>  |
| <b>"Final Exercise Time"</b>              | <p>means the final time by which an Option Holder may exercise an option under an Option Contract that requires manual exercise, as specified in the Clearing Procedures;</p>   |
| <b>"Force Majeure Event"</b>              | <p>means any circumstance beyond the control and contemplation of LME Clear or a Member, which hinders or prevents the performance in whole or in part of any of its obligations under the Rules (other than, in the case of a Member, any obligation to make a payment to LME Clear) and will be deemed to include</p>   |

## Rule 1

war, civil war or other action of military forces or armed conflict; terrorism or terrorist attack; riot, civil commotion, or protest; the inaccessibility of —LME Clear's premises by LME Clear; sabotage or vandalism or malicious damage; nuclear, chemical or biological contamination; sonic boom; act of God; national emergency; fire, explosion, flood, storm, earthquake or epidemic; lack of energy supply; strike, labour dispute, lockout, work to rule or other industrial dispute; interruption or failure of utility service, including but not limited to electric power, gas or water; —the closure, suspension or disruption of the operations of, or any default by, any Approved Transaction Platform or by any Settlement Agent, Settlement Bank, Precious Metal Clearer, Securities System Operator, Custodian, Warehouse or the LMEsword Depository; or any failure or insolvency of any Service Provider on which LME Clear relies in order to operate the Clearing System or otherwise perform its obligations under the Rules;

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| <b>"Former Member"</b>                       | has the meaning set out in Rule 3.13.7;   |
| <b>"Forward Dated Currency"</b>              | means a currency (such as Yen) where the settlement instruction issued on a given Business Day is for the execution of a payment, for value on a following Business Day;  |
| <b>"FSMA"</b>                                | means the Financial Services and Markets Act 2000, as amended from time to time;  |
| <b>"General Clearing Member" (or "GCM")</b>  | has the meaning set out in Rule 3.1.3;  |
| <b>"General Liquidity Requirement"</b>       | means any funding or liquidity requirement of LME Clear arising in relation to the operation of the Clearing System (and shall exclude any General Working Capital Requirement and any Member Liquidity Requirement); |
| <b>"General Working Capital Requirement"</b> | means any general company funding requirement (such as a working capital requirement) of LME Clear, which for the avoidance of doubt excludes any General Liquidity Requirement and any Member Liquidity Requirement; |
| <b>"Give-Up"</b>                             | means a Transaction agreed by a Member, where such Member agrees to give-up the Transaction to another Member, in accordance with the LME Rules;  |
| <b>"Give-Up Acceptance"</b>                  | means an instruction input into LMEsmart by an Accepting Member indicating its acceptance of a Transaction that is subject to a Give-Up;  |
| <b>"Give-Up Contract"</b>                    | has the meaning set out in Clearing Procedure B3.3;   |
| <b>"Give-Up Executor"</b>                    | means, in the context of a Give-Up, the Member that Gives-Up the Transaction;   |
| <b>"Give-Up Executor"</b>                    | means an instruction input into LMEsmart by a Give-Up   |

Rule 1

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| <b>"Instruction"</b>                              | Executor indicating that a Transaction is to be subject to a Give-Up;  |
| <b>"Gold"</b>                                     | means gold held in London complying with the rules of the London Bullion Market Association relating to good delivery and fineness in effect from time to time;  |
| <b>"Gold Collateral"</b>                          | means Collateral in the form of Eligible Gold;   |
| <b>"Gold Custodian"</b>                           | means such custodian for Gold as LME Clear may appoint from time to time;  |
| <b>"Gross Position Product"</b>                   | means an Eligible Product, the Positions on which shall be calculated on a gross basis, as identified in the table in Clearing Procedure B4.6;   |
| <b>"Gross Omnibus Segregated Client Account"</b>  | means: <ul style="list-style-type: none"> <li>(a) a Direct Gross Omnibus Segregated Client Account; or</li> <li>(b) an Indirect Gross Omnibus Segregated Client Account;</li> </ul>  |
| <b>"Group"</b>                                    | means in relation to a company, any company that is a Subsidiary of that company, any company that is its Holding Company, and any other company that is a Subsidiary of that Holding Company (including any Subsidiary of any such Subsidiary); |
| <b>"Haircut"</b>                                  | means, in relation to any Collateral for the purpose of calculating its Collateral Value, the discount applicable to that Collateral as specified in the Collateral Specifications;  |
| <b>"Holding Company"</b>                          | means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary;   |
| <b>"House Account"</b>                            | means an Account in the books and records of LME Clear established in accordance with Rule 4.2.1;  |
| <b>"Identified Client"</b>                        | has the meaning set out in Rule 5.1.5;   |
| <b>"Independent Complaints Commissioner"</b>      | has the meaning set out in Membership Procedure A;   |
| <b>"Indirect Client"</b>                          | means the client of a Clearing Client <sup>1</sup> ;   |
| <b>"Indirect Gross Omnibus Segregated Client"</b> | an Individual Segregated Client Account that records Contracts and their associated Collateral and Positions Registered by a Member in respect of one or more Indirect Clients, where such   |

<sup>1</sup> This definition shall include an "indirect client" within the meaning of (i) Article 1(a) of the EMIR Level 2 (Indirect Clearing) Regulation (being "the client of a client of a clearing member", as such terms are defined in the EMIR Level 2 (Indirect Clearing) Regulation), which term is applicable under the indirect clearing provisions of both EMIR and MiFID II.



## Rule 1

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| <b>Account"</b>   | Indirect Clients are the clients of a single Clearing Client of the Member and having the features described in Rule 4.2.6;   |
| <b>"Indirect Individual Segregated Client Account"</b>  | means an Individual Segregated Client Account that records Contracts and their associated Collateral and Positions Registered by a Member in respect of a single Indirect Client, where such Indirect Client is the client of a single Clearing Client of the Member;   |
| <b>"Indirect Net Omnibus Segregated Client Account"</b> | means an Omnibus Segregated Client Account having the features described in Rule 4.2.3(c);  |
| <b>"Individual Clearing Member" (or "ICM")</b>          | has the meaning set out in Rule 3.1.3;  |
| <b>"Individual Segregated Client Account"</b>           | means a Client Account established in accordance with Rule 4.2.2(b);  |
| <b>"Initial Margin Requirement"</b>                     | has the meaning set out in Clearing Procedure C3.1;   |
| <b>"Instrument"</b>                                     | has the meaning set out in Clearing Procedure A5;   |
| <b>"Initial LMEprecious Members"</b>                    | has the meaning set out in Default Procedure B 1.3;   |
| <b>"Initial LMEprecious Period"</b>                     | has the meaning set out in Default Procedure B 1.3;   |
| <b>"In Scope Open Contracts"</b>                        | means Open Contracts falling within the scope of clearing services to be terminated pursuant to (i) a Resignation Notice; (ii) a Service Termination Notice; or (iii) a Service Withdrawal Notice;  |
| <b>"Intangible Fixed Assets"</b>                        | has the meaning set out in Membership Procedure A 2.1;  |
| <b>"Intellectual Property Rights"</b>                   | means patents, trade marks, rights in logos, get-up, trade names, internet domain names, rights in designs, copyright (including rights in computer software) and moral rights, database rights, semi-conductor topography rights, utility models, trade secrets, inventions, rights in know-how and other intellectual property or proprietary rights, in each case whether registered or unregistered and including applications for registration, and all rights or forms of protection having equivalent or similar effect to the foregoing which may now or in the future subsist in, apply to or are enforceable in, any jurisdiction in the world; |
| <b>"Intra-Day Margin Requirement"</b>                   | means, in relation to any day, the amount of additional Collateral to be provided by a Member to LME Clear in accordance with Clearing Procedure C6.2 and as determined in  |



Rule 1

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|  | accordance with Clearing Procedure C6.2;  |
| <b>"Invoice Back"</b>                          | has the meaning set out in Rule 7.8.1;  |
| <b>"Investment Securities"</b>                 | means any securities or other investments in which LME Clear invests or makes using Cash Cover as contemplated by Rule 8.6.2;   |
| <b>"LME"</b>                                   | means the recognised investment exchange and regulated market operated by The London Metal Exchange (FS Register number 207387);  |
| <b>"LME Aluminium Premium Contract"</b>        | means a Contract comprising an Eligible Product having the features specified in Annex 1 ( <i>Eligible Products</i> ) having the same name;   |
| <b>"LME Base Clearing Member"</b>              | means a Member that is permitted to clear Transactions in LME Base Products;  |
| <b>"LME Base Products"</b>                     | means those Eligible Products specified as such in Annex 1 ( <i>Eligible Products</i> );  |
| <b>"LME Base Service"</b>                      | means the availability of the Clearing System in respect of LME Base Products;  |
| <b>"LME Business Day"</b>                      | means a "Business Day" as defined in accordance with the LME Rules;   |
| <b>"LME Clear"</b>                             | means LME Clear Limited (registered in England and Wales under company number 07611628);  |
| <b>"LME Clear Compliance Department"</b>       | has the meaning set out in Membership Procedure A 2.1;  |
| <b>"LME Clear Data"</b>                        | means: <ul style="list-style-type: none"> <li>(a) LME Clear System Data; and</li> <li>(b) LME Clear Member Data;</li> </ul>   |
| <b>"LME Clear Default"</b>                     | has the meaning set out in Rule 10.13 ( <i>LME Clear Default</i> );   |
| <b>"LME Clear Insolvency Default"</b>          | has the meaning set out in Rule 10.13 ( <i>LME Clear Default</i> );   |
| <b>"LME Clear Member Data"</b>                 | means all data relating to Accounts, Transactions, Contracts, Positions, Collateral, Margin Requirements, or Fees relating to a Member which are provided to, or generated by, LME Clear under the Rules; |
| <b>"LME Clear Membership Application Form"</b> | has the meaning set out in Membership Procedure A;  |
| <b>"LME Clear Options"</b>                     | means the functionality made available by LME via the Website   |

Rule 1

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| <b>Exercise Screen"</b>                                   | through which members can give instructions relating to the exercise of options under Options Contracts;   |
| <b>"LME Clear Party"</b>                                  | has the meaning set out in Rule 2.3.1;   |
| <b>"LME Clear Payment Default"</b>                        | has the meaning set out in Rule 10.13 ( <i>LME Clear Default</i> );  |
| <b>"LME Clear Pledged Account"</b>                        | means the Account (as such term is defined in Part 10 of the LME Rules) in the name of LME Clear with LMEsword into which a Member is required to deliver LME Warrant Collateral;  |
| <b>"LME Clear System Data"</b>                            | means all data relating to the operation or design of the Clearing System which is provided to, or generated by, LME Clear;  |
| <b>"LME Contract"</b>                                     | means a Transaction that is made on the LME between two Members (and that is defined as a "Contract" under the LME Rules);   |
| <b>"LME Exchange Traded Products"</b>                     | means LME Base Products and LMEprecious Products;  |
| <b>"LME Index Settlement Price" (or "ISP")</b>            | means the "Settlement Price for the Index," defined in the LME Rules;  |
| <b>"LME Inter-Office Market"</b>                          | means the inter-office market for the agreement of Transactions between members of the LME <u>and/or their clients</u> via the telephone and other means of communication <u>and/or through the services of a RIB</u> ;  |
| <b><u>"LMEmercury GUI"</u></b>                            | <u>means the real time clearing graphical use interface provided by LME Clear that shall enable each Member to access information relating to the Clearing System processes applied in respect of that Member and to input instructions (where relevant) to the Clearing System;</u>   |
| <b><del>"LMEmercury GUI"</del><br/><u>Materials"</u></b>  | <del>means the real time clearing graphical use interface operated by LME User that shall enable each member to access information relating to the Clearing System processes applied in respect of that Member and to input instructions (where relevant) to the Clearing System;</del><br><br><u>means the software known as "LMEmercury" or any future name for such software, and any documentation relating to this software, which is made available to the Member from time to time by LME Clear to enable the Member to use the Clearing System, and including the Operations GUI User Guide;</u> |
| <b>"LME Monthly Average Settlement Price" (or "MASP")</b> | means the "Monthly Average Settlement Price" defined in the LME Rules;   |
| <b>"LME Notional Average Price" (or "NAP")</b>            | means the "Notional Average Price" defined in the LME Rules;   |

Rule 1

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| <b>"LMEprecious Clearing Member"</b>            | means a Member that is permitted to clear Transactions in LMEprecious Products;   |
| <b>"LMEprecious Commencement Date"</b>          | has the meaning set out in Default Procedure B 1.3(d);  |
| <b>"LMEprecious Future"</b>                     | means an LMEprecious Product that is a future, as specified in Annex 1 ( <i>Eligible Products</i> );  |
| <b>"LMEprecious Initial DF Floor"</b>           | has the meaning set out in Default Procedure B 1.3;   |
| <b><u>"LMEprecious Option"</u></b>              | <u>means an LMEprecious Product that is an option, as specified in Annex 1 (<i>Eligible Products</i>);</u>  |
| <b>"LMEprecious Products"</b>                   | means those Eligible Products specified as such in Annex 1 ( <i>Eligible Products</i> );  |
| <b>"LMEprecious Service"</b>                    | means the availability of the Clearing System in respect of LMEprecious Products;   |
| <b>"LME Premium Warrant"</b>                    | has the meaning set out in Clearing Procedure F2.1;   |
| <b>"LME Premium Warrant Payment Obligation"</b> | means the obligation of a Buyer under an LME Aluminium Premium Contract to deliver LME Warrants, in part satisfaction of the Payment Obligation in respect of such Contract;  |
| <b>"LME Rules"</b>                              | means the rules and regulations of the LME, as updated by the LME from time to time;  |
| <b>"LMEsmart"</b>                               | means the matching platform operated by the LME for matching Transactions in Eligible Products;   |
| <b>"LMEsword"</b>                               | has the meaning set out in Clearing Procedure F2.1;   |
| <b>"LMEsword Depository"</b>                    | means the Depository (as such term is defined in Part 10 of the LME Rules);   |
| <b>"LMEsword Operating Procedures"</b>          | has the meaning set out in Clearing Procedure F2.1;   |
| <b>"LMEsword Regulations"</b>                   | has the meaning set out in Clearing Procedure F2.1;   |
| <b>"LME Warrants"</b>                           | has the meaning set out in Clearing Procedure F2.1;   |
| <b>"LME Warrant Collateral"</b>                 | means collateral in the form of Eligible LME Warrants;  |
| <b>"Loss"</b>                                   | means all or any losses, liabilities, claims, costs or expenses of any nature, whether direct, indirect, special, consequential or otherwise, including (without limitation) all professional fees and disbursements and applicable taxes, including VAT thereon; |

Rule 1

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| <b>"LPMCL"</b>                            | means London Precious Metals Clearing Limited (registered in England and Wales under company number 04195299);   |
| <b>"Major Currency"</b>                   | has the meaning set out in the LME Rules;  |
| <b>"Mandatory Bidders"</b>                | has the meaning set out in Default Procedure C6.4;   |
| <b>"Mandatory CCP Provisions"</b>         | means the provisions listed and/or set out in Part B of Annex 6 ( <i>Client Business Terms</i> );  |
| <b>"Manual Compression"</b>               | means the application of a Compression Run in accordance with the process set out in Rule 12.2.1(a)(i) and the remainder of Rule 12.2.1(b) to (h);   |
| <b>"Manual Exercise Option Contract"</b>  | means an Option Contract under which the option shall, if it is to be exercised, be exercised at the direction of the Option Holder (and which is not exercised automatically);  |
| <b>"Manual or File Based Compression"</b> | means a Manual Compression or a File Based Compression;  |
| <b>"Margin Requirement"</b>               | means the sum of the amounts to be provided by a Member to LME Clear, and maintained by such Member, each day pursuant to Rule 8.1;  |
| <b>"Market Value"</b>                     | means at any time the then current market value of an Instrument, Contract, Underlying Asset or Collateral (as the case may be) as determined by reference to the relevant index or metric specified in the Clearing Procedures; |
| <b>"Member"</b>                           | means a person admitted to use the Clearing System in accordance with Rule 3 ( <i>Membership</i> ) and the Membership Procedure either as a GCM or an ICM;   |
| <b>"Member Default"</b>                   | means an instance of a single Member being declared a Defaulting Member by LME Clear pursuant to a Default Notice, due to one or more Default Events relating to that Defaulting Member;   |
| <b>"Member Additional DFC at risk"</b>    | has the meaning set out in Default Procedure C6.6;   |
| <b>"Member DFC at risk"</b>               | has the meaning set out in Default Procedure C6.6;   |
| <b>"Member Documentation"</b>             | means the agreement, documents and instruments which constitute the contractual relationship between a Member and LME Clear including these Rules, the Membership Agreement and any Security Documents;                          |
| <b>"Member Interface"</b>                 | means the functionality made available to Members via the Website to access Reports and other Member-specific information;   |
| <b>"Member Liquidity"</b>                 | means in relation to a Member an obligation or liquidity   |

Rule 1

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| <b>Requirement"</b>                            | requirement of LME Clear incurred in relation to the operation of the Clearing System (including financing unsettled amounts in connection with the settlement of Open Contracts and other items processed through the facilities of LME Clear as a clearing house and/or central counterparty under the Rules and refinancing funds made available by a lender or services provider to LME Clear for the purpose of settling such transactions in accordance with the Rules);                                       |
| <b>"Member Transferee"</b>                     | has the meaning set out in Rule 10.7.1;  |
| <b>"Member Transferor"</b>                     | has the meaning set out in Rule 10.7.1;  |
| <b>"Membership"</b>                            | means the status of being a Member;  |
| <b>"Membership Agreement"</b>                  | means the agreement, and any other documentation, in the form prescribed by LME Clear, pursuant to which a Member agrees to be bound by the Rules;   |
| <b>"Membership Criteria"</b>                   | means the criteria to be satisfied in order to qualify for, and maintain, Membership of LME Clear, as specified in Membership Procedures B3, B4 and B5;  |
| <b>"Membership Procedures"</b>                 | means the Procedures appended to the Rules under the title "Membership Procedures";  |
| <b>"MiFID II"</b>                              | means the package of legislative measures comprising: <ul style="list-style-type: none"> <li>(a) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments;</li> <li>(b) Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending EMIR; and</li> <li>(c) any delegated regulations made by the European Commission thereunder,</li> </ul> as amended from time to time; |
| <b>"Minimum Cash Requirement"</b>              | has the meaning set out in Clearing Procedure D5.20;   |
| <b>"Net Capital"</b>                           | has the meaning set out in Membership Procedure A;   |
| <b>"Net Liquidation Value" (or "NLV")</b>      | has the meaning set out in Clearing Procedure C4.2(d);   |
| <b>"Net Omnibus Segregated Client Account"</b> | means a Direct Net Omnibus Segregated Client Account or an Indirect Net Omnibus Segregated Client Account;   |
| <b>"Net Position"</b>                          | means an Eligible Product the Positions in which shall be  |

Rule 1

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| <b>Product"</b>                             | calculated on a net basis, as identified in the table in Clearing Procedure B4.6;  |
| <b>"New Contract Position"</b>              | means, on any Business Day, the Position arising under each new Open Contract that has been Accepted during the Business Day;  |
| <b>"Non-Clearing Firm"</b>                  | means a person that is not a Member, who is entitled to trade as a member or participant of an Approved Transaction Platform;  |
| <b>"Non-Identified Client"</b>              | has the meaning set out in Rule 5.1.6;   |
| <b>"Notice of Investigation" (or "NoI")</b> | has the meaning set out in Membership Procedure A 2.1;   |
| <b>"Notice"</b>                             | means a notice given under Rule 2.9 and <b>"Notify"</b> or <b>"Notification"</b> shall be construed accordingly;   |
| <b>"Office-Holder"</b>                      | has the meaning set out in Rule 10.3.4;  |
| <b>"Omnibus Segregated Client Account"</b>  | means a Client Account established in accordance with Rule 4.2.3;  |
| <b>"On-Exchange Business"</b>               | means the business of any Member of entering into arrangements for the clearing of: <ul style="list-style-type: none"> <li>(a) LME Contracts; or</li> <li>(b) any other form of Transaction executed or confirmed on an Organised Market, (as opposed to Transactions executed on an over-the-counter basis);</li> </ul> |
| <b>"Open Contract"</b>                      | means a Contract under which the Respective Entitlements, including the Payment Obligations or Delivery Obligations remain to be fully satisfied;  |
| <b>"Opening Hours Circular"</b>             | has the meaning set out in Clearing Procedure B2.7;  |
| <b>"Operations GUI User Guide"</b>          | means the user guide for the use of the LMEmercury GUI made available by LME Clear to Members, as updated by LME Clear from time to time;  |
| <b>"Option Contract"</b>                    | means a Contract that: <ul style="list-style-type: none"> <li>(a) requires the payment of an Option Contract Premium; and</li> <li>(b) that entitles the party that has paid the Option Contract Premium to exercise an option on the terms specified in the Product Specifications;</li> </ul>                          |
| <b>"Option Contract</b>                     | means the premium payable under an Option Contract for the   |

Rule 1

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| <b>Premium"</b>                  | purchase of the option;   |
| <b>"Option Exercise Date"</b>    | means the date on which the option under an Option Contract is exercised by the Option Holder, which shall be: <ul style="list-style-type: none"> <li>(a) for Automatic Exercise Option Contracts, a date determined in accordance with the Product Specifications; or</li> <li>(b) for Manual Exercise Option Contracts, the date on which the option is exercised;</li> </ul>   |
| <b>"Option Exercise Payment"</b> | means the amount payable to the Option Holder upon exercise of the option under an Option Contract that results in a Cash Settlement, which shall be determined by reference to the Option Reference Price in force for the Option Contract on the Option Exercise Date;  |
| <b>"Option Exercise Rules"</b>   | has the meaning set out in Clearing Procedure B6;   |
| <b>"Option Granter"</b>          | means the party under an Option Contract that is not the Option Holder;   |
| <b>"Option Holder"</b>           | means the party under an Option Contract having the right to exercise the option;   |
| <b>"Option Reference Price"</b>  | means the reference price for the exercise of an option under an Option Contract which is to be settled by Cash payment, as determined in accordance with the Product Specifications;   |
| <b>"Organised Market"</b>        | means: <ul style="list-style-type: none"> <li>(a) the LME;</li> <li>(b) any other "regulated market" or "recognised investment exchange" (as each such term is defined under FSMA);</li> <li>(c) any "multilateral trading facility" (as such term is defined under FSMA); or</li> <li>(d) any other organised stock market, derivatives market or commodities market;</li> </ul> |
| <b>"Original House Contract"</b> | has the meaning set out in Clearing Procedure B 3.3;  |
| <b>"OTC Bullion Contract"</b>    | has the meaning set out in Clearing Procedure F 4.1(a); [ <i>Not currently currently in use</i> ]   |
| <b>"OTC Bullion Trades"</b>      | means Transactions in "OTC Bullion Products" (as such are specified in Annex 1 ( <i>Eligible Products</i> )); [ <i>Not currently in use</i> ]   |
| <b>"OTC Business"</b>            | means the business of any Member of entering into arrangements for the clearing of OTC Contracts;   |

## Rule 1

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| <b>"OTC Contract"</b>               | means a contract between two Members, on OTC Prescribed Terms, formed otherwise than on or subject to the rules of an Organised Market;  |
| <b>"OTC Backloading Service"</b>    | has the meaning set out in Clearing Procedure B 3.15;  |
| <b>"OTC Bullion Products"</b>       | means those Eligible Products specified as such in Annex 1 ( <i>Eligible Products</i> ); [ <i>Not currently in use</i> ]   |
| <b>"OTC Prescribed Terms"</b>       | means the terms specified for OTC Contracts in the Clearing Procedures and the Product Specifications;   |
| <b>"Parent Undertaking"</b>         | has the same meaning as set out in section 1162 of the Companies Act 2006;   |
| <b>"Partial Transfer"</b>           | has the meaning set out in Rule 10.7.6(a);   |
| <b>"Partial Transfer Window"</b>    | means a period determined by LME Clear in accordance with Rule 10.7.6 during a Default Period within which LME Clear will attempt to effect Partial Transfers for Requesting Clients in accordance with Rule 10.7 ( <i>Portability of Client Accounts</i> ) and Default Procedure D ( <i>Porting Procedure</i> );  |
| <b>"Participating Member State"</b> | means, at any time, each member state of the European Union whose lawful currency in force at that time is the euro, as adopted in accordance with legislation of the European Union relating to Economic and Monetary Union;  |
| <b>"Payment Obligation"</b>         | <p>means any obligation of a party under a Contract:</p> <ul style="list-style-type: none"> <li>(a) to make a payment to the other party; or</li> <li>(b) to otherwise account to the other party for value in exchange for the performance by such other party of its Delivery Obligation (notwithstanding that such obligation may be discharged by the offset of other obligations as opposed to an actual cash payment),</li> </ul> <p>and includes for the avoidance of doubt:</p> <ul style="list-style-type: none"> <li>(i) the obligation under a Physical Delivery Contract for the Buyer to pay the Settlement Payment to the Seller (which shall include, in the case of LME Aluminium Premium Contracts, the LME Premium Warrant Payment Obligation, which shall comprise an obligation to deliver LME Warrants, together with the payment of cash);</li> <li>(ii) the obligation under a Financially Settling Contract for a party to pay the Settlement Payment to the other party; and</li> </ul> |



Rule 1

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|  | (iii) the obligation under an Option Contract to pay an Option Contract Premium;   |
| <b>"Per Account VM Profit"</b>                       | has the meaning set out in Rule 10.10.2(b);  |
| <b>"Per Default Stabilisation Replenishment Cap"</b> | has the meaning set out in Rule 10.10.5(a);  |
| <b>"Permanent Capital"</b>                           | has the meaning set out in Membership Procedure A 2.1;   |
| <b>"Physical Delivery Contract"</b>                  | means a Contract for a Physically Settling Product;  |
| <b>"Physically Settling Product"</b>                 | means an Eligible Product that requires the delivery or acceptance by a party of an Underlying Asset; the Physically Settling Products are listed in Clearing Procedure B7.1;  |
| <b>"Porting Election Period"</b>                     | means the period, commencing on the issue by LME Clear of a Default Notice in respect of a Member and expiring four (4) hours thereafter, within which all consents that are required under the Rules in order for any Transfer to be made in connection with a Client Account have been obtained from: <ul style="list-style-type: none"> <li>(a) the Member Transferee; and</li> <li>(b) (where necessary in accordance with any Rule) any Client(s),</li> </ul> and submitted to LME Clear; |
| <b>"Porting Period"</b>                              | means the period comprising: <ul style="list-style-type: none"> <li>(a) a Porting Election Period; and</li> <li>(b) a Porting Transfer Period,</li> </ul> and including any Extended Porting Transfer Period;  |
| <b>"Porting Process"</b>                             | means the relevant process for the Transfer of Contracts, Positions and Collateral allocated to a Client Account, as specified in Rule 10.7 ( <i>Portability of Client Accounts</i> ) and including, in respect of those Client Accounts for which LME Clear is in receipt of accurate, complete and up to date Automatic Porting Designation Documents, the Automatic Porting Process;  |
| <b>"Porting Request Notice"</b>                      | means a Notice in the form prescribed by LME Clear issued pursuant to and in accordance with Rule 10.7 ( <i>Portability of Client Accounts</i> ) and Default Procedure D ( <i>Porting Procedure</i> );   |
| <b>"Porting Transfer Period"</b>                     | means the period commencing on the issue by LME Clear of a Default Notice in respect of a Member and expiring:   |

Rule 1

- (a) 24 Business Hours thereafter; or
- (b) at such other later time as LME Clear may specify on the Website,

within which LME Clear may effect a Transfer in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*);

**"Position"**

means:

- (a) in relation to an Open Contract, the consolidated rights and liabilities of the parties to that Open Contract at the relevant point in time; and
- (b) in relation to an Account, the consolidated rights and liabilities arising out of Open Contracts recorded on such Account; and
- (c) in relation to an Allocation ID allocated to a Gross Omnibus Segregated Client Account, the consolidated rights and liabilities arising out of Open Contracts recorded to the Allocation ID in such Account;

**"Post-Compression Contracts"**

means those Contracts that shall come into effect between LME Clear and a Member upon Compression, which shall represent the Positions under the Eligible Compressible Contracts as Compressed by LME Clear in accordance with a Compression Proposal;

**"Precious Metal"**

means:

- (a) Gold;
- (b) Silver,

and each of (a) and (b) shall be a separate **"type of Precious Metal"**.<sup>2</sup>

**"Precious Metal Clearer"**

means an Approved Delivery Facility for the delivery of Precious Metal;

**"Premium Warrant Jurisdiction"**

means a geographical jurisdiction referring to the location of the issuing warehouses of a category of LME Premium Warrant, as specified in the LME Rules;

**"Price Alignment Interest"**

means interest charged, or paid, by LME Clear on Cash Contingent Variation Margin in order to avoid any potential distortion of the price of Eligible Products, at such rate as LME Clear may determine;

<sup>2</sup> This definition will be amended to include further types of precious metal when new metals are included in the range of LMEprecious Products.

Rule 1

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| <b>"Price Set"</b>  | has the meaning set out in Clearing Procedure A6.8;   |
| <b>"Price Source"</b>                                     | has the meaning set out in Clearing Procedure A6.6;   |
| <b>"Procedures"</b>                                       | means the procedures adopted by LME Clear from time to time and for the time being in force and appended to the Rules, including any and all Annexes, appendices and schedules to them;   |
| <b>"Product Specifications"</b>                           | means the list of Eligible Products and the features thereof set out in Annex 1 ( <i>Eligible Products</i> );   |
| <b>"Prompt Date"</b>                                      | has the meaning set out in the LME Rules and shall be determined, in relation to any Contract, by reference to the Product Specification for the Eligible Product to which the Contract relates;  |
| <b>"Purchase Position"</b>                                | means the Position held by a Buyer for (i) the purchase of an Underlying Asset and/or (ii) the payment of a Settlement Amount or (iii) the right to exercise an option;   |
| <b>"Realised Variation Margin" (or "RVM")</b>             | has the meaning set out in Clearing Procedure C4.2(a);  |
| <b>"Receive Entitlement"</b>                              | means an entitlement under a Contract for a Buyer to receive Underlying Assets from the Seller;   |
| <b>"Recognition Regulations"</b>                          | means the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001, as amended from time to time;   |
| <b>"Refund"</b>   | has the meaning set out in Rule 10.11 ( <i>Refunds</i> );   |
| <b><u>"Registered Intermediating Broker" or "RIB"</u></b> | <u>means a member of the LME that is authorised to arrange Transactions between members of the LME and/or their clients, and holding the "RIB Membership" category under the LME Rules;</u>   |
| <b>"Regulator"</b>  | means, in relation to any person, any regulatory body that has responsibility for regulating the conduct of that person's securities, clearing and / or banking business;   |
| <b>"Relevant Account"</b>                                 | has the meaning set out in Rule 10.7.6(b);  |
| <b>"Relevant Default Fund"</b>                            | means, as the context may require, the Default Fund that relates to a Service in which the Member participates;   |
| <b>"Relevant DF Minimum Threshold"</b>                    | means the minimum size of Default Fund that LME Clear is required to maintain at any time in order to satisfy its obligations under EMIR, being the higher of: <ul style="list-style-type: none"> <li>(a) the level required to satisfy the requirements of Article 42(3) of the EMIR Level 1 Regulation;</li> <li>(b) the level required to satisfy the requirements of</li> </ul> |

## Rule 1

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|  | Article 43(2) of the EMIR Level 1 Regulation; and   |
|  | (c) any minimum level established by LME Clear in accordance with Article 42(1) of the EMIR Level 1 Regulation to the extent that such minimum level is specified by LME Clear as applying notwithstanding any application of any part of the Default Fund towards any Default Loss;  |
| <b>"Relevant Parties"</b>                | has the meaning set out in Membership Procedure A;  |
| <b>"Relevant Rate"</b>                   | means: <ul style="list-style-type: none"> <li>(a) in respect of sterling amounts, SONIA;</li> <li>(b) in respect of euro amounts, EONIA;</li> <li>(c) in respect of US Dollar amounts, the overnight Fed Funds rate; and</li> <li>(d) in respect of Japanese Yen amounts, the Mutan Call Rate;</li> </ul>   |
| <b>"Relevant Rights and Obligations"</b> | means, in relation to a party to a Transaction, that party's rights and obligations under the Transaction to make and/or receive cash payments and/or deliveries of Underlying Instruments and/or exercise any option;  |
| <b>"Remaining DFC"</b>                   | has the meaning set out in Default Procedure C6.6;  |
| <b>"Rent Date"</b>                       | means, in respect of an LME Warrant, the day on which rent falls due in respect of such LME Warrant, which date shall be 31 March in each calendar year unless (i) such day is not a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London (a <b>"London Business Day"</b> ) in which case it will fall on the immediately preceding London Business Day or (ii) as otherwise specified in respect of the relevant LME Warrant; |
| <b>"Requesting Client"</b>               | has the meaning set out in Rule 10.7.6(d);  |
| <b>"Report"</b>                          | means a report listed in Annex 4 ( <i>List of Available Reports</i> );  |
| <b>"Resignation Notice"</b>              | has the meaning set out in Rule 3.6.2;  |
| <b>"Resolution Authority"</b>            | has the meaning set out in Rule 10.13 ( <i>LME Clear Default</i> );   |
| <b>"Respective Entitlements"</b>         | has the meaning set out in Rule 4.1.3;  |
| <b>"Retiring Member"</b>                 | means any Member: <ul style="list-style-type: none"> <li>(a) that has lodged a Resignation Notice with LME</li> </ul>   |

Rule 1

Clear; and

- (b) in respect of which LME Clear has issued Notice that its Membership is to be terminated,

and such Member shall remain a Retiring Member until the earlier of (i) the Termination Date; or (i) the withdrawal by the Member or LME Clear of the Resignation Notice or Notice of termination (as applicable);

**"Risk Appetite"** means LME Clear's documented tolerances for different categories of risk, as defined by, and as revised from time to time by, LME Clear's Board;

**"Risk Threshold"** has the meaning set out in Clearing Procedure C6.2(a);

~~**"LMEmercury Materials"** means the software known as "LMEmercury" or any future name for such software, and any documentation relating to this software, which is made available to the Member from time to time by LME Clear to enable the Member to use the Clearing System, and including the Operations GUI User Guide;~~

**"Rule Change"** has the meaning set out in -Rule 2.2.1;

**"Rule Change Notice"** has the meaning set out in Rule 2.2.2;

**"Rules"** means these rules and the Procedures (including any Annexes), as amended, supplemented or modified from time to time;

**"Sale Position"** means the Position held by a Seller for (i) the sale of an Underlying Asset, and/or (ii) the receipt of a Settlement Amount or (iii) the performance of obligations upon the exercise by an Option Holder of its option;

**"Sanctions"** any applicable law executing foreign policy, security, sanction, trade embargo, boycott, export control, foreign trade control, non-proliferation or anti-terrorism objectives or similar restrictions on any business with a sanctioned jurisdiction, certain types of business or activity, or specified persons that is imposed, administered or enforced from time to time by: (i) the European Union; (ii) the United Kingdom; (iii) the United States of America; (iv) the United Nations Security Council; or (v) any of their successors;

**"Secure Payment System" (or "SPS")** means the system established by LME Clear to facilitate the payment of cash amounts between LME Clear and Members using Settlement Accounts at Approved Settlement Banks, as more specifically described in the Clearing Procedures;

**"Securities Collateral"** means Collateral provided in the form of securities;

**"Securities System Operator"** has the meaning set out in the Settlement Finality Procedure;

Rule 1

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| <b>"Security Document"</b>          | means any document at any time pursuant to which a Member creates a Security Interest or other collateral arrangement in favour of LME Clear (excluding any collateral arrangement in favour of LME Clear on behalf of or on trust for Clients of the Member);  |
| <b>"Security Interest"</b>          | means any mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person or any other type of preferential arrangement (including title transfer and retention arrangements) having a similar effect;  |
| <b>"Seller"</b>                     | means whichever party (LME Clear or the Member) under a Contract has: <ul style="list-style-type: none"> <li>(a) the obligation to deliver the Underlying Asset; and / or</li> <li>(b) the right to receive payment of the Settlement Payment; or</li> <li>(c) is the Option Granter under an Option Contract;</li> </ul>   |
| <b>"Service"</b>                    | means the availability of the Clearing System in respect of a distinct category of products and identified as a separate service by LME Clear, and including the following distinct, separate services: <ul style="list-style-type: none"> <li>(a) the LME Base Service;</li> <li>(b) the LMEprecious Service; and</li> <li>(c) any other distinct clearing service, specified as such by LME Clear from time to time;</li> </ul> |
| <b>"Service Agent"</b>              | has the meaning set out in Rule 2.13.3;   |
| <b>"Service Provider"</b>           | means any provider of services to LME Clear or any member of LME Clear's Group;   |
| <b>"Service Termination Notice"</b> | has the meaning set out in Rule 3.7.2;  |
| <b>"Service Termination Date"</b>   | means the date on which the termination of a Service in respect of a Member becomes effective, in accordance with Rule 3.7 ( <i>Termination of a Service by a Member</i> ), Rule 3.10 ( <i>Withdrawal of Services by LME Clear</i> ) or Rule 3.12 ( <i>Consequences of Suspension or Termination</i> ), as applicable;  |
| <b>"Service Withdrawal"</b>         | has the meaning set out in Rule 3.11 ( <i>Withdrawal of Services by LME Clear</i> );  |
| <b>"Service Withdrawal Notice"</b>  | has the meaning set out in Rule 3.11(a) ( <i>Withdrawal of Services by LME Clear</i> );   |
| <b>"Settlement Account"</b>         | means a bank account maintained by a Member or by LME Clear with an Approved Settlement Bank to be used for making and receiving cash payments between LME Clear and a  |

## Rule 1

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|  | Member via the SPS and in respect of which LME Clear has been granted authority to direct payments;  |
| <b>"Settlement Agent"</b>                | means any entity appointed by LME Clear or a Member to act on its behalf or to assist in the discharge of any Delivery Obligation or Payment Obligation;   |
| <b>"Settlement Bank"</b>                 | means a credit institution through which the settlement of cash payments may be effected;  |
| <b><u>"Settlement Business Day"</u></b>  | <u>has the meaning given to it in the LME Rules;</u>   |
| <b>"Settlement Contract"</b>             | means a Contract that requires settlement by the payment of a Settlement Payment on the Settlement Date, as specified in the Product Specifications;   |
| <b>"Settlement Currency"</b>             | means the currency in which a Contract for an Eligible Product shall be settled, which is determined by the terms of the original Transaction;   |
| <b>"Settlement Date"</b>                 | means the date on which a Contract is required to be settled, as determined for each type of Contract in accordance with the relevant timetable set out in the Clearing Procedures;                |
| <b>"Settlement Finality Procedure"</b>   | means the Procedure appended to the Rules under the title "Settlement Finality Procedure";   |
| <b>"Settlement Finality Regulations"</b> | means the Financial Markets and Insolvency (Settlement Finality) Regulations 1999, as amended from time to time;   |
| <b>"Settlement Instructions"</b>         | has the meaning set out in Rule 7.3.1;   |
| <b>"Settlement Payment"</b>              | means the amount payable under a Settlement Contract, determined by the Settlement Price for that Contract on the Settlement Date, as adjusted to reflect the current Position under the Contract; |
| <b>"Settlement Price"</b>                | has the meaning set out in Clearing Procedure A6.5;  |
| <b>"Settlement to Market Process"</b>    | means the process set out in Clearing Procedure B5;  |
| <b>"Significant LMEprecious Member"</b>  | has the meaning set out in Default Procedure B 1.3(d);   |
| <b>"Silver"</b>                          | means silver complying with the rules of London Bullion Market Association relating to good delivery in effect from time to time;  |
| <b>"SPAN"</b>                            | means the "Standard Portfolio Analysis of Risk" methodology for calculating risk in relation to financial instruments, as developed by the Chicago Mercantile Exchange;                            |
| <b>"SPS Mandate"</b>                     | means the direct debit authorities, in the form prescribed by  |

Rule 1

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| <b>Forms"</b>                               | LME Clear that the Member shall put in place with each Approved Settlement Bank, in accordance with Clearing Procedure E2;   |
| <b>"Stabilisation Replenishment Notice"</b> | has the meaning set out in Rule 10.10.5;   |
| <b>"Strike Price Gradation"</b>             | has the meaning set out in the LME Rules and notices issued thereunder from time to time;  |
| <b>"Subsidiary"</b>                         | means a subsidiary within the meaning of section 1159 of the Companies Act 2006;   |
| <b>"Substitution of Cash"</b>               | has the meaning set out in Clearing Procedure D4.7;  |
| <b>"Substitution of Non-cash Assets"</b>    | has the meaning set out in Clearing Procedure D4.7;  |
| <b>"Tax"</b>                                | means any tax, levy, impost, duty or other charge or withholding of a similar nature imposed by any competent authority in any jurisdiction, including any interest, penalty, charge and/or expense payable in connection with any failure to pay or any delay in paying any of the same;  |
| <b>"Terminated Services"</b>                | has the meaning set out in Rule 3.8 ( <i>Exposure Limiting Resignation</i> );  |
| <b>"Termination Date"</b>                   | means the date on which the termination of a Member's Membership becomes effective, in accordance with Rule 3.6 ( <i>Withdrawal from Membership</i> ), Rule 3.10 ( <i>Termination by LME Clear of a Member's Membership</i> ), Rule 3.11 ( <i>Withdrawal of Services by LME Clear</i> ) or Rule 3.12 ( <i>Consequences of Suspension or Withdrawal</i> ), as applicable; |
| <b>"TOM"</b>                                | has the meaning set out in notices issued by LME under the LME Rules;  |
| <b>"Total Member VM Profits"</b>            | has the meaning set out in Rule 10.10.2(a);  |
| <b>"Transaction"</b>                        | means any transaction in an Eligible Product agreed between <del>between</del> two counterparties; <a href="#">(including where such transaction is arranged by a RIB)</a> ;   |
| <b>"Transaction Data"</b>                   | means the information provided by an Approved Transaction Platform to LME Clear in respect of a Transaction, identifying such information as LME Clear may prescribe from time to time;  |
| <b>"Transfer"</b>                           | has the meaning set out in Rule 10.7.1 ( <i>Portability of Client Accounts</i> ) and shall include, where the context demands, a Partial Transfer;   |
| <b>"Transfer Order"</b>                     | means an instruction given by or on behalf of LME Clear or a Member that is of the kind specified in the Settlement Finality   |



Rule 1

Procedure;

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| <b>"Transfer Time"</b>            | has the meaning set out in Default Procedure D2.8;  |
| <b>"Treasury Counterparty"</b>    | has the meaning set out in Rule 10.14 ( <i>Allocation of Non-Default Losses</i> );  |
| <b>"Unaffected Party"</b>         | means whichever of LME Clear or a Member is not the Affected Party;   |
| <b>"Unallocated Gold Account"</b> | means an account held with the Gold Custodian in the name of LME Clear recording the amount of Gold which the Gold Custodian has a contractual obligation to transfer to LME Clear (or, in the case of a debit balance, which LME Clear has a contractual obligation to transfer to the Gold Custodian) and shall include any sub-account opened within it;   |
| <b>"Unclosed Metal"</b>           | has the meaning set out in Rule 10.10.2(d)(ii);   |
| <b>"Underlying Asset"</b>         | means the asset, commodity, currency, metal, property, document, right, interest or financial instrument: <ul style="list-style-type: none"> <li>(a) that is to be delivered under a Physically Settled Contract; or</li> <li>(b) by reference to which the Settlement Price of a Financially Settled Contract is to be determined in accordance with the Clearing Procedures;</li> </ul> and may, for the avoidance of doubt, include LME Warrants or metal;                                       |
| <b>"Underlying Client Trade"</b>  | means a contract between: <ul style="list-style-type: none"> <li>(a) a Member and a Client; or</li> <li>(b) a Client and an Indirect Client; or</li> <li>(c) a Client and any other party,</li> </ul> representing a trade in an Eligible Product, on corresponding terms to a Contract between the Member and LME Clear, that comes into effect in accordance with the LME Rules and/or any terms of business between the relevant parties in (a), (b) or (c) upon the formation of such Contract; |
| <b>"Underlying Forward"</b>       | has the meaning set out in Clearing Procedure B6.6;   |
| <b>"United Kingdom" or "UK"</b>   | means The United Kingdom of Great Britain and Northern Ireland;   |
| <b>"US Business Day"</b>          | means a Business Day which is also a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York;   |

## Rule 1

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| <b>"Variation Margin Requirements"</b>   | has the meaning set out in Clearing Procedure C4.1;   |
| <b>"VAT"</b>                             | means, in relation to any jurisdiction within the European Union, the tax imposed by the Council Directive of the European Union (2006/112/EC) and any national legislation implementing that directive or its predecessor directives, including the United Kingdom Value Added Tax Act 1994 together with legislation supplemental thereto and, in relation to any other jurisdiction, the equivalent tax (if any) in that jurisdiction; |
| <b>"VM Haircut"</b>                      | has the meaning set out in Rule 10.10.2(b);   |
| <b>"Voluntary Bidders"</b>               | has the meaning set out in Default Procedure C6.4;  |
| <b>"Voluntary Close Out Date"</b>        | has the meaning set out in Rule 3.13.4(a);  |
| <b>"Voluntary Close Out Date Notice"</b> | has the meaning set out in Rule 3.13.4(a);  |
| <b>"Warehouse"</b>                       | has the meaning set out in the LME Rules;   |
| <b>"Warehouse Contract"</b>              | has the meaning set out in the LME Rules;   |
| <b>"Warrant Movement"</b>                | means the net movement of LME Warrants to be transferred between LME Clear and a Member on any given day, as determined in accordance with Clearing Procedure B7;   |
| <b>"Warrant Transfer Instruction"</b>    | means an instruction issued by LME Clear or a Member, via LMEsword, for the delivery of LME Warrants; and   |
| <b>"Website"</b>                         | means the website of LME Clear.   |

## 1.2 INTERPRETATION

### 1.2.1 Unless a contrary indication appears, any reference in the Rules to:

- (a) **"LME Clear"**, any **"Member"**, or **"Client"** shall be construed so as to include its successors in title, permitted assigns and permitted Member Transferees;
- (b) **"assets"** includes present and future properties, revenues and rights of every description and, in relation to an Account, includes the Collateral held to cover the position on such Account;
- (c) **"continuing"** means, in relation to a Default Event, that such event has not been remedied or waived;
- (d) Any agreement, document or instrument is a reference to that agreement, document or instrument as amended, novated, supplemented, extended, restated (however fundamentally and whether or not more onerously) or replaced from time to time;
- (e) **"including"** and **"in particular"** (and any other word or phrase with a similar meaning) shall be construed to mean "including, without prejudice to the

## Rule 1

generality of the foregoing" and "in particular, but without prejudice to the generality of the foregoing" respectively and where any example is given it shall be construed so that the example is "without limitation";

- (f) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
- (g) "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);
- (h) "**property**" includes any interest (legal or equitable) in personal or real property and any thing in action;
- (i) "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation;
- (j) "**securities**" includes stock, debentures, debenture stock, loan stock, bonds and other investments (as listed in Part II, Schedule 2 of FSMA), whether certificated or uncertificated, including all depository interests representing any of them;
- (k) "**equivalent**" cash or securities shall take the same meaning as "equivalent financial collateral" as defined in the Financial Collateral Arrangements (No 2) Regulations 2003 (as amended from time to time);
- (l) a provision of law is a reference to that provision as amended or re-enacted; and
- (m) a time of day is a reference to London time.

**1.2.2** Any reference in the Rules to "**euro**", "**€**" or "**EUR**" is to the single currency of Participating Member States; "**sterling**", "**£**" or "**GBP**" is to the lawful currency for the time being of the United Kingdom; "**US\$**", "**dollars**", "**US dollars**" or "**USD**" is to the lawful currency for the time being of the United States of America; "**Yen**", "**¥**" or "**JPY**" is to the lawful currency for the time being of Japan; and "**renminbi**", "**CN¥**", "**CNH**" or "**RMB**" is to the lawful currency for the time being of the People's Republic of China.

**1.2.3** No reference in these Rules to Applicable Law or Applicable Clearing Regulations shall be construed as restricting or negating the applicability of any provision of the EMIR Level 1 Regulation or the EMIR Level 2 Regulations or the Financial Services and Markets Act 2000 or any subordinate legislation, rules or guidance thereunder or any obligation of LME Clear, a Member, a Client or an Indirect Client under the EMIR Level 1 Regulation or the EMIR Level 2 Regulations or the Financial Services and Markets Act 2000 or any subordinate legislation, rules or guidance thereunder.

**1.2.4** Any reference to the singular shall be construed to include the plural (and vice versa).

**1.2.5** Rule headings and sub-headings are for ease of reference only.

**1.2.6** Any reference to a "**Category**" of member or other type of membership under the LME Rules shall have the meaning given in the LME Rules.

## Rule 2

**RULE 2 - GENERAL PROVISIONS****2.1 RULES AS A BINDING AGREEMENT**

- 2.1.1** The following documents constitute a binding contract between each Member and LME Clear (the "**Binding Membership Terms**");
- (a) the Member Documentation; and
  - (b) any other document given contractual force pursuant to the Rules or which is expressed by its terms to form part of the Rules.
- 2.1.2** The Rules shall create binding contractual rights and obligations between LME Clear and the Member in respect of each Contract and each Member agrees to perform its obligations in respect of each Contract in accordance with the Rules.
- 2.1.3** Each Member acknowledges and agrees that these Rules shall bind the Member to the same extent as if it had executed a master agreement between LME Clear and the Member applicable to all its transactions processed under these Rules. Each such transaction is accepted by LME Clear in reliance upon the fact that all transactions hereunder constitute a single business and contractual relationship and that each transaction is made in consideration of each other transaction.
- 2.1.4** Each Member agrees to perform all of its obligations in respect of each transaction hereunder and (except insofar as otherwise expressly stated under these Rules in relation to the segregation of different Account(s)) agrees and accepts (i) that a default in the performance of any such obligation shall constitute a default by it in respect of all transactions hereunder, (ii) that LME Clear shall be entitled to set off claims and apply property held by it in respect of any transaction against obligations owing to it in respect of any other transaction hereunder and (iii) that payments, deliveries and other transfers made by either of them in respect of any transaction shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any such other transactions hereunder, and the obligations to make any such payments, deliveries and other transfers may be applied against each other and netted.
- 2.1.5** The Rules are intended to create contractual relations between only LME Clear and the Members. Except in relation to LME Clear Parties as specified in Rule 2.3.1, none of the provisions of the Rules is intended to, or will, confer a benefit on, or be enforceable by any third party pursuant to the Contracts (Rights of Third Parties) Act 1999 or otherwise. For the avoidance of doubt, this means that Clients and Indirect Clients have no rights to enforce any provision of the Rules (except, in the case of Clients in the limited circumstances set out in Rule 10.7 (*Porting*) and Rule 10.5.1(c)).
- 2.1.6** Failure by a Member to comply with any of the Rules or with any decision of LME Clear made pursuant to the Rules shall constitute a breach of the Rules.
- 2.1.7** The Rules permit LME Clear to bring into account any Counterparty Loss for the purposes of determining any liabilities owed by a Defaulting Member to LME Clear under these Rules.
- 2.1.8** The Board of LME Clear and any Committee of the Board are authorised to interpret the Rules. The interpretation of the Board or Committee shall be binding and final.
- 2.1.9** LME Clear may publish certain materials relating to matters described in the Rules in Annexes. For the avoidance of doubt, Annexes, when published, form part of the Rules

## Rule 2

and shall constitute Binding Membership Terms. LME Clear shall not include in any Annex any matter to which (were Rule 2.2.6(m) not to apply) the Consultation Process shall apply in the event of any change to such matter.

## 2.2 AMENDMENTS TO RULES

**2.2.1** LME Clear may at any time amend or cancel any Rule, or adopt new Rules (each being a "**Rule Change**") in accordance with the following provisions.

### Rule Change Notice

**2.2.2** Subject to Rule 2.2.5 below, any proposed Rule Change shall be notified to Members in a Notice issued by LME Clear (a "**Rule Change Notice**"), specifying:

- (a) the text of the Rule Change;
- (b) an explanation of the reasons for the Rule Change and its intended effect; and
- (c) the date on which the Rule Change shall become effective.

LME Clear shall give Members reasonable notice prior to the Rule change becoming effective. Such notice shall, subject to Rules 2.2.3, 2.2.4 and 2.2.10 below, not be less than thirty (30) days prior to the date on which the Rule Change shall become effective, unless:

- (i) the Rule Change has been subject to consultation in accordance with Rule 2.2.5 below and there have, in LME Clear's reasonable opinion, been no material changes to the version consulted upon, in which case such notice shall not be less than seven (7) days prior to the date on which the Rule Change shall become effective; or
- (ii) the Rule Change falls within Rule 2.2.6(a), (b), (d) or (e) or the Board determines that it is otherwise urgently required to prevent imminent material detriment to the interests of LME Clear and/or its Members, in which case LME Clear shall provide such prior Notice of the Rule Change as is reasonable and practicable in the circumstances.

**2.2.3** In the event that a Rule Change:

- (a) significantly increases a Members' exposure to LME Clear under any indemnity under the Rules; or
- (b) significantly increases the time it would take a Member to terminate its Membership; or
- (c) materially increases the Fees or introduces new categories of Fees,

the date on which the Rule Change shall become effective, as specified in the Rule Change Notice, shall not be less than in the case of (a) or (b), sixty (60) Business Days, or, in the case of (c), twenty (20) Business Days, after the date of issue of the Rule Change Notice, unless the Rule Change falls within Rule 2.2.6(a), (d) or (e) or the Board determines that it is otherwise urgently required to prevent imminent material detriment to the interests of LME Clear and/or its Members, in which case LME Clear shall provide such prior notice of the Rule Change as is reasonable and practicable in the circumstances.

## Rule 2

- 2.2.4** In the event that any Rule Change will affect any right of a Member to terminate its Membership, LME Clear shall not allow such Rule Change to take effect until the Member has been given a reasonable period, following notification by LME Clear that the Rule Change is to be adopted, within which to give Notice to LME Clear to terminate its Membership.

### Consultation Process

- 2.2.5** Subject to Rules 2.2.6 and 2.2.7, LME Clear shall consult with Members on each proposed Rule Change prior to issuing a Rule Change Notice. The consultation shall involve the following (the "**Consultation Process**"):

- (a) LME Clear shall allow Members a reasonable period to comment on the Rule Change, having regard to the nature of the Rule Change and its potential impact on Members, which period shall ordinarily be not less than fifteen (15) Business Days, unless LME Clear, acting in good faith, considers there to be reasonable grounds for imposing a shorter period;
- (b) LME Clear shall give due consideration to such comments before adopting the Rule Change; and
- (c) LME Clear shall notify Members of any material change that LME Clear makes to the Rule Change in order to address such comments.

- 2.2.6** LME Clear shall not be required to apply the Consultation Process, in respect of any Rule Change which:

- (a) in LME Clear's reasonable opinion, is required to enable LME Clear to comply with its obligations under Applicable Law or any requirement or direction imposed on LME Clear by a Clearing House Regulator or is desirable to maintain LME Clear's status as a recognised clearing house under FSMA or an authorised central counterparty under the EMIR Level 1 Regulation;
- (b) in LME Clear's reasonable opinion, is minor, administrative or technical in nature or will otherwise not materially affect the rights and obligations of Members;
- (c) relates to the Fees;
- (d) in LME Clear's reasonable opinion (and as approved by the Board), is necessary to prevent a material disruption to, or manage a significant risk to, the business of LME Clear or the operation of the Clearing System (including as a result of a Default Event or a Force Majeure Event);
- (e) in LME Clear's reasonable opinion (and as approved by the Board) is urgently required to protect the interests of one or more Members, provided that such Rule Change shall cease to be effective at the end of a period specified in the Rule Change Notice unless (i) LME Clear has, prior to the end of such period, applied the Consultation Process in respect of such Rule Change and notified Members that it shall continue to remain in force, or (ii) the Rule Change would otherwise fall within any other category specified in this Rule 2.2.6;
- (f) relates to the description of Eligible Products or the Product Specifications of any Eligible Product;
- (g) relates to the form, intent, nature or frequency of issue of any Reports to be provided by LME Clear;

## Rule 2

- (h) sets out the prescribed form or content of any documentation to be executed by any Member or its Clients under the Rules;
- (i) relates solely to changes necessary to enable LME Clear to accommodate a new Eligible Product;
- (j) relates solely to changes necessary to enable LME Clear to accommodate a new Approved Transaction Platform;
- (k) relates to any control frameworks- applied by LME Clear in relation to Collateral;
- (l) relates to the limits, specifications or Haircuts applied by LME Clear in relation to Collateral; or
- (m) relates to the content of any Annex or any amendment, replacement or addition of any Annex.

Notwithstanding (c) above, LME Clear shall not introduce a Rule Change that would have the effect of introducing a fee or charge or levy in relation to Transfers made under Rule 10.7 (*Portability of Client Accounts*) unless it has first applied the Consultation Process in respect of such Rule Change.

**2.2.7** LME Clear may consult on a Rule Change with only a limited number of Members in circumstances where LME Clear reasonably believes that the Rule Change will affect only those Members.

#### **Additional Rule Change Requirements**

**2.2.8** No Rule Change shall affect any right or liability of LME Clear or any Member that may have accrued under the Rules prior to the Rule Change coming into effect.

**2.2.9** LME Clear may not amend the Product Specifications with retroactive effect, unless and to the extent that the change is necessary in order to ensure that the LME Clear Rules and Product Specifications operate in a consistent manner with the LME Rules.

**2.2.10** LME Clear may amend, substitute or add any Annex to the Rules on the provision of such prior Notice to the Members as is reasonable and practicable in the circumstances.

**2.2.11** Any Rule Change that relates to a change in the control frameworks applied by LME Clear in order to determine the limits or Haircuts in relation to Collateral shall be considered by the Board Risk Committee before a Rule Change Notice is issued to Members unless LME Clear, acting in good faith, determines that it would be inappropriate to do so.

**2.2.12** Notwithstanding Rules 2.2.6(c) and 2.2.6(m), LME Clear shall consult with Members prior to the introduction of any fee in respect of Transfers.



## Rule 2

**2.3 LIABILITY AND INDEMNITY**

**2.3.1** Neither LME Clear nor any member of its Group, nor any person acting as a director, officer, employee, consultant or agent of LME Clear (each an "**LME Clear Party**") shall be liable for any losses, damages, claims, liabilities, costs or expenses (whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or any other legal theory) arising from:

- (a) the exercise by LME Clear or any failure by LME Clear to exercise any right or discretion under the Rules;
- (b) any negligence on the part of LME Clear or any LME Clear Party;
- (c) the suspension or closure of LME Clear;
- (d) the suspension or closure of an Approved Transaction Platform;
- (e) any failure of any communication system, technology or technical system for the transmission of information between LME Clear and an Approved Transaction Platform;
- (f) any failure of any communication system, technology or technical system for the transmission of information between LME Clear and a Member;
- (g) any failure by LME Clear or an Approved Transaction Platform to transmit any information to one another;
- (h) any error or discrepancy in any information provided by an Approved Transaction Platform to LME Clear or any delay in the transmission of such information to LME Clear;
- (i) a Force Majeure Event;
- (j) any acts or omissions of an Approved Transaction Platform, including any error in the provision of Transaction Data or any error in the establishment of any Settlement Price;
- (k) the performance of any obligation of any Member, Client, Indirect Client or any other person including where LME Clear acts on behalf of any such Member, Client, Indirect Client or other person at their request;
- (l) any dispute relating to the existence, terms or validity of any Contract;
- (m) any exercise by LME Clear of its powers under Rule 7.9.2 (*Postponed Delivery*);
- (n) any Service Withdrawal; ~~or~~
- ~~(o)~~ [the application of the Option Exercise Rules and / or the exercise of any option under an Option Contract, whether pursuant to an automatic or manual exercise of LME Clear's rights under any such Option Contract; or](#)
- [\(p\)](#) subject to Rule 2.3.2 below, any act or omission or the insolvency of any third party, including any Settlement Agent, Settlement Bank, Approved Delivery Facility, Custodian, the LMEsword Depository, Warehouse, Securities System Operator, investment agent or manager, investment or transaction counterparty, or other Service Provider that may be involved in any step or act in the



## Rule 2

performance, or discharge, by any party of its rights or obligations under a Contract or in the settlement of any Contract.

**2.3.2** The exclusion of liability in Rule 2.3.1(ep) above:

- (a) shall include any act or omission of a third party that performs any function on behalf of LME Clear where LME Clear is required under Applicable Clearing Regulations to delegate to, or otherwise utilise the services of, a third party in order to perform such function;
- (b) shall include any act or omission of a third party that provides services to LME Clear, or performs functions ancillary to the performance by LME Clear of its obligations under the Rules, where such third party does not perform any obligation of LME Clear under these Rules on behalf of LME Clear as its delegate; and
- (c) save as specified in (a) above, shall not be construed so as to exclude LME Clear from any liability in respect of any obligation of LME Clear under these Rules that is performed by any such third party on LME Clear's behalf as its delegate.

**2.3.3** The LME Clear Parties shall not have any liability to any other person(s) for any indirect, special, incidental, speculative or consequential loss or damage of any kind, loss of goodwill, business, business opportunity, anticipated savings or profits arising pursuant to its operation of the Clearing System, whether arising from negligence, breach of contract, tort or breach of statutory duty and whether or not the relevant LME Clear Party has been made aware of the likelihood of any such loss or damage.

**2.3.4** Except to the extent provided under Rule 2.1.5, under no circumstances shall LME Clear or any other LME Clear Party have any liability under the Rules or otherwise to any person who is not a Member.

**2.3.5** Each Member shall indemnify and hold harmless each LME Clear Party against any and all losses, damages, claims, liabilities, costs or expenses (whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or any other legal theory) incurred by the LME Clear Party arising directly out of or in connection with such Member's:

- (a) wrongful acts or omissions, negligence, wilful default, fraud, breach of statutory duty; or
- (b) breach of the Rules, the Membership Agreement, any Contract or any Applicable Law,

save to the extent that the losses, damages, claims, liabilities, costs or expenses arise as a result of the fraud, fraudulent misrepresentation, negligence, wilful default or bad faith of the LME Clear Party. The Member shall not be liable to an LME Clear Party under this indemnity for loss of goodwill, loss of business opportunity or loss of anticipated savings or profits.

**2.3.6** Each Member shall also indemnify LME Clear on demand against any transaction tax, registration and other similar Tax and all court, notarial and other fees payable in connection with the execution, delivery or performance of any Payment Obligation or Delivery Obligation with such Member or for the purpose of enforcing the Rules, the Procedures and/or any obligation of such Member or obtaining any judgment against it or enforcing any such judgment.

**2.3.7** Nothing in the Rules shall limit or exclude the liability of any LME Clear Party for:

## Rule 2

- (a) fraud, fraudulent misrepresentation or wilful default on the part of an LME Clear Party;
- (b) death or personal injury as a result of such LME Clear Party's negligence; or
- (c) any matter for which it would be unlawful under Applicable Law for such LME Clear Party to exclude or limit or to attempt to exclude or limit its liability.

**2.3.8** This Rule 2.3 is without prejudice to the provisions of section 291 of FSMA (*Liability in relation to recognised body's regulatory functions*).

## **2.4 FORCE MAJEURE**

**2.4.1** An Affected Party will not be deemed to be in breach of the Rules or otherwise liable to the Unaffected Party in any way (including for any losses arising directly or indirectly) for any failure or delay in performing any of its obligations under the Rules that is caused by any Force Majeure Event, provided that the Affected Party complies with its obligations under Rule 2.4.2.

**2.4.2** On the occurrence of a Force Majeure Event:

- (a) the Affected Party will give Notice to the Unaffected Party specifying the nature and extent of the Force Majeure Event promptly on becoming aware of the Force Majeure Event (and, where the Affected Party is LME Clear, this obligation may be discharged by the publication of a Circular by LME Clear);
- (b) the Affected Party shall promptly take reasonable and appropriate steps as are necessary to bring the Force Majeure Event to an end, find a solution by which its obligations under the Rules may be performed despite the continuance of the Force Majeure Event or to mitigate the severity of the Force Majeure Event;
- (c) without prejudice to the generality of (b) above, the Affected Party shall implement the relevant elements of the business continuity and/or disaster recovery procedures maintained by the Affected Party in accordance with its obligations under Applicable Law or otherwise; and
- (d) the Affected Party shall keep the Unaffected Party informed of the circumstances relating to the Force Majeure Event and its progress in resolving the issues affecting its performance of its obligations under the Rules (and, where the Affected Party is LME Clear, this obligation may be discharged by the publication of a Circular by LME Clear).

**2.4.3** On the occurrence of any Force Majeure Event affecting LME Clear, LME Clear shall be entitled to take such action as it considers to be necessary or desirable to manage the continued operation of the Clearing System or in respect of any obligations of LME Clear or the Members under the Rules. Where a decision regarding such action is not already reserved to the Board, LME Clear shall, where reasonably practicable, consult with the Board prior to taking any such action. Such action may include:

- (a) requiring Members to comply with any instructions issued by LME Clear in respect of Contracts affected by the Force Majeure Event;
- (b) taking such action as may be permitted under Rule 10 (*Default*); or
- (c) delaying the time by which LME Clear or any Member(s) shall perform their obligations in respect of any Contract(s).

## Rule 2

**2.4.4** In the event that LME Clear determines that circumstances have arisen falling within Rule 17 (*Emergencies*) of Part 3 of the LME Rules, LME Clear may take such action as it considers appropriate to manage such circumstances, which may include the actions contemplated by that provision of the LME Rules. This is without prejudice to LME Clear's other rights under these Rules.

## **2.5 TIMING OF OPTION EXERCISE**

**2.5.1** LME Clear may, in its sole discretion and by the provision of Notice to Members, amend the timings applying to any exercise by Option Holders of their rights under Option Contracts where LME Clear considers it necessary to protect the integrity of the Clearing System, the stability of the financial system or the orderliness of the markets supported by LME Clear.

**2.5.2** LME Clear shall exercise its discretion under Rule 2.5.1 following a decision of;

- (a) its Executive Committee where the amended Final Exercise Time will take place on the same Business Day as the original Final Exercise Time; or
- (b) its Executive Committee and its Board Risk Committee where the original Final Exercise Time will take place on any other day.

**2.5.3** Any amendment effected by LME Clear under Rule 2.5.1 above will mean that the relevant Exercise Result will occur at the amended Expiry Time or Exercise Time rather than the Expiry Time or Exercise Time set out in Clearing Procedure B6.5 or B6.6 and such amendment will apply equally to all Option Contracts due to expire on the relevant Expiry Date.

## **2.6 CONFIDENTIALITY**

**2.6.1** Subject to Rule 2.6.2, LME Clear shall treat as confidential all information received from a Member that concerns the business and affairs of a Member or an Applicant, or its Clients or Indirect Clients (including any information relating to any Contract).

**2.6.2** LME Clear may disclose any information which is subject to the confidentiality obligations in Rule 2.6.1:

- (a) to any Regulator that has responsibility for regulating LME Clear or an Approved Transaction Platform;
- (b) to any Regulator that has responsibility for regulating the Member;
- (c) to an Approved Transaction Platform, to the extent that such information is relevant to the performance by the Approved Transaction Platform of its functions under its own rules or terms of service, or its obligations under Applicable Law, or its contractual obligations to LME Clear;
- (d) to any Settlement Bank, Settlement Agent, Approved Delivery Facility, Custodian, LMEsword Depository, Warehouse, Securities System Operator, Service Provider or Organised Market that reasonably requires access to such information in order to discharge its functions for LME Clear or the Member, subject to appropriate confidentiality requirements;
- (e) to a trade repository authorised by an appropriate Regulator to receive and manage information regarding the Member, any Transaction, or any Contract, to

## Rule 2

the extent necessary to enable LME Clear to discharge any duty to which it is subject to report such information to a trade repository;

- (f) to the Member or Applicant itself;
- (g) where LME Clear acquires or develops the information independently of any information or document provided by the Member;
- (h) to any member of LME Clear's Group, or to any employees, officers, consultants, professional advisers or agents of any of them, in connection with the operation of the Clearing System, risk management processes or for the purposes of internal Group control or accounting, subject to appropriate confidentiality requirements;
- (i) to any other Member for the purposes of a potential transfer, novation or assignment of a Contract or Collateral to such Member in accordance with the Rules;
- (j) to third parties appointed or engaged by LME Clear or a Member in connection with the operation of LME Clear's complaint-handling or Member-discipline processes, where and to the extent that such third parties reasonably need to receive such information in order to discharge their functions in support of such processes, including professional advisers, the Independent Complaints Commissioner and any member of an Appeal Committee;
- (k) with the consent of the Member;
- (l) to potential acquirers (and their advisers) of LME Clear or a Holding Company of LME Clear or of the businesses of LME Clear, provided that each such potential acquirer has entered into a confidentiality undertaking with respect thereto;
- (m) in a document in relation to a takeover offer conducted under the rules of The Panel on Takeovers and Mergers or any equivalent body in any other relevant jurisdiction;
- (n) if and to the extent the information has come into the public domain through no fault of LME Clear;
- (o) to LME Clear's insurer(s), provided that any such insurer has entered into a confidentiality undertaking with respect thereto;
- (p) where necessary for the discharge of LME Clear's obligations under Applicable Law; or
- (q) where LME Clear considers it appropriate to disclose such information for the purpose of discharging LME Clear's obligations under the Rules having due regard to the confidential nature of the information, and taking reasonable care to ensure that the recipient of such information is aware of its confidential nature.

**2.6.3** Subject to Rule 2.6.4, each Member shall treat as confidential all information concerning the business and affairs of LME Clear.

**2.6.4** A Member may disclose any information which is subject to the confidentiality obligations in Rule 2.6.3:

## Rule 2

- (a) to any Regulator that has responsibility for regulating the Member where required to do so pursuant to any direction, rule or requirement of the Regulator or by Applicable Law;
- (b) to LME Clear itself;
- (c) where the Member develops the information independently of any information or document provided by LME Clear;
- (d) to the Member's Parent Undertaking(s), or to employees, officers, consultants, professional advisers or agents of the Member or its Parent Undertaking(s) solely to the extent that such persons need to receive such information in order to assist the Member in properly performing its obligations or exercising its rights under these Rules, and subject, in all cases to their agreement to treat such information as strictly confidential;
- (e) with the consent of LME Clear;
- (f) if and to the extent the information has come into the public domain through no fault of the Member;
- (g) where necessary for the discharge of the Member's obligations under Applicable Law; or
- (h) where the Member considers it appropriate to disclose such information for the purpose of discharging the Member's obligations under the Rules having due regard to the confidential nature of the information, and taking reasonable care to ensure that the recipient of such information is aware of its confidential nature.

**2.7 INTELLECTUAL PROPERTY RIGHTS****2.7.1** As between the Members and LME Clear, all rights, title, interest and Intellectual Property Rights in:

- (a) LME Clear Data; and
- (b) the Clearing System; and
- (c) any databases held on, or used by, the Clearing System,

shall be the property of LME Clear or its licensors. To the extent a Member acquires any right, title, interest or Intellectual Property Rights in the same:

- (i) it hereby assigns all such right, title, interest and Intellectual Property Rights (including by way of a present assignment of any future copyright or similar rights) to LME Clear for the full duration of such right, title, interest and Intellectual Property Rights; and
- (ii) it shall ensure that it has acquired all the necessary assignments, consents, waivers and permissions required to ensure that LME Clear is free to use the LME Clear Data in accordance with Rule 2.7.2(a).

**2.7.2** Each Member acknowledges and agrees that:

- (a) LME Clear Data may be provided by LME Clear to any Member and any third party, including any Organised Market in any jurisdiction, and may be used by LME Clear or such other persons for any commercial or other purpose, subject, in

## Rule 2

the case of LME Clear Member Data, to the restrictions in Rule 2.6 (*Confidentiality*); and

- (b) in certain circumstances LME Clear Data may contain, be derived from or be supplemented by data which is proprietary to a third party and has been licensed to LME Clear ("third party data"). Where the use of such third party data is subject to specific restrictions or additional licence terms imposed by the third party licensor, each Member shall comply with such restrictions and/or licence terms as notified to the Member by LME Clear from time to time.

### 2.7.3 LME Clear hereby grants to each Member:

- (a) a non-exclusive, worldwide, perpetual, royalty-free licence, with the right to sub-license, use, copy, modify, distribute and otherwise exploit the LME Clear Member Data for the purpose of using the Clearing System in connection with its proprietary business or Client Business, subject in each case to the restrictions in Rule 2.6 (*Confidentiality*) or notified under it; and
- (b) a licence to use the Clearing System, to the extent necessary for each Member to comply with, and exercise its rights under, the Binding Membership Terms.

### 2.7.4 The provisions of this Rule 2.7 are in addition, and without prejudice to, the express terms of any licence granted in the Membership Agreement.

### 2.7.5 Each Member acknowledges and agrees that it will not use LME Clear Data or any other third party data provided or made available by LME Clear other than as expressly provided under this Rule 2.7 or under the Membership Agreement.

## 2.8 DATA PROTECTION

### 2.8.1 In this Rule 2.8:

- (a) the terms "**personal data**", "**process**", "**controller**" and "**data subject**" have the meanings given to such terms in the ~~UK's General~~ [Data Protection Act 1998](#); ~~Regulation (EU2016/679) ("GDPR")~~; and
- (b) "**LME Clear Personal Data**" means all personal data:
  - (i) provided to LME Clear by the Members, Clients or Indirect Clients and their respective personnel; or
  - (ii) created, generated or processed by LME Clear,
 in each case in connection with: (1) the operation of the Clearing System, or (2) LME Clear or a Member's compliance with or performance of the Binding Membership Terms.

### 2.8.2 LME Clear may:

- (a) use and update any information or personal data provided by or on behalf of the Member relating to the Member's use of the Clearing System to maintain records about, and provide services to, any Members for the time being and from time to time; ~~and~~
- (b) disclose such information and personal data to Service Providers and persons acting as their agents for the same purposes; ~~and~~ [and](#)

## Rule 2

(c) otherwise use and disclose LME Clear Personal Data in accordance with the LME Group Privacy Statement (as updated from time to time), the current version of which can be found at [www.lme.com/en-GB/About/Legal/Privacy-Statement](http://www.lme.com/en-GB/About/Legal/Privacy-Statement).

provided that all such use and disclosure (including use by any such subcontractor or agent) shall be subject to the restrictions set out in the Rules.

**2.8.3** LME Clear and any person to whom personal data is provided in accordance with the Rules may process it outside the European Economic Area or transfer it outside the European Economic Area for processing, provided that:

- (a) LME Clear or the transferor takes reasonable steps to ensure that such personal data is afforded a level of protection equivalent to that applicable to personal data processed within the European Economic Area; and
- (b) such processing or transfer is not otherwise contrary to Applicable Law.

**2.8.4** LME Clear shall be the data controller in relation to LME Clear Personal Data. To the extent that any LME Clear Personal Data contains personal data in respect of a Member's personnel, such Member shall ensure that:

- (a) it has notified such personnel that such LME Clear Personal Data is being provided to LME Clear for processing in the manner, to the extent permitted and for the purposes set out in Rules 2.8.2 and 2.8.3; and
- ~~(b) where required under Applicable Law, such personnel consents to such LME Clear Personal Data being controlled and processed by LME Clear; and~~
- ~~(e)~~(b) any disclosure of such LME Clear Personal Data by such Member to LME Clear is not contrary to Applicable Law.

**2.8.5** ~~Each~~The LME Group Privacy Statement contains information about how each data subject may, ~~on application to the LME Clear's 'Data Protection Officer' and payment of the prescribed fee to LME Clear, apply to~~ receive a copy of the personal data held by LME Clear in respect of ~~it and require LME Clear to correct any errors~~them, or ~~inaccuracies~~otherwise exercise the rights granted to them under the GDPR.

## **2.9 NOTICES**

**2.9.1** Subject to Rule 2.9.4, a notice given under or in connection with the Rules (a "**Notice**"):

- (a) shall be in writing and in English;
- (b) shall be sent:
  - (i) in the case of a Notice sent by LME Clear to a Member, unless otherwise specified in the Rules or the Procedures, to the contact details last designated by the Member; or
  - (ii) in the case of a Notice sent by a Member to LME Clear, unless otherwise specified in the Rules or the Procedures, to the contact details specified by LME Clear from time to time;
- (c) unless otherwise specified in the Rules or the Procedures, shall be sent by a method listed in Rule 2.9.2; and



## Rule 2

- (d) unless otherwise specified in the Rules or the Procedures, is deemed received as set out in Rule 2.9.2.

**2.9.2** The table below sets out:

- (a) delivery methods for sending a Notice in accordance with the Rules; and
- (b) for each delivery method, the corresponding delivery date and time when delivery of the Notice is deemed to have taken place provided that all other requirements in this Rule 2.9 have been satisfied and subject to the provisions in Rule 2.9.3:

| <b>Delivery method</b>   | <b>Deemed delivery date and time</b>                            |
|--|---|
| Delivery by hand.  | On signature of a delivery receipt.                             |
| Pre-paid first class recorded delivery post or other next Business Day delivery service. | 9.00 am on the second Business Day after posting.               |
| Pre-paid airmail.  | 9.00 am on the fifth Business Day after posting.                |
| Fax.   | At the time of transmission.                                    |
| Document exchange (DX).  | 9.00 am on the second Business Day after being put into the DX. |
| Email.   | At the time of transmission.                                    |
| Circular.  | At the time of publication on the Website.                      |

**2.9.3** For the purpose of Rule 2.9.2 and calculating deemed delivery:

- (a) all references to time are to local time in the place of deemed delivery; and
- (b) if deemed delivery would occur in the place of deemed delivery on a day which is not a Business Day, deemed delivery is deemed to take place at 9.00 am on the next Business Day.

**2.9.4** Notwithstanding Rule 2.9.1 to 2.9.3, the publication of a Circular shall amount to good and sufficient delivery of a Notice by LME Clear to all Members. A Circular shall be deemed to be delivered on the date and time on which it is published on the Website.

**2.9.5** This Rule 2.9 does not apply to the service of any proceedings or other documents in any legal action or, where applicable, any arbitration or other method of dispute resolution.

**2.9.6** A Default Notice or a Notice requiring Members to contribute towards an Excess Loss pursuant to Rule 10.10.2 shall be issued by:

- (a) the publication of a Circular on the Website; and/or
- (b) email addressed to all Members.

LME Clear may, subsequent to issuing such Notice, send a written copy of the Notice to Members. Provided that a Notice is issued pursuant to (a) or (b) above, any failure by



## Rule 2

LME Clear to issue both forms of Notice specified by (a) and (b) above shall not invalidate the effect of the Notice.

**2.9.7** For the avoidance of doubt:

- (a) a Default Notice; or
- (b) a Notice requiring Members to contribute towards any Excess Loss pursuant to Rule 10.10.2,

shall be effective from the earlier of (i) the time and date on which it is published on the Website and (ii) the time of transmission of the email.

**2.9.8** Any reference in these Rules to the form, time or date of "receipt" of a Notice shall be construed as the form, time or date of "delivery" of a Notice in accordance with this Rule 2.9.

**2.10 METHODS OF COMMUNICATION**

**2.10.1** LME Clear shall be entitled to act and otherwise rely upon any communication (whether or not in writing) which purports, and which LME Clear believes in good faith:

- (a) to be issued by or on behalf of a Member; and
- (b) to have been approved by an individual who is authorised by that Member,

and which (in the case of an electronic communication) satisfies the requirements of any applicable requirements of LME Clear in relation to the security and integrity of information which is transmitted electronically.

**2.10.2** Notwithstanding Rule 2.10.1, LME Clear may in its absolute discretion delay taking action in respect of any communication while it seeks to verify that such communication has been duly authorised, and LME Clear shall not be liable in any event for any loss or damage which may be incurred by a Member or other person as a result of any such delay.

**2.10.3** Each Member shall be allotted a unique identifying mnemonic which must be included as specified by LME Clear in communications issued in connection with the operations of the Clearing System.

**2.11 WAIVER**

**2.11.1** No waiver by LME Clear of any right or remedy provided by the Rules or by Applicable Law against a Member shall be effective unless it is in writing addressed to the Member or to Members generally, and expressed to be a waiver of LME Clear's rights in the relevant matter.

**2.11.2** A failure by LME Clear to exercise, or a delay in exercising, a right or remedy provided by the Rules or by Applicable Law shall not constitute a waiver of the right or remedy or a waiver of other rights or remedies.

**2.11.3** No single or partial exercise by LME Clear of a right or remedy provided by the Rules or by Applicable Law shall prevent the further exercise of the right or remedy or the exercise of another right or remedy.

## Rule 2

**2.11.4** A waiver by LME Clear of any breach of the Rules by a Member or any other default in respect of the Rules shall not constitute a waiver of a subsequent or prior breach or any other default in respect of the Rules.

## **2.12 SEVERABILITY**

If a provision of the Rules is found to be wholly or partly illegal, invalid or unenforceable in any respect:

- (a) then to the extent it is illegal, invalid or unenforceable, that provision will be given no effect and will be treated as though it were not included in the Rules, but the validity or enforceability of the remaining provisions of the Rules shall not be affected; and
- (b) LME Clear shall notify Members of any alternative provision to be included in the Rules in substitution for such provision.

## **2.13 GOVERNING LAW AND JURISDICTION**

**2.13.1** The Rules and any non-contractual obligations of any kind arising out of or in relation to these Rules are governed by, and shall be interpreted and construed in accordance with, English Law.

**2.13.2** The courts of England shall have exclusive jurisdiction to settle any dispute arising out of or in connection with these Rules. Each Member irrevocably submits to that jurisdiction for the exclusive benefit of LME Clear and waives any objection on the grounds of venue or *forum non conveniens* or any similar grounds.

**2.13.3** Any Member that is not incorporated or registered in England and Wales shall at all times appoint and maintain an agent for service of process in England and Wales ("**Service Agent**"). Any such Member shall not revoke the authority of a Service Agent unless it has first notified LME Clear of its replacement Service Agent. If a Service Agent ceases to be able to act as such or ceases to have an address within the jurisdiction of the English courts, the Member shall promptly appoint another Service Agent (with an address for service within the jurisdiction of the English courts). Nothing in the Rules, the Procedures, the Membership Agreement or any Contract shall affect the right of LME Clear to serve process in any other manner permitted by law. Any Member that has appointed a Service Agent pursuant to this Rule 2.13.3 shall ensure that LME Clear is at all times in receipt of the full name and address of such Service Agent.

## **2.14 WAIVER OF SOVEREIGN IMMUNITY**

Any Applicant or Member that is a government body or agency, a state-owned or controlled entity or an entity that is otherwise entitled to benefit from any immunity from suit or equivalent protections customarily or legally available to states or their representative bodies under the law of any jurisdiction hereby:

- (a) consents generally in accordance with the State Immunity Act 1978 to the issue of any proceedings or to relief being given against it by way of injunction or order for specific performance or for the recovery of any property whatsoever and to its property being subject to any process for the enforcement of any order or judgment or any process effected in the course of or as a result of any action *in rem*; and
- (b) irrevocably waives and shall not claim any immunity from suits and proceedings and from all forms of execution or attachment (including attachment prior to

## Rule 2

judgment and attachment in aid of execution) to which it or its property is now or may hereafter become entitled in accordance with the laws of any jurisdiction and declares that such waiver shall be effective to the fullest extent permitted by such laws.

**2.15 DELEGATION BY LME CLEAR**

LME Clear may appoint any person to assist it in the performance of any obligation of LME Clear under the Rules, or to take any step or action or complete any process required, permitted or otherwise contemplated under the Rules. Any such appointment shall be without prejudice to any obligation that LME Clear has to any Member under the Rules.

**2.16 EXERCISE OF DISCRETION BY LME CLEAR**

Unless a contrary indication appears, where in these Rules it states that LME Clear "may" do something or take such step as it considers appropriate or where in these Rules any discretion, power or right is conferred on LME Clear, it shall be interpreted to mean that LME Clear may do that thing, or take that step or exercise that discretion, power or right conclusively and in its sole, absolute and unfettered discretion and without consultation or notice to any other person. LME Clear shall exercise such discretion in a manner designed to promote and maintain integrity, high standards and fair dealing in accordance and consistent with Applicable Laws.

**2.17 CURRENCY CONVERSION**

**2.17.1** For the purpose of exercising any rights under these Rules, LME Clear may, in its discretion, convert any monies standing to the debit or credit of a Member's Accounts (including any Client Accounts) into such other currency or currencies as it thinks appropriate, such conversion to be effected at such rate or rates of exchange as LME Clear may reasonably determine.

**2.17.2** In relation to any debt owed by LME Clear to a Member or any sum to be otherwise paid by LME Clear to a Member, LME Clear may satisfy that debt or pay that sum in another currency or currencies as it thinks appropriate, such conversion to be effected at such rate or rates of exchange as LME Clear may reasonably determine.

**2.17.3** Any amounts payable by a Member to LME Clear shall be paid in the currency specified in the Rules or the relevant Product Specification. Notwithstanding the foregoing, LME Clear may, upon Notice to a Member, permit the Member to make a payment required under the Rules, or the relevant Product Specification, in a currency other than that specified in the Rules or the relevant Product Specification. In the event that any payment is made by a Member to LME Clear in any currency other than that specified in the Rules or the relevant Product Specification, the Member shall indemnify LME Clear against any loss that LME Clear incurs as a result of the conversion of the payment into the specified currency.

**2.17.4** LME Clear shall not exercise its powers under Rule 2.17.2 to convert into renminbi any amounts that are due to be paid to a Member in any currency other than renminbi.

**2.18 SET-OFF**

**2.18.1** LME Clear may at any time and from time to time (and without notice) set off any indebtedness due to it by a Member against any indebtedness owed by it to the Member regardless of the place of payment or currency of either indebtedness. If the

## Rule 2

indebtedness of the Member and the indebtedness of LME Clear are in different currencies, LME Clear may convert either indebtedness (at its spot rate of exchange and otherwise in accordance with its usual practice) for the purpose of the set-off.

**2.18.2** Each Member that is also a Treasury Counterparty agrees that, where such Member is a Defaulting Member then, for the purposes of Rule 2.18.1, LME Clear shall be entitled to treat:

- (a) any Counterparty Loss as "indebtedness" owed by the Member to LME Clear, notwithstanding that such Counterparty Loss may have arisen under, or otherwise be governed by the terms of any separate agreement between the Member and LME Clear; and
- (b) such Counterparty Loss as a Loss arising under these Rules to the extent necessary to enable LME Clear to:
  - (i) apply its rights of set-off under these Rules; and
  - (ii) to bring such Counterparty Loss into account for the purposes of applying LME Clear's rights under Rule 10 (*Default*),

except that any such Counterparty Loss shall be applied against the Member's House Account and shall not be taken into account when determining the Losses attributable to, or any net settlement applied to, any Client Account.

**2.18.3** LME Clear shall not exercise its rights under Rule 2.18.1 in a manner inconsistent with Rule 4.3 (*Account Segregation*).

**2.18.4** Without any prejudice to any other rights or remedies of LME Clear (including under Rule 2.18.1 and any Security Document), LME Clear may at any time and from time to time (and without notice) take any Collateral provided by a Member and apply it against any indebtedness due to it by that Member.

## **2.19 DISCLOSURE OF ADVICE**

**2.19.1** There is no obligation on LME Clear to disclose to a Member any advice or opinions received by LME Clear from its external or internal legal or other advisers. LME Clear may from time to time disclose any such advice or opinions to an individual Member or to all or a group of Members generally, whether in full or extracts. If a Member receives any such disclosed advice or opinion, the Member agrees that the disclosure is for information only and that it is not entitled to, and it agrees not to, rely on the advice or opinion. In disclosing any such advice or opinion to the Member, LME Clear makes no representation about its accuracy or its adequacy or appropriateness for the purposes or needs of the Member, and to the extent that it is necessary or appropriate, the Member agrees to take its own legal advice on the matters contained therein. Each Member acknowledges that in receiving any such full or extracted disclosure it will not have the benefit of any correspondence, discussions and background to the advice or opinion and in particular may not have sight of all qualifications, observations and assumptions that may be relevant to the disclosed advice or opinion. Each Member agrees that neither LME Clear nor any of its internal or external legal or other advisers shall in any way be responsible or liable to the Member in relation to any such disclosed advice or opinion, and no duty of care shall arise between the Member and LME Clear or any such adviser.

## **2.20 RECORDING OF TELEPHONE CALLS**

LME Clear may record:

Rule 2

- (a) telephone calls between representatives of Members and LME Clear; and
- (b) the telephone number from which representatives of Members call LME Clear, together with the time, date and the content of the call,

and may maintain records relating to (a) and (b) above, in each case in accordance with LME Clear's policy on telephone recording and Applicable Law.

**2.20.2** Each Member must have procedures in place to notify any representative who may call LME Clear on behalf of such Member or any Client that such calls may be ~~record~~recorded.

## Rule 3

**RULE 3 - MEMBERSHIP****3.1 MEMBERSHIP CATEGORIES AND APPLICATION PROCESS****Applications for Membership**

**3.1.1** LME Clear shall permit access to the Clearing System to those persons:

- (a) who qualify for admission as Members under the Rules;
- (b) who apply to LME Clear for Member status;
- (c) whose applications are approved by LME Clear in accordance with the Membership Procedure; and
- (d) who have complied with the obligations under the Rules for the provision of Collateral and a Default Fund Contribution.

**3.1.2** All applications for Membership shall be made in accordance with Membership Procedure.

**3.1.3** Each Member may be categorised either as:

- (a) an "**Individual Clearing Member**" or "**ICM**", which shall be permitted only to clear Transactions or Contracts on its own behalf; or
- (b) a "**General Clearing Member**" or "**GCM**", which may clear Transactions or Contracts on its own behalf and in respect of Client Business.

**3.1.4** Any sub-categories of Member shall be as described in the Membership Procedures.

**3.1.5** Each Applicant shall satisfy the Membership Criteria- in order for LME Clear to consider its application for Membership.

**3.1.6** Nothing in the Rules shall create any form of contractual or non-contractual relationship between LME Clear and any Client or any other third party in respect of any Contract. The Member shall contract with LME Clear as principal and not as agent for any Client or any other third party.

**Participation in Services**

**3.1.7** Each Member may participate in one or more Services, subject to satisfying any requirements imposed by LME Clear for the use of each such Service, in accordance with these Rules and LME Clear having approved the Member to participate in each such Service -in accordance with Membership Procedure B.

**3.2 ON-GOING MEMBERSHIP REQUIREMENTS**

**3.2.1** Each Member shall at all times continue to satisfy the Membership Criteria- [\(including, in the case of a Bridge Institution, any conditions that have been imposed in lieu of meeting the Membership Criteria in accordance with Membership Procedure B:3.3\).](#)

**3.2.2** A Member shall at all times:

- (a) observe high standards of integrity and fair dealing, and observe high standards of market conduct as reflected in the Applicable Law from time to time;

## Rule 3

- (b) organise and control its internal affairs in a responsible manner, keep proper records, and have adequate arrangements to ensure that its staff and directors are suitable, fit and proper persons, adequately trained, sufficient in numbers, and properly supervised and that it has well-defined procedures as regards compliance with the Rules;
- (c) maintain such systems and controls, procedures and contractual terms with its Clients as are appropriate to ensure that the Member and any Client of such Member can at all times comply with any requirements imposed by, and systems operated by, the LME or LME Clear regarding the verification that the Member has sufficient Collateral;
- (d) retain all relevant documentation, and provide LME Clear with copies thereof on request, in relation to all Contracts entered into by them; and
- (e) deal with LME Clear in an open and cooperative manner and keep LME Clear promptly informed of anything concerning the Member which might reasonably be expected to be disclosed to it.

**3.2.3** Each Member shall comply with:

- (a) the Net Capital requirements specified in Membership Procedure B5;
- (b) the reporting requirements specified in Membership Procedure B6;
- (c) the notification requirements specified in Membership Procedure B7;
- (d) the requirements for Authorised Representatives specified in Membership Procedure B8;
- (e) any credit standards applied by LME Clear, from time to time, to the Member or to Members generally; and
- (f) any other requirements specified in the Membership Procedures from time to time.

**3.2.4** Nothing in this Rule 3.2 shall require a Member to disclose any information if it is unlawful for it to do so, provided that if it is unlawful to provide particular information at a particular time, it shall:

- (a) take appropriate action to obtain any necessary consent(s) to disclose such information to LME Clear; and
- (b) provide the information as soon as it becomes lawful for it to do so.

**3.2.5** Each Member shall co-operate with any request by LME Clear for such Member to participate in any test of LME Clear's default management processes. Each Member shall participate in at least one such test per calendar year. LME Clear shall provide reasonable advance Notice of the scheduling of any such test in which the member shall be required to participate.**3.2.6** All information provided by a Member to LME Clear shall be in English unless LME Clear specifically requests otherwise.



## Rule 3

**3.3 SUPERVISION AND AUDIT RIGHTS OF LME CLEAR**

- 3.3.1** LME Clear shall be entitled at any time to inspect and take copies of the records, trading information, books of account and other documentation, in whatsoever medium retained, of Members (including any documentation maintained by or in the possession of the Member for any other person) for the purpose of ensuring compliance with the Rules. Where documentation of a Member is maintained for it by a third party, the Member shall procure that access is provided to such documentation as if it were in the possession of the Member. LME Clear shall (i) act reasonably in the exercise of its rights under this Rule 3.3.1 and (ii) shall provide reasonable notice of any exercise of such rights.
- 3.3.2** Representatives of LME Clear shall be entitled at any time to attend at the premises of any Member for the purpose of assessing the Member's compliance with the Rules and the Member shall ensure that all cooperation is afforded. LME Clear shall provide reasonable notice to a Member in advance of any such visit.
- 3.3.3** LME Clear may cooperate with any governmental or international agencies, any investment exchanges, any clearing houses, any rating agencies and self-regulatory and other regulatory or enforcement organisations in such manner as LME Clear thinks fit, including where LME Clear is required to do so under Applicable Law and shall, in particular, be permitted to divulge to any of the aforesaid persons or bodies any information for the time being in the possession of LME Clear regarding any Member's financial condition or clearing activity, including any information obtained pursuant to the Rules where:
- (a) required or requested by such persons or bodies, provided that such persons or bodies have authority or responsibility for supervising or otherwise regulating the conduct or affairs of the Member;
  - (b) LME Clear is required to do so under Applicable Law; or
  - (c) LME Clear is directed or requested to do so by a Clearing House Regulator.
- 3.3.4** LME Clear may request financial or other information regarding any Member, Client or Indirect Client from any Approved Transaction Platform and the Member shall consent (and shall use reasonable endeavours to procure that any such Client or Indirect Client shall consent) to the provision by the Approved Transaction Platform of the same.

**3.4 FEES AND CHARGES**

- 3.4.1** Each Member shall pay such Fees to LME Clear as shall be determined by LME Clear in accordance with Clearing Procedure G and Annex 3 (*Fees and Charges*), as updated by LME Clear from time to time.
- 3.4.2** LME Clear may amend Annex 3 (*Fees and Charges*) from time to time by the publication of a Circular, which shall, subject to Rule 2.2.6, come into effect from such time as LME Clear may specify in that Circular.
- 3.4.3** Clearing Procedure G4 sets as the basis on which LME Clear will invoice Members.

**3.5 TERMINATION OR SUSPENSION OF MEMBERSHIP GENERALLY**

- 3.5.1** A Member's Membership may be:
- (a) terminated by the Member in accordance with Rule 3.6 (*Withdrawal from Membership*);



## Rule 3

- (b) suspended by LME Clear in accordance with Rule 3.9 (*Suspension of a Member by LME Clear*);
- (c) terminated by LME Clear pursuant to a Default Event in accordance with Rule 3.10 (*Termination by LME Clear of a Member's Membership*); or
- (d) terminated by LME Clear pursuant to a Service Withdrawal applicable to a category of Members to which the Member belongs in accordance with Rule 3.11 (*Withdrawal of Services by LME Clear*).

**3.5.2** Where a Member is participating in more than one Service, the Member's participation in that Service may be terminated without affecting its participation in any other Service, in accordance with Rule 3.7 (*Termination of a Service by a Member*).

### **3.6 WITHDRAWAL FROM MEMBERSHIP**

**3.6.1** Subject to the following Rules, a Member may at any time give Notice of its intentions to withdraw from Membership.

**3.6.2** A Member desiring to withdraw from Membership shall lodge a Notice in writing to that effect (a "**Resignation Notice**") with LME Clear.

**3.6.3** A Member that has lodged a Resignation Notice shall provide to LME Clear:

- (a) an explanation of the reasons for the Member's resignation; and
- (b) such further information as LME Clear may reasonably request regarding such circumstances of the Member's resignation.

Any failure to provide such explanation or information shall not prejudice the efficacy of the Resignation Notice.

**3.6.4** Following receipt of a Resignation Notice, LME Clear shall issue to the Member a Voluntary Close Out Date Notice in accordance with Rule 3.13.4 below.

**3.6.5** Subject to Rule 3.13.6 below, the effective date of termination of a Member's Membership shall be the next Business Day after the Business Day on which the Default Fund is next recalculated following the date on which all Open Contracts to which the Member is a party have been settled, transferred, closed-out, liquidated or otherwise discharged in accordance with the Rules. Such Business Day shall be the Termination Date. LME Clear shall, promptly upon the settlement, transfer, close-out, liquidation or discharge of the Member's final Open Contract, Notify the Member of the date on which the relevant Default Fund shall next be recalculated. Where the Member participates in more than one Service, this Rule 3.6.5 shall apply where the later of the relevant Default Funds is next recalculated following the date on which all Open Contracts to which the Member is a party have been settled, transferred, closed out or liquidated.

**3.6.5A** Notwithstanding Rule 3.6.5 above, where, upon the termination of a Member's Membership its Default Fund Contribution (in respect of one or more Services) will be transferred to another Member (or Members) in accordance with Rule 6.13 (*Transfer of Contracts in the Absence of Default*), the effective date of termination of the Member's Membership will be as agreed between LME Clear and the Member in order to facilitate such transfer(s). Such date shall be the Termination Date for the purposes of these Rules.

## Rule 3

- 3.6.6** The provision of Notice by LME Clear of a Termination Date pursuant to Rule 3.6.5 shall be effective solely to confirm the Termination Date and shall in no way limit or restrict LME Clear from enforcing any rights, or making any claim, against a Member in respect of any Contract, or in respect of any obligations of the Member under the Rules that have not been fully discharged prior to the Termination Date (including for the avoidance of doubt, any rights of LME Clear, or any obligations of the Member, under Rule 3.13 below).
- 3.6.7** In the event that a Member lodges a Resignation Notice in accordance with Rule 3.6.2, such Member may not, within the three-month period following the date on which such Resignation Notice was delivered, (i) submit any application to LME Clear for Membership or (ii) withdraw such Resignation Notice. LME Clear may waive any such restriction or time limit in its absolute discretion.
- 3.6.8** In the event that a Member lodges a Resignation Notice during a Default Period:
- (a) such Resignation Notice will not be treated as received by LME Clear until the Default Period has ended; in which case it shall be treated as having been made before the Cut Off Time in accordance with Rule 10.10.9(b); and
  - (b) Rule 3.8 (*Exposure Limiting Resignation*) shall apply with respect to the Member's continuing obligations in the period prior to the Termination Date.

**3.7 TERMINATION OF A SERVICE BY A MEMBER**

- 3.7.1** Subject to the following Rules, a Member may at any time give Notice of its intentions to terminate its participation in a Service.
- 3.7.2** A Member desiring to terminate its participation in a Service, whilst remaining a participant in any other Service, shall lodge a Notice in writing to that effect (a "**Service Termination Notice**") with LME Clear.
- 3.7.3** In the event that a Termination Notice specifies that all Services in which the Member participates are to be terminated, such Service Termination Notice shall be treated as a Resignation Notice in accordance with Rule 3.6.2.
- 3.7.4** Subject to Rule 3.13.6 below, the effective date of termination of a Member's participation in a Service shall be the next Business Day after the Business Day on which the relevant Default Fund for that Service is next recalculated following the date on which all In Scope Open Contracts to which the Member is a party have been settled, transferred, closed-out, liquidated or otherwise discharged in accordance with the Rules. Such Business Day shall be the Service Termination Date. LME Clear shall, promptly upon the settlement, transfer, close-out, liquidation or discharge of the Member's final In Scope Open Contract, Notify the Member of the date on which the relevant Default Fund shall next be recalculated.
- 3.7.5** The provision of Notice by LME Clear of a Service Termination Date pursuant to Rule 3.7.4 shall be effective solely to confirm the Service Termination Date and shall in no way limit or restrict LME Clear from enforcing any rights, or making any claim, against a Member in respect of any Contract, or in respect of any obligations of the Member under the Rules that have not been fully discharged prior to the Service Termination Date (including for the avoidance of doubt, any rights of LME Clear, or any obligations of the Member, under Rule 3.13 below).
- 3.7.6** In the event that a Member lodges a Service Termination Notice in accordance with Rule 3.7.2, such Member may not, within the three-month period following the date on which such Service Termination Notice was delivered, (i) submit any application to LME Clear

## Rule 3

for participation in the terminated Service or (ii) withdraw such Service Termination Notice. LME Clear may waive any such restriction or time limit in its absolute discretion.

**3.7.7** In the event that a Member lodges a Service Termination Notice during a Default Period:

- (a) such Service Termination Notice will not be treated as received by LME Clear until the Default Period has ended, in which case it shall be treated as having been made before the Cut Off Time in accordance with Rule 10.10.9(b); and
- (b) Rule 3.8 (*Exposure Limiting Resignation*) shall apply with respect to the Member's continuing obligations in the period prior to the Termination Date.

**3.8 EXPOSURE LIMITING RESIGNATION**

**3.8.1** If a Member lodges a Resignation Notice or a Service Termination Notice with LME Clear either (i) within a Default Period or (ii) between the end of a Default Period and the Cut Off Time applicable under Rule 10.10.9, then such Member will:

- (a) in respect of the Services within the scope of the Resignation ~~Notice~~ or Service Termination Notice (the "**Terminated Services**"):
  - (i) be entitled, after the lodging of such Resignation Notice or Service Termination Notice, to submit further Transactions to LME Clear for Acceptance only for the purpose of closing its open Positions;
  - (ii) maintain the additional Collateral required under Rule 10.10.9(d) in respect of its Account, which Collateral may be applied by LME Clear only in or towards the discharge of such Member's own liabilities to LME Clear (if it defaults in performing those liabilities);
  - (iii) not be required to pay any additional amount towards its Default Fund Contribution under Rule 10.10.9(c) for the Relevant Default Fund(s) for such Terminated Services;
- (b) in respect of any Default Loss that may arise in relation to the Terminated Services in respect of any other Member that has become a Defaulting Member prior to the Termination Date or Service Termination Date (as applicable):
  - (i) be liable to contribute towards any such Default Loss solely to the extent that the Member's Default Fund Contribution for the Relevant Default Fund shall be available to be applied towards the discharge of the Default Loss in accordance with Rule 10.10.1(d); but
  - (ii) (save to the extent specified in (i) above) not be liable to contribute any further towards any such Default Loss, and accordingly:
    - (1) the Member shall not be required to contribute towards any Default-Specific Replenishment Notice issued by LME Clear pursuant to Rule 10.10.1(e) in respect of the Relevant Default Fund(s) (and, for the avoidance of doubt, LME Clear shall not take account of the Member or the Member's Default Fund Contribution when determining the pro-rata allocations of the outstanding balance of any Default Loss for the purpose of Rule 10.10.1(e));

## Rule 3

- (2) the Member shall not be required to contribute towards any Stabilisation Replenishment Notice issued by LME Clear pursuant to Rule 10.10.5 in respect of the Relevant Default Fund(s);
- (c) remain liable to contribute towards any Non-Default Loss in accordance with Rule 10.14 (*Allocation of Non-Default Losses*) and, as a consequence, the Member and its initial margin shall be taken into account when determining the NDL Percentages of the Members who are liable to contribute towards the Non-Default Loss;
  - (d) cease to:
    - (i) be a Member on the Termination Date, as such date is determined in accordance with Rule 3.6.5; or
    - (ii) be a participant in the Service on the Service Termination Date, as such date is determined in accordance with Rule 3.7.4; and
  - (e) remain liable for its own obligations under the Rules and, for the avoidance of doubt, in the event that such Member becomes a Defaulting Member at any time prior to the Termination Date or Service Termination Date, LME Clear shall be entitled to exercise any rights it may have under these Rules including, where a Default Loss arises in respect of such Defaulting Member, any rights that LME Clear may have under these Rules in respect of the such Defaulting Member's Collateral and Default Fund Contribution.
- 3.8.2** Collateral provided by way of additional margin by a Member under Rule 10.10.9(d) which has given a Termination Notice under Rule 10.10.8(b) will be returnable to it only after LME Clear is satisfied that all positions on the Accounts of such Member have been discharged in full and that all risk to LME Clear arising from such Member's Membership of the Clearing System has ceased to exist.
- 3.8.3** A Member that has given a Termination Notice under Rule 10.10.9(b) may not subsequently re-apply for Membership within a period of ninety (90) days following the Termination Date, unless LME Clear agrees otherwise. If a Member that has given a Termination Notice under Rule 10.10.9(b) subsequently applies to renew its Membership, LME Clear may impose such minimum conditions and standards as it deems appropriate.
- 3.9 SUSPENSION OF A MEMBER BY LME CLEAR**
- 3.9.1** LME Clear may, at any time, suspend access by a Member to any aspect of the Clearing System, either with regard to a particular Transaction, Contract or Service or to multiple Transactions, Contracts or Services or with regard to all Transactions and Contracts and Services generally, with immediate effect (or with effect from such later time as LME Clear may specify) if any Default Event has occurred in relation to such Member, or any event or circumstance has occurred which would, with the expiry of a grace period, the giving of notice, the making of any determination under the Rules or any combination of the foregoing, constitute an Default Event.
- 3.9.2** The suspension of a Member pursuant to Rule 3.9.1 shall continue for so long as LME Clear shall determine and shall end on such date and on such conditions as LME Clear shall determine.
- 3.9.3** LME Clear may, acting reasonably, impose any restrictions or conditions that it deems reasonable and appropriate as a condition for ending such suspension.

## Rule 3

**3.9.4** Without prejudice to the generality of Rules 3.8.2 or 3.9.3, LME Clear may end a suspension if it determines that the reason for the suspension no longer exists, or that:

- (a) the suspended Member is in full compliance with its obligations under the Rules; and
- (b) the Member's use of the Clearing System will not threaten the orderly operation or integrity of the Clearing System or the interests of other Members.

### **3.10 TERMINATION BY LME CLEAR OF A MEMBER'S MEMBERSHIP**

**3.10.1** LME Clear may terminate the Membership of a Member, or a Member's participation in any Service, or terminate the access by such Member to any aspect of the Clearing System with immediate effect (or with effect from such later time as LME Clear may determine) if any Default Event has occurred -in relation to such Member, whether or not such Member has first been suspended.

**3.10.2** A Member shall, forthwith upon becoming aware of the occurrence of any event or circumstance referred to in Rule 3.10.1, inform LME Clear in writing of such event or circumstance and the Member will not (except with the prior consent of LME Clear) submit any further Transactions for Acceptance.

**3.10.3** The effective date of termination specified by LME Clear in a Notice provided pursuant to Rule 3.10.1 above shall be the Termination Date. For the avoidance of doubt, LME Clear may specify in such Notice that such Termination Date shall be the next Business Day after the Business Day on which the relevant Default Fund is next recalculated following the date of the Notice.

### **3.11 WITHDRAWAL OF SERVICES BY LME CLEAR**

In the event that LME Clear determines that it shall cease to offer and provide clearing services, or any part of its clearing services, in respect of any group or category of Member, or in respect of any Service (a "**Service Withdrawal**"):

- (a) LME Clear shall Notify the Members affected by the Service Withdrawal that such Service Withdrawal is to take effect (such Notice being a "**Service Withdrawal Notice**");
- (b) such Service Withdrawal Notice shall specify the date from which the Service Withdrawal shall take effect, provided that no such Service Withdrawal may be less than thirty (30) Business Days' following the date of such Service Withdrawal Notice unless LME Clear is required to apply a shorter period pursuant to Applicable Law or the directions of a Clearing House Regulator;
- (c) from the date that such Service Withdrawal takes effect, the Members affected by the Service Withdrawal shall no longer be eligible to submit Transactions in respect of Services falling within the scope of the Service Withdrawal to LME Clear for clearing in accordance with these Rules;
- (d) where the Service Withdrawal relates to all Services in which the Member participates, it shall be treated as a termination of the Membership of the Member in accordance with Rule 3.10; and
- (e) where the Service Withdrawal relates to a specific Service in which the Member participates, but not all such Services, the Service Termination Date for such Service shall be determined in accordance with Rule 3.13.4 below.

## Rule 3

**3.12 NOTIFICATION OF SUSPENSION OR TERMINATION**

**3.12.1** If LME Clear suspends or ceases to act for a Member with respect to a particular Transaction or Contract or to multiple Transactions or Contracts or with regard to all Transactions and Contracts generally, it shall promptly inform such Member and publish a Circular setting out its decision, specifying the date on which such suspension or cessation took effect.

**3.12.2** LME Clear may, in accordance with its obligations under Applicable Law, inform:

- (a) the appropriate Regulators; and
  - (b) any Approved Transaction Platform of which the Member is a member,
- of any action it has taken or proposes to take pursuant to Rules 3.9 or 3.10.

**3.12.3** Without prejudice to LME Clear's rights under the Rules (and Rule 10 (*Default*) in particular), suspension or termination of a Member shall not affect the continuation in force of Contract arising from any prior Acceptance of a Transaction.

**3.13 CONSEQUENCES OF SUSPENSION OR TERMINATION****General**

**3.13.1** Suspension or termination shall not affect any rights or obligations arising prior to or continuing during or after the date of the suspension or the Termination Date, which arise in consequence of the suspension or termination or which relate to the Member's period of Membership and all such rights and obligations shall continue to be subject to the Rules.

**3.13.2** LME Clear shall not be liable to the Member for any Loss incurred by the Member arising out of the exercise by LME Clear of its powers of suspension or termination pursuant to the Rules.

**3.13.3** LME Clear shall be entitled to take all or any such action set out in Rule 10 (*Default*) (or as may otherwise be permitted under the Rules) as LME Clear may think appropriate, notwithstanding such suspension or termination.

**Close-Out and Liquidation of Open Positions**

**3.13.4** In the event that (i) a Member issues a Resignation Notice, (ii) LME Clear Notifies a Member that its Membership is subject to a Service Withdrawal, (iii) a Member issues a Service Termination Notice, or (iv) LME Clear Notifies a Member that a Service in which it participates is subject to a Service Withdrawal:

- (a) LME Clear shall issue to the Member a Notice specifying the date by which all In Scope Open Contracts to which the Member is a party must have been settled, transferred, closed-out, liquidated or otherwise discharged in accordance with the Rules (such date being the "**Voluntary Close Out Date**" and such Notice being a "**Voluntary Close Out Date Notice**").
- (b) the Voluntary Close Out Date shall be:
  - (i) within a reasonable period following the date on which the Resignation Notice, Service Termination Notice or Service Withdrawal Notice was issued, having regard to:



## Rule 3

- (1) the number and size of the Member's open Positions, a timescale that is reasonable to enable the Member to settle, transfer, close-out, liquidate or otherwise discharge its obligations in respect of such open Positions; and
  - (2) where the Member is a General Clearing Member, a timescale that is reasonable to enable the Clients of the Member to establish alternative clearing arrangements with another General Clearing Member; and
- (ii) in any event, not later than ninety (90) days following the date on which (as applicable):
  - (1) the Resignation Notice or Service Termination Notice was lodged with LME Clear; or
  - (2) the Service Withdrawal Notice was issued by LME Clear;
- (c) the Member shall take such actions as LME Clear may specify in order to satisfy or discharge any of the Member's remaining obligations under the Rules on or prior to the Voluntary Close Out Date;
- (d) in the event that a Member fails to satisfy or discharge its remaining obligations by the Voluntary Close Out Date, LME Clear shall be entitled to close out and liquidate any or all of the Member's In Scope Open Contracts;
- (e) on the next Business Day following the day on which the Member's last remaining In Scope Open Contract is settled, transferred, closed-out, liquidated or otherwise discharged, LME Clear shall issue Notice to the Member specifying the same and specifying the date on which the relevant Default Fund will be next recalculated;
- (f) the Termination Date (or, where the termination relates only to a specific Service, the Service Termination Date) shall be the next following Business Day, after the Business Day on which the relevant Default Fund is next recalculated following the date Notified by LME Clear pursuant to (e) above; and
- (g) and for the avoidance of doubt, to the extent legally possible, LME Clear shall be entitled, in accordance with Rule 2.18 (*Set-off*) to set off against any sum payable to the Member pursuant to the close-out and liquidation of Contracts pursuant to (d) above, any indebtedness owed by the Member to LME Clear.

**Delay of Termination Date**

**3.13.5** The Termination Date or Service Termination Date (as applicable) may not be earlier than the date on which all In Scope Open Contracts to which the Member is a party have been settled, transferred, closed-out, liquidated or otherwise discharged in accordance with the Rules.

**3.13.6** LME Clear may (i) withhold or delay the provision to the Member of notice of the Termination Date or Service Termination Date (as applicable) pursuant to Rule 3.6.5, 3.7.4 or 3.13.4(e) or (ii) postpone any Termination Date or Service Termination Date (as applicable) notified to the Member pursuant to Rule 3.10 or 3.11 if:

- (a) it considers it necessary in the interests of maintaining the integrity of the Clearing System or the stability of the financial system, in which case the Termination Date or Service Termination Date may be delayed for a maximum of thirty (30) days;

## Rule 3

- (b) it is requested to do so by an Approved Transaction Platform used by the Member and LME Clear considers such request to be reasonable in the circumstances, in which case the Termination Date or Service Termination Date may be delayed for a maximum of thirty (30) days; or
- (c) it is requested or instructed to do so by a Regulator.

**Continuing Disciplinary Action**

**3.13.7** A Member who ceases to be a Member (a "**Former Member**") shall remain subject to:

- (a) Rule 3.15 (*Discipline*) and Membership Procedure D (*Discipline*); and
- (b) Rule 3.16 (*Appeal*) and Membership Procedure E (*Appeal*),

in respect of acts or omissions while he was a Member and in respect of any investigation or disciplinary proceedings relating thereto as if he were a Member for the longer of:

- (c) the period of twelve months from the Termination Date; or
- (d) the period during which any disciplinary proceedings continue against him, being proceedings started by LME Clear no later than twelve months after the date on which he ceased to be a Member, subject to any extension of the period under Rule 3.13.9.

**3.13.8** Disciplinary proceedings following a Member's resignation may be started by giving notice to the Former Member of an investigation no later than twelve months after the Termination Date.

**3.13.9** In the event that LME Clear concludes that there are, or may be matters which should be investigated and in respect of which disciplinary proceedings may be taken, the period referred to in Rule 3.13.7 shall be extended until such time as such additional disciplinary proceedings are completed (including the payment of any fine or application of any other sanction imposed).

**Return of Asset Cover**

**3.13.10** The return of Asset Cover to a Former Member shall be made in accordance with Rule 8.8.

**Timing of Recalculation of Default Fund**

**3.13.11** For the avoidance of doubt, the frequency of the recalculation of the Default Fund is specified in Default Procedure B.

**3.14 COMPLAINTS**

All Complaints shall be made and resolved in accordance with Membership Procedure C.

**3.15 DISCIPLINE**

LME Clear may investigate a Member and commence disciplinary proceedings against a Member in the circumstances specified by, and in accordance with the requirements of, Membership Procedure D.

**3.16 APPEAL**



Rule 3

Any appeal against:

- (a) a decision regarding an application for Membership; or
- (b) a decision by the Disciplinary Committee,

shall be made in accordance with the requirements of Membership Procedure E.

## Rule 4

**RULE 4 - ACCOUNTS****4.1 OBLIGATION TO MAINTAIN ACCOUNTS**

**4.1.1** LME Clear shall permit each Member to establish in the books and records of LME Clear:

- (a) a House Account (or, where permitted by LME Clear, multiple House Accounts); and
- (b) where the Member is a General Clearing Member, one or more Client Accounts.

**4.1.2** Each Transaction that is Accepted in accordance with Rule 6 (*Acceptance*) and any Contracts resulting from such Acceptance shall be allocated by LME Clear to an Account, subject to and in accordance with Rule 6 (*Acceptance*).

**4.1.3** Each Account shall be used to record the respective rights, liabilities and obligations of LME Clear and the Member arising in respect of Contracts allocated to such Account ("**Respective Entitlements**"), including for the avoidance of doubt, rights, liabilities and obligations in respect of:

- (a) the Contracts resulting from the Acceptance of Transactions in accordance with Rule 6 (*Acceptance*);
- (b) all Positions associated with such Contracts;
- (c) all Collateral required or held by LME Clear in relation to such Contracts; and
- (d) any other rights or obligations of LME Clear or the Member in relation to such Contracts and the matters described in (a) to (c) above.

**4.2 ACCOUNT OPTIONS****House Account**

**4.2.1** Each Member shall establish at least one House Account. A House Account may only be used to record the Respective Entitlements arising in respect of Contracts resulting from Transactions effected on the Member's own behalf.

**Types of Client Account**

**4.2.2** A General Clearing Member may establish one or more Client Accounts in respect of its Client Business. The General Clearing Member may elect to establish one or more of the following types of Client Account:

- (a) one or more of the following types of Omnibus Segregated Client Account
  - (i) Direct Net Omnibus Segregated Client Account; and/or
  - (ii) Direct Gross Omnibus Segregated Client Account; and/or
  - (iii) Indirect Net Omnibus Segregated Client Account; and/or
- (b) one or more of the following types of Individual Segregated Client Account:
  - (i) Direct Individual Segregated Client Account; and/or
  - (ii) Indirect Individual Segregated Client Account; and/or

## Rule 4

- (iii) Indirect Gross Omnibus Segregated Client Account.

### **Omnibus Segregated Client Accounts**

**4.2.3** An Omnibus Segregated Client Account may be used to record the Respective Entitlements arising in respect of Contracts resulting from Transactions effected or cleared by a General Clearing Member on behalf of one or more Clients. The different types of Omnibus Segregated Client Account are distinguished as follows.

- (a) In a Direct Net Omnibus Segregated Client Account:
  - (i) the Positions of the Member in respect of each Client allocated to the Account may be subject to netting or aggregation at the Account-level in accordance with the position management provisions in Clearing Procedure B:4 and B:5; and
  - (ii) Margin Requirements shall be calculated at an Account-level in accordance with Clearing Procedure C.
- (b) In a Direct Gross Omnibus Segregated Client Account:
  - (i) the Positions of the Member in respect of each Client allocated to the Account shall be separately identifiable and shall be subject to netting or aggregation at a per-Client level (as defined by Allocation IDs) in accordance with the position management provisions in Clearing Procedure B:4 and B:5; and
  - (ii) separate Margin Requirements shall be calculated, in accordance with Clearing Procedure C, in respect of:
    - (1) each of the Allocation IDs for which Positions are maintained in accordance with (i) above; and
    - (2) Positions without an Allocation ID; and
  - (iii) the Margin Requirement for the Account shall be the aggregate of the Margin Requirements calculated pursuant to (ii) above, together with any additional margin requirements imposed by LME Clear in respect of the Account and/or Allocation IDs pursuant to the Rules and Procedures.
- (c) In an Indirect Net Omnibus Segregated Client Account:
  - (i) the Positions of the Member in respect of each Indirect Client allocated to the Account may be subject to netting or aggregation at the Account-level in accordance with the position management provisions in Clearing Procedure B:4 and B:5; and
  - (ii) Margin Requirements shall be calculated at an Account-level.

### **Individual Segregated Client Accounts**

**4.2.4** Each Direct Individual Segregated Client Account may only be used to record the Respective Entitlements arising in respect of Transactions effected or cleared by a General Clearing Member on behalf of a single Client.

**4.2.5** Each Indirect Individual Segregated Client Account may only be used to record the Respective Entitlements arising in respect of Transactions effected or cleared by a

## Rule 4

General Clearing Member on behalf of a single Clearing Client which relate to a single Indirect Client.

- 4.2.6** Each Indirect Gross Omnibus Segregated Client Account may only be used to record the Respective Entitlements arising in respect of Transactions effected or cleared by a General Clearing Member on behalf of a single Clearing Client which relate to one or more Indirect Clients. In an Indirect Gross Omnibus Segregated Client Account:
- (a) the Positions of the Member in respect of each Indirect Client allocated to the Account shall be separately identifiable and shall be subject to netting or aggregation at a per-Indirect Client level (as defined by Allocation IDs) in accordance with the position management provisions in Clearing Procedure B:4 and B:5; and
  - (b) separate Margin Requirements shall be calculated, in accordance with Clearing Procedure C, in respect of:
    - (i) each of the Allocation IDs for which Positions are maintained in accordance with (a) above; and
    - (ii) Positions without an Allocation ID; and
  - (c) the Margin Requirement for the Account shall be the aggregate of the Margin Requirements calculated pursuant to (b) above, together with any additional margin requirements imposed by LME Clear in respect of the Account and/or Allocation IDs pursuant to the Rules and Procedures.

#### **Additional Requirements and Restrictions**

- 4.2.7** Client Accounts are subject to certain restrictions on the use of Collateral set out in Rules 8 (*Margin Requirement and Collateral*) and 10 (*Default*).
- 4.2.8** Client Accounts are subject to certain additional provisions set out in Rule 5 (*Client Business and Portability Arrangements*).
- 4.2.9** A Member shall remain liable for all obligations owed to LME Clear in respect of each Account established by that Member.

#### **Administrative Accounts**

- 4.2.10** LME Clear may establish in respect of a Member one or more Administrative Accounts, each such Account designated either as a House Account or a Client Account, depending on its usage:
- (a) in order to facilitate Give-Ups;
  - (b) in order to allocate Contracts resulting from Transactions effected or cleared by a General Clearing Member on behalf of a Client, where LME Clear considers that it has not received the correct information to allocate the Contract to a specific Client Account; or
  - (c) for such other administrative purposes as LME Clear considers appropriate.

Administrative Accounts shall be treated in the same manner as other Accounts and shall be subject to the application of Margin Requirements.

### **4.3 ACCOUNT SEGREGATION**

## Rule 4

**4.3.1** LME Clear shall treat each Account maintained for a Member separately from each other Account maintained for that Member for the purposes of:

- (a) recording the Respective Entitlements referable to each Account;
- (b) recording and accounting for any Excess Collateral referable to that Account;
- (c) where applicable, the netting of positions referable to Transactions or Contracts allocated to that Account;
- (d) the exercise of any right by LME Clear under the Rules to combine or consolidate balances on Accounts or any set-off rights;
- (e) the allocation or discharge of Losses, including Default Losses; and
- (f) the exercise of rights or obligations pursuant to Rule 10.7 (*Portability of Client Accounts*).

**4.3.2** Each Account established by a Member shall be segregated in the books and records of LME Clear from each other Account, so that: (a) the Respective Entitlements arising in respect of Contracts allocated to any one Account and (b) any Excess Collateral allocated to any one Account, shall be segregated and distinguished from the Respective Entitlements and Excess Collateral allocated to any other Account established by that Member.

**4.3.3** Where a Member has one or more Accounts, the arrangements under Rule 8 (*Margin Requirement and Collateral*) for the calculation of the Member's Margin Requirement shall be applied separately to each such Account.

**4.3.4** Rules 4.3.1, 4.3.2 and 4.3.3 shall be subject to any right of LME Clear to combine any two or more Accounts for the purpose of, and pursuant to, Rule 10 (*Default*).

#### **4.4 POSITION MANAGEMENT**

**4.4.1** Contracts recorded to each Account shall be subject to position management in accordance with requirements specific to the Eligible Products held within such Account. Clearing Procedure B4 and B5 specify further the basis on which different types of Eligible Product will be subject to position management.

#### **4.5 LEGALLY COMPLIANT ACCOUNT STRUCTURES**

**4.5.1** Subject to Rule 4.5.2 below, it is the sole responsibility of each Member to determine and establish the appropriate number and types of Accounts with LME Clear in order to enable the Member to satisfy its legal and regulatory obligations and its obligations under the Rules. This includes:

- (a) any obligation of a Member to record Respective Entitlements to a Client Account, or to establish separate Omnibus Segregated Client Accounts or Individual Segregated Client Accounts, in order to comply with any client money requirements under Applicable Law applying to the Member;
- (b) any obligation of a Member to record Respective Entitlements arising from Transactions or Contracts effected or cleared for a Client or any Indirect Client, to an Omnibus Segregated Client Accounts or Individual Segregated Client Account, in order to comply with the provisions of the EMIR Level 1 Regulation and / or the

## Rule 4

EMIR Level 2 (Indirect Clearing) Regulation and/or MiFID II applying to the Member; or

- (c) any obligation of a Member to ensure that Collateral provided by Clients is recorded or segregated in such a manner as enables the Member to be able to identify the person to whom such Collateral (or equivalent assets) is returnable upon release from any charge created over it by the Member in favour of LME Clear (pursuant to Rule 8.5).

**4.5.2** Each General Clearing Member must offer, at least, a choice of one Client Account providing individual client segregation and one Client Account providing omnibus client segregation (in the manner set out in Articles 39 and 48 of the EMIR Level 1 Regulation) to each Client and potential Client. Where a General Clearing Member is subject to a non-EU insolvency regime which could interfere with the provision of individual client segregation or omnibus client segregation, it may meet this obligation by offering Client Accounts to be established by another General Clearing Member, subject to the establishment of any operational and technical procedures and contractual terms that LME Clear may determine are necessary in order to ensure that such clearing arrangement can be operated in accordance with these Rules.

**4.5.3** LME Clear has no obligation, under the Rules or otherwise, to verify, confirm or otherwise ensure that a Member has adopted an appropriate account structure.

## Rule 5

**RULE 5 - CLIENT BUSINESS AND PORTABILITY ARRANGEMENTS****Background**

The provisions set out below describe the basis on which a Member may establish and maintain Client Accounts in respect of its Clients and the arrangements to be established in respect of such Client Accounts in order to support the application of the Porting Process. Further provisions specifying the basis on which LME Clear shall implement the Porting Process are set out in:

- (i) Rule 10.7 (*Portability of Client Accounts*); and
- (ii) Default Procedure D (*Porting Procedure*).

**5.1 AVAILABILITY OF PORTING TO CLIENT ACCOUNTS**

**5.1.1** The Porting Process may be applied in respect of any Client Account where:

- (a) LME Clear is in receipt of all relevant documentation and information to enable LME Clear to determine that all Clients allocated to the account, and their nominated Member Transferee, each agree to the application of the Porting Process including:
  - (i) in relation to a Client Account to which the Automatic Porting Process applies, the Automatic Porting Designation Documents; and
  - (ii) in relation to any other Client Account, a Porting Request Notice issued in accordance with Rule 10.7;
- (b) the conditions and requirements set out in this Rule 5, Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*) are satisfied; and
- (c) all Clients allocated to such Client Account are either:
  - (i) Identified Clients; or
  - (ii) otherwise identified by LME Clear in accordance with Rule 10.7.8.

**5.1.2** Where:

- (a) a Client Account is maintained by a Member in respect of Identified Clients; and
- (b) prior to LME Clear issuing a Default Notice in respect of such Member, all the Clients allocated to that Client Account have lodged with LME Clear Automatic Porting Designation Documents in respect of that Client Account in accordance with the requirements specified in Section 1 of Default Procedure D (*Porting Procedure*),

then LME Clear will apply the Automatic Porting Process in respect of such Client Account.

**5.1.3** For the avoidance of doubt LME Clear will permit the Transfer of positions and assets from a Client Account only to a single Member Transferee that consents to receive such assets and positions during the Porting Election Period, in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*).

**5.1.4** Notwithstanding that this Rule 5, Rule 10.7 and Default Procedure D (*Porting Procedure*) specify conditions and requirements for the application of the Porting Process, LME Clear

## Rule 5

may apply the Porting Process where such conditions and requirements are not fully satisfied, in accordance with and subject to its general discretion pursuant to Rule 10.7.9.

### Identified Clients and Non-Identified Clients

**5.1.5** A Client allocated to a Client Account shall be an "**Identified Client**" in respect of that Client Account where the Member or the Client has provided to LME Clear such up to date and accurate information regarding:

- (a) the identity of such Client; and
- (b) such other details regarding the authorised representatives of such Client as may be specified by LME Clear from time to time,

such that LME Clear considers, acting reasonably, that it has sufficient information to enable LME Clear to determine the true identity of such Client.

**5.1.6** Any Client that is allocated to a Client Account that is not an Identified Client shall be a "**Non-Identified Client**".

**5.1.7** In the event that, at the time that LME Clear issues a Default Notice in respect of the Member responsible for a Client Account, one or more Non-Identified Clients are allocated to such Client Account, LME Clear shall, acting reasonably, determine whether it can apply the Porting Process in relation to such Client Account in accordance with the requirements specified in Rule 10.7.8. In the event that LME Clear determines that it has insufficient information regarding all the Clients allocated to the Client Account to enable it to apply the Porting Process in accordance with Rule 10.7.8, LME Clear shall be under no obligation under these Rules to apply the Porting Process in respect of such Client Account or to otherwise act upon any Porting Request Notice received by LME Clear in respect of such Client Account.

**5.1.8** Each Member acknowledges that the inclusion within a Client Account of a Non-Identified Client will, subject to Rule 10.7.8, impair the ability of all Clients allocated to such Account to apply the Porting Process in the event that such Member becomes a Defaulting Member. Accordingly,

- (a) where the Clients allocated to a Client Account include Non-Identified Clients, the Member must notify all such Clients that the Porting Process may not be available to such Clients unless they become Identified Clients or LME Clear determines otherwise in the circumstances described in Rule 5.1.7 above; and
- (b) where both Identified Clients and Non-Identified Clients are allocated to a Client Account, the Member must notify the Identified Clients that:
  - (i) the Porting Process may not be available to such Clients, notwithstanding that they may have submitted Automatic Porting Designation Documents to LME Clear, unless and until all Clients in that Client Account become Identified Clients or LME Clear determines otherwise in the circumstances described in Rule 5.1.7 above; and
  - (ii) an alternative means of enabling the Porting Process to apply in respect of each such Identified Client would be to establish an Individually Segregated Client Account in order to record the Positions and Collateral in respect of Client Business cleared for such Client.



## Rule 5

**5.1.9** Where a Member receives notice from all Clients allocated to an Omnibus Segregated Client Account maintained by that Member that such Clients wish to be Identified Clients, the Member must provide to LME Clear the information specified in Rule 5.1.5 in respect of all Clients allocated to that Account.

**5.1.10** Any Client allocated to an Individual Segregated Client Account must be an Identified Client. A Member may not establish an Individual Segregated Client Account in respect of a Non-Identified Client.

## **5.2 ESTABLISHMENT OF APPROPRIATE CONTRACT TERMS WITH CLIENTS**

**5.2.1** A Member must not conduct any Client Business in respect of a Client (or an Indirect Client) unless:

- (a) the Member has executed with such Client binding contractual terms recording the basis on which the Member will provide clearing services for that Client or (where applicable) any Indirect Client;
- (b) the Member has:
  - (i) executed or has in place with such Client or Indirect Client either:
    - (1) a Client Acknowledgement Form in the form specified in Part A of Annex 6 (*Client Business Terms*); or
    - (2) contractual terms which incorporate the Mandatory CCP Provisions as specified in Part B of Annex 6 (*Client Business Terms*) (which may, for the avoidance of doubt, be incorporated by reference) or which are equivalent to the Mandatory CCP Provisions in all material respects (and LME Clear will regard as compliant with this paragraph (2) -any contractual terms that have the effect of providing that transactions between the Member and the Client are subject to the rules of the clearing house through which transactions may be cleared by the Member for or on behalf of such Client); or
  - (ii) provided written notification to its Client:
    - (1) that LME Clear will be acting as the clearing house for Transactions effected on or matched via the systems of the Exchange;
    - (2) directing such Client to the sections of the Website on which LME Clear has published the Mandatory CCP Provisions; and
    - (3) making it clear that the Client's receipt of clearing services from the Member is subject to the application of those Mandatory CCP Provisions;
- (c) the Member has notified the Client, and required the Client to notify any Indirect Client, of the basis on which the Rules applicable to Client Contracts and Client Accounts shall be applied in respect of the Client (and, where applicable, the Indirect Client) and the Positions and Collateral allocated to such Client Accounts;

## Rule 5

- (d) the Member complies with any additional documentary requirements that LME Clear may specify from time to time in relation to General Clearing Members. Any such requirements shall be set out in an Annex; and
- (e) the Member has established such contractual arrangements with its Client that are specified in the LME Rules to enable the formation of Underlying Client Trades at the Acceptance Time and to ensure compliance with such other requirements as may be specified in the LME Rules.

**5.2.2** Without prejudice to Rule 5.2.1, each Member must ensure that:

- (a) each Client allocated to an Omnibus Segregated Client Account;
- (b) the Client allocated to a Direct Individual Segregated Client Account; or
- (c) the Client and each Indirect Client allocated to an Indirect Individual Segregated Client Account; or
- (d) the Client allocated to an Indirect Net Omnibus Segregated Account or an Indirect Gross Omnibus Segregated Account,

is aware and understands that:

- (i) in the event that a Default Event occurs in respect of the Member, LME Clear shall be entitled, upon receipt of a Porting Request Notice from such Client or Clients, to apply the Porting Process in respect of such Account in accordance with Rule 10.7; and
- (ii) where all Clients allocated to the relevant Client Account have lodged with LME Clear Automatic Porting Designation Documents in accordance with Rule 5.4.1 and Part 1 of Default Procedure D (*Porting Procedure*), LME Clear shall be entitled, without any requirement to seek any further consent from the Client (or, where relevant, any Indirect Client) to implement the Automatic Porting Process on behalf of such Client, in accordance with Rule 10.7; and
- (iii) LME Clear shall, subject to and in accordance with Rule 2.1.5, not have any obligations or liability under these Rules to any person who is not a Member; and
- (e) each Client allocated to an Indirect Net Omnibus Segregated Account or an Indirect Gross Omnibus Segregated Account is aware of the necessity of ensuring that each Indirect Client allocated to such Account is aware of, and understands, the matters described in (i), (ii) and (iii) above; and
- (f) each Client allocated to an Indirect Individual Segregated Client Account or Indirect Gross Omnibus Segregated Client Account: (i) is aware and understands that in the event of a Client Termination Event in respect of the Client allocated to such Account(s), any transfer or re-allocation of the Positions and Collateral recorded to such Account(s) shall be effected subject to, and in accordance with, Rule 10.12 (*Indirect Client Porting*); and (ii) is aware of the necessity of ensuring that each Indirect Client allocated to such Account is aware of, and understands, the matters described in (i).

**5.2.3** LME Clear will consider a Member to have complied with its obligations under Rules 5.2.1(c) and Rule 5.2.2 if a Member has directed its Clients to the relevant sections of the

## Rule 5

Website on which LME Clear publishes its Rulebook, the Mandatory CCP Provisions and the disclosure document published by LME Clear pursuant to its obligations under EMIR, including by making reference to such Website in the disclosure document that such Member is required to prepare pursuant to Article 39(7) of EMIR.

### 5.3 MEMBER OBLIGATIONS IN SUPPORT OF CLIENT ACCOUNTS

#### 5.3.1 A Member in respect of whom LME Clear has established a Client Account shall:

- (a) not submit to LME Clear any Transaction in respect of a Client or any Indirect Client(s) (being client(s) of a single Client) allocated to a Client Account unless and until the Member has established contractual terms that comply with the requirements specified in Rule 5.2 and only for so long as such terms remain in force;
- (b) at all times ensure that:
  - (i) any Transactions submitted to LME Clear; and
  - (ii) any Collateral provided to LME Clear

in respect of Client Business conducted by the Member for a Client shall be accurately and separately identified and allocated to the relevant Client Account maintained by the Member for such Client;
- (c) provide to, and maintain with, LME Clear at all times an accurate, current and complete list of all Identified Clients in respect of which Transactions are executed that result in Contracts and Positions being recorded on such Client Account;
- (d) use its best endeavours to ensure that LME Clear has at all times up to date details of the representatives of the Identified Clients allocated to a Client Account who are authorised to make binding decisions and instructions on behalf of such Identified Client (including the contact details for such representatives);
- (e) maintain accurate and up-to-date records of the Contracts, Positions and Collateral relating to each Client in respect of which Transactions or their corresponding Contracts are recorded on such Client Account and the Collateral it has provided to LME Clear in respect of such Contracts;
- (f) promptly provide such information as LME Clear may reasonably request in respect of such Client Account and the Clients to which it relates (including the Transactions in respect of which Contracts are recorded and Collateral provided);
- (g) use its best endeavours to ensure that each such Client provides to LME Clear such information about itself and its Transactions as LME Clear may reasonably request. For the avoidance of doubt, it shall be reasonable for LME Clear to request information directly from a Client in the event that LME Clear requires such information in order to discharge any obligation or perform any function under these Rules and the Member is unable or unwilling to provide such information to LME Clear within a timescale acceptable to LME Clear;
- (h) at all times be in compliance with the requirements of Rule 5.2.1;
- (i) provide to or, where applicable, execute with, each Client allocated to such Client Account any notice or documentation specified by LME Clear in accordance with

## Rule 5

any Annex, together with any updates to such notices or documentation specified by LME Clear from time to time.

**5.3.2** LME Clear shall not be under any obligation to facilitate the application of the Porting Process in respect of a Client Account in the event that LME Clear has any reason to doubt that:

- (a) all Clients allocated to such Client Account are Identified Clients; or
- (b) it has accurate, current and up-to-date records of the Clients, Contracts, Positions and Collateral allocated to a Client Account.

This Rule 5.3.2 shall at all times be subject to the Rule 10.7.8 and the general discretion of LME Clear thereunder.

**5.3.3** Without prejudice to the Member's obligations under Rule 5.3.1, each Member that has established a Client Account must provide LME Clear with such updated details regarding:

- (a) its Clients; and
- (b) any other matters specified in Rule 5.3.1,

as may reasonably be requested by LME Clear as part of its annual due diligence processes in respect of the Member and its Accounts.

#### Allocation IDs

**5.3.4** A Member in respect of whom LME Clear has established a Gross Omnibus Segregated Client Account must, in respect of each Contract allocated to such Account (and its associated Positions and Collateral), notify LME Clear of the Allocation ID against which such Contract should be recorded by LME Clear. Such notification must be made in within the timescales, and using the format, specified by LME Clear in the DSS. It shall be the sole responsibility of the Member to notify LME Clear of the correct Allocation ID for each Contract and LME Clear shall have no responsibility, or ~~liability~~liability to any person for, recording any Contract (or its associated Position or Collateral), in a Gross Omnibus Segregated Client Account in accordance with the Allocation ID notified to LME Clear by the Member.

**5.3.5** In the event that a Contract is allocated to a Gross Omnibus Segregated Client Account and has not yet been assigned to an Allocation ID, it shall be held as an unallocated Contract until the Member has provided details of the Allocation ID against which the Contract should be recorded. Following a Default Event, the Member may request that such unallocated Contracts be allocated to an Allocation ID, and LME Clear in its sole discretion shall have the right but not the obligation to assign the unallocated Contract to the Allocation ID that has been notified to LME Clear by the Member.

## 5.4 AUTOMATIC PORTING PROCESS

### Submission of Automatic Porting Designation Documents

**5.4.1** In the event that an Identified Client allocated to a Client Account wishes to participate in the Automatic Porting Process, such Client must ensure that it submits to LME Clear Automatic Porting Designation Documents, in accordance with Section 1 of Default

## Rule 5

Procedure D (*Porting Procedure*), that are completed, executed and submitted to LME Clear by:

- (a) the Client itself; and
- (b) (where the Client Account is an Omnibus Segregated Client Account) each other Client allocated to the Client Account; and
- (c) the Designated Member Transferee for such Client or Clients.

**5.4.2** Where requested by the Client or Clients allocated to a Client Account maintained by a Member, the Member shall facilitate the completion and execution of the Automatic Porting Designation Documents by each Client allocated to the Client Account and their Designated Member Transferee and shall submit to LME Clear the completed Automatic Porting Designation Document on such Client or Clients' behalf.

**5.4.3** Each Member acknowledges that, in the event that the Client or Clients allocated to a Client Account maintained by that Member submit to LME Clear Automatic Porting Designation Documents in accordance with this Rule 5.4 and Section 1 of Default Procedure D (*Porting Procedure*), LME Clear shall be entitled to implement the Automatic Porting Process upon such Member becoming a Defaulting Member.

#### **Obligations of Designated Member Transferee**

**5.4.4** Each Member that has agreed to be identified as a Designated Member Transferee for any Client(s) in the Automatic Porting Designation Documents lodged with LME Clear must ensure that it has established, and maintains in place, appropriate contractual arrangements with such Client(s) to enable such Designated Member Transferee to commence the provision of clearing services to such Client(s) immediately upon completion of any Transfer. For the avoidance of doubt, such contractual arrangements must be in compliance with the requirements set out in Rule 5.2 (*Establishment of Appropriate Contract Terms with Clients*).

#### **Termination or Change of Arrangements Supporting Automatic Porting Designation Document**

**5.4.5** A Designated Member Transferee shall notify LME Clear immediately in the event that the Designated Member Transferee or any Client allocated to a Client Account gives notice to terminate the terms on which the Designated Member Transferee is appointed by the Client to act as its Designated Member Transferee for that Client Account.

**5.4.6** In the event that LME Clear receives written notice from:

- (a) a Client allocated to a Client Account indicating that it no longer wishes to participate in the arrangements specified in the latest Automatic Porting Designation Document received by LME Clear in respect of that Client Account; or
- (b) the Designated Member Transferee identified in the latest Automatic Porting Designation Document received by LME Clear in respect of a Client Account indicating that it no longer wishes to act as Designated Member Transferee for such Client Account or that notice has been given by itself or any Client to terminate the terms on which it is appointed by the Client to act as its Designated Member Transferee for that Client Account,

then such Client Account shall, subject to Rule 5.4.7 below, immediately cease to be treated as eligible for the application of the Automatic Porting Process until such time as

## Rule 5

LME Clear receives updated Automatic Porting Designation Documents in respect of such Client Account in accordance with Rules 5.4.1 and Section 1 of Default Procedure D (*Porting Procedure*).

- 5.4.7** Subject to Default Procedure D1.3, LME Clear shall be entitled not to treat as valid any notice made under Rule 5.4.5 or 5.4.6 that is received less than one (1) Business Day prior to the Member that has established the relevant Client Account becoming a Defaulting Member.

**5.5 CLIENT MONEY**

- 5.5.1** Where a Member holds cash in respect of a Client as client money in accordance with the Client Assets chapter of the UK Financial Conduct Authority's Handbook (the "**CASS Rules**"), it shall be the responsibility of the Member to provide to LME Clear such notifications as may be required pursuant to the CASS Rules.
- 5.5.2** It shall be the responsibility of any such Member to ensure that where a Client Account is to be treated as a "client transaction account" under the CASS Rules, the Member must only record to such Client Account, Contracts and Collateral that are required and/or permitted under the CASS Rules to be allocated to such Client Account. Clause 7 of the Membership Agreement shall apply in respect of any such Client Account.

## Rule 6

**RULE 6 - ACCEPTANCE****6.1 INTRODUCTION**

**6.1.1** This Rule 6 sets out the basis on which LME Clear will accept Transactions into the Clearing System and create Contracts with Members in respect of such Transactions.

**6.1.2** The Clearing Procedures set out further detail on the arrangements for the acceptance of Transactions and the clearing of Contracts.

**6.1.3** Without prejudice to the specific provisions set out below and in the Clearing Procedures:

- (a) Transactions that meet the Acceptance Criteria shall be Accepted into the Clearing System and shall form Contracts, in accordance with Rule 6.5;
- (b) Contracts shall be subject to the application of the clearing processes specified in this Rule 6 and the Clearing Procedures, including the application of netting to Accounts reflecting Members' Positions in respect of such Contracts and, where applicable, the daily marking-to-market or settlement to market of such Contracts;
- (c) Contracts shall only be transferred, modified, cancelled or otherwise amended where, and to the extent permitted by the Rules or the Clearing Procedures; and
- (d) Contracts shall be subject to settlement or delivery in accordance with the provisions of Rule 7 (*Settlement and Contract Performance*).

**6.2 APPROVED TRANSACTION PLATFORMS**

**6.2.1** LME Clear will clear such Transactions in accordance with Transaction Data submitted to LME Clear by the Approved Transaction Platform.

**6.3 TRANSMISSION AND PROCESSING OF TRANSACTION DATA**

**6.3.1** Transaction Data shall be submitted to LME Clear by an Approved Transaction Platform in such format and containing such identifying details and additional information as LME Clear may specify from time to time in relation to the type of Transaction. LME Clear shall not be obliged to accept any Transaction Data that does not meet such requirements.

**6.3.2** Clearing Procedure B2 specifies the processes that LME Clear shall apply to determine how it shall deal with Transaction Data that does not meet its requirements.

**6.4 OPEN OFFER AND ACCEPTANCE CRITERIA**

**6.4.1** LME Clear shall assume rights and obligations in respect of each Transaction as provided in Rule 6.5 at the time when the Transaction is deemed to be Accepted (pursuant to Rule 6.4.3 below) by LME Clear.

**6.4.2** LME Clear makes an open offer to Members to enter into Contracts in respect of a Transaction. Such offer is conditional only upon the satisfaction of the Acceptance Criteria.

**6.4.3** Upon satisfaction of the Acceptance Criteria, at the time specified in Clearing Procedure B3.2:

- (a) a Transaction shall be deemed to be accepted into the Clearing System ("**Acceptance**"); -and



## Rule 6

- (b) Contracts shall automatically and immediately come into effect between LME Clear and each Member responsible for the Transaction, in accordance with Rule 6.5,

and the time at which Acceptance occurs shall be the "**Acceptance Time**".

### 6.5 FORMATION OF CONTRACTS

Upon Acceptance of a Transaction:

- (a) Subject to (b) below:
- (i) where a Member is (or is clearing the transaction for a Client which is) the seller, it shall (acting as principal) acquire as seller rights against, and assume obligations towards, LME Clear as buyer on the terms of the Relevant Rights and Obligations, and a Contract shall be deemed to come into effect between LME Clear and the Member reflecting such terms; and/or
  - (ii) where a Member is (or is clearing the transaction for a Client which is) the buyer, it shall (acting as principal) acquire as buyer rights against, and assume obligations towards, LME Clear as seller on the terms of the Relevant Rights and Obligations, and a Contract shall be deemed to come into effect between LME Clear and the Member reflecting such terms; or
- (b) where the Transaction is between a Member and its Client, two Contracts shall be deemed to come into effect between LME Clear and the Member:
- (i) a Contract- where LME Clear shall assume the position of the buyer and the Member shall assume the position of the seller, on the terms of the Relevant Rights and Obligations; and
  - (ii) a Contract where LME Clear shall assume the position of the seller and the Member shall assume the position of the buyer, on the terms of the Relevant Rights and Obligations.

### 6.6 ALLOCATION OF CONTRACTS

- 6.6.1 LME Clear shall allocate the Contracts arising pursuant to Rule 6.5-4 to the Account(s) specified by the Member in the Transaction Data.
- 6.6.2 In the event that LME Clear considers that any Transaction Data has incorrectly allocated a Contract to an Account, LME Clear may allocate such Contract to an Administrative Account.
- 6.6.3 Notwithstanding Rule 6.6.1, any Contract formed pursuant to a Transaction made in the Ring shall be allocated to the Member's House Account.
- 6.6.4 LME Clear has no obligation, under the Rules or otherwise, to verify, confirm or otherwise ensure that a Member has allocated a Contract to an appropriate Account.
- 6.6.5 Where a Transaction is subject to a Give-Up, Clearing Procedure B3 shall apply to determine how the Contracts allocated to an Account in respect of such Give-Up shall be treated upon acceptance of the Give-Up.



## Rule 6

- 6.6.6** Where a Contract is allocated to a Gross Omnibus Segregated Client Account, LME Clear shall record the Allocation ID referable to such Contract in accordance with the information notified to LME Clear by the Member pursuant to the DSS.

**6.7 TREATMENT OF UNDERLYING CLIENT TRADES**

Where any Contract between LME Clear and a Member arises in respect of any Transaction that is with or for a Client and one or more corresponding contracts in respect of such Transaction comes into effect between the Member and its Client (or between such Client and any underlying Indirect Client) (such corresponding contracts being the Underlying Client Trade):

- (a) the execution of such Underlying Client Trade shall be governed by the LME Rules and/or any terms of business between such Member, Client and/or Indirect Client, and not by these Rules; and
- (b) nothing in these Rules shall be treated as creating any right or obligation for LME Clear under the Underlying Client Trade.

**6.8 LME CLEAR NOT ON RISK UNTIL ACCEPTANCE**

For the avoidance of doubt:

- (a) LME Clear shall be under no obligation to treat a Transaction as giving rise to any Contract in the event that the Transaction has not been Accepted; and
- (b) LME Clear shall be under no obligation to any Member or any other party, and shall accept no risk, in respect of any Transaction that has not been Accepted.

**6.9 POST-ACCEPTANCE OBLIGATIONS**

- 6.9.1** The Member shall comply with any obligations relating to any Transaction that is Accepted pursuant to this Rule 6, and which are required to be performed following such Acceptance, in accordance with the LME Rules and/or these Rules (including the Clearing Procedures).

- 6.9.2** Any failure by a Member to comply with the obligations specified under Rule 6.9.1 shall not invalidate any Contract that has formed upon Acceptance, but may constitute an Act of Misconduct for the purposes of these Rules, or a breach of the LME Rules.

**6.10 ACCOUNTS**

Accounts shall be subject to the application of such processes as are specified in the Clearing Procedures and the Respective Entitlements of LME Clear and each Member under each Open Contract, and the Positions that reflect such rights and obligations, shall be subject to the processes described in the Clearing Procedures.

**6.11 POSITION MAINTENANCE AND DAILY SETTLEMENT TO MARKET**

- 6.11.1** LME Clear shall record and maintain all Positions referable to an Account in accordance with Clearing Procedure B4 (*Position Update and Maintenance and Settlement to Market*).

- 6.11.2** The Clearing Procedures specify:

- (a) those Contracts that shall be subject to maintenance on a gross, net or aggregated basis and the basis on which such processes shall be applied;

## Rule 6

- (b) those Contracts that shall be subject to daily settlement to market and the basis on which LME Clear shall conduct such daily settlement to market; and
- (c) the basis on which Aggregated Contracts may be subject to a regular close out process.

**6.11.3** Where specified in the Clearing Procedures, LME Clear shall effect the daily settlement to market of Open Contracts.

**6.11.4** Where any Contract is subject to netting, aggregation or close-out in accordance with the position management provisions set out in Clearing Procedure B4 (*Position Update and Settlement to Market*) and/or Clearing Procedure B5 (*Settlement to Market Process*) the Member that is party to such Contract shall:

- (a) comply with the procedures specified by LME Clear as applicable to the implementation of such processes, including ensuring that any instructions issued by the Member to LME Clear are compliant with any restrictions applying to the Contracts that may be subject to such processes;
- (b) ensure that the Member makes any notifications to any trade repository or Regulator regarding the effect of such netting on any Transaction or Contract to which the Member is a party as may be required of such Member pursuant to Applicable Law;
- (c) ensure that any Client is promptly notified of the implementation of any netting or aggregation in relation to any Contract that relates to any Underlying Client Trade to which that Client is a party; and
- (d) take all necessary and appropriate steps to ensure that, upon the netting or aggregation of any Contracts, a corresponding netting or aggregation takes effect in respect of any ~~Underlying~~Underlying Client Trades that remain in force between the Member and any other party, or between any Client and any other party, and that are cleared by such Contracts. Without limitation to the foregoing, the Member shall ensure that the terms governing any such Transaction shall specify that such netting or aggregation shall take effect automatically upon such netting or aggregation, in order to avoid the creation of a mis-match between the positions between the counterparties to the relevant Transaction and the netted or aggregated Positions.

## **6.12 MEMBERS AS PRINCIPALS**

**6.12.1** Each Member shall act as principal (and not as agent) in relation to each Contract entered into with LME Clear.

**6.12.2** Except to the extent specifically set out in the Rules, LME Clear shall not be obliged to recognise the interest of any person that is not a Member in any Account, Contract or Relevant Entitlement. Any record maintained by LME Clear of the interest of any Client or Indirect Client in any Transaction, Contract or Collateral, allocated to a Client Account shall be for administrative purposes only, and shall not be treated as giving rise to any rights or entitlements by any such Client or Indirect Client that are enforceable against LME Clear.

**6.12.3** For the avoidance of doubt, except as specifically set out in Rule 2.1.5, LME Clear shall have no obligations of any kind (whether in contract, tort or pursuant to any duty of care) to any Client or Indirect Client and shall be under no obligation to act on the instructions of, or at the request of any such Client or Indirect Client.

## Rule 6

**6.13 TRANSFER OF CONTRACTS IN THE ABSENCE OF DEFAULT**

**6.13.1** A Member may request that all of its rights and liabilities under an Open Contract recorded on a House Account or a Client Account, including all open Positions and Collateral associated with such Contract, shall be transferred to another Member.

**6.13.2** Any request pursuant to Rule 6.13.1 above shall be made by the Member that is responsible for the relevant Account. LME Clear will not be under any obligation to consider or act on any request received from any Client or Indirect Client in respect of which the Member has established such Account.

**6.13.3** LME Clear shall only effect a transfer requested under Rule 6.13.1 above where the following conditions are met:

- (a) the rules of the Approved Transaction Platform on which the original Transaction was executed or confirmed:
  - (i) do not prohibit the transfer of such Contract; and
  - (ii) permit the transferee Member to become a party to such Contract;
- (b) where the rules of the Approved Transaction Platform on which the original Transaction was executed or confirmed impose procedural requirements or conditions to any such transfer, all such requirements and conditions shall be fully satisfied;
- (c) the Approved Transaction Platform has been notified by LME Clear of the requested transfer and has not notified LME Clear of any objection, on reasonable grounds, to such transfer taking effect;
- (d) where the transfer is allocated to a Client Account:
  - (i) the transfer is reflected in a Client Account of the transferee Member that is allocated to the same Client(s); and
  - (ii) there is no change to the identity of the Client(s) to which the relevant Contracts are allocated;
- (e) the transferee Member consents to such transfer;
- (f) the transferee Member is a non-defaulting Member;
- (g) LME Clear, has the information required to enable it to calculate the amounts to be transferred and is satisfied as to its accuracy;
- (h) LME Clear is satisfied that sufficient additional Collateral will, on the transfer being effected or, if necessary, in advance, be provided to it by the transferee Member and, immediately prior to the transfer of an Open Contract, no LME Warrant Collateral is associated with such Contract;
- (i) the transferee Member and the transferor Member demonstrate to the reasonable satisfaction of LME Clear that any Underlying Client Trade that corresponds to the Open Contract that is to be transferred shall also be transferred simultaneously with the transfer of the Open Contract, (whether by novation or otherwise), such that any Client is able to enforce against the transferee Member the terms of the Underlying Client Trade that corresponds to such transferred Open Contract. LME Clear may require the transferee Member and the transferor Member to

## Rule 6

provide written representations to the effect that such Underlying Client Trade shall be so transferred; and

- (j) LME Clear agrees to the transfer. For the avoidance of doubt, and without limitation to LME Clear's discretion, LME Clear will not agree to the transfer in the event that it considers that the transfer would:
  - (i) not be reasonably practicable to achieve under the technical or operational arrangements used by LME Clear in relation to the Contracts or Accounts that are subject to the transfer request;
  - (ii) be contrary to the interests of LME Clear;
  - (iii) cause LME Clear to breach any requirement or order of any Regulator, or any Applicable Law;
  - (iv) result in LME Clear failing to hold sufficient Collateral in respect of the risks represented by the Positions of either Member; or
  - (v) would create an unacceptable risk to LME Clear or its Members or to the stability of the market in any Instrument.

In the event that the conditions specified above are satisfied, both the transferor Member and the transferee Member will co-operate with LME Clear to ensure the prompt completion of such transfer.

#### 6.14 NO TRANSFER OF RIGHTS AND OBLIGATIONS

Except as may be permitted pursuant to Rule 6.13 above, and subject to the application of Rule 10.7 (*Portability of Client Accounts*) in respect of a Defaulting Member, no Member may assign, novate or otherwise transfer any of its rights or obligations under the Rules without the prior written consent of LME Clear, which consent LME Clear may withhold.

#### 6.15 CANCELLATION OF CONTRACTS

##### 6.15.1 LME Clear may cancel any Contract in the event that:

- (a) LME Clear reasonably considers that such Contract or the performance by any party of its obligations under such Contract would:
  - (i) be unenforceable or voidable by any person in law;
  - (ii) contravene any Applicable Law including, on the grounds of illegality, fraud, the performance of regulated activities by a person that does not have the necessary regulatory permissions or authorisations, money laundering (or suspicion thereof), insider dealing, market abuse, or breach of any ~~sanctions regime operated by any governmental authority having authority over LME Clear~~[Sanctions](#); or
  - (iii) be contrary to the rules of any Approved Transaction Platform or the cancellation of such Contract is necessary to enable the Approved Transaction Platform to maintain an orderly market in the Eligible Products traded on such Approved Transaction Platform; or

## Rule 6

- (b) the Transaction to which the Contract relates has been the subject of an intra-day cancellation request by the Member pursuant to the Rules of the Approved Transaction Platform and is cancelled in accordance with such Rules; or
- (c) the Contract has been allocated to an Administrative Account of a Member for the purpose of facilitating a Give-Up and such Give-Up has subsequently been accepted by another Member.

**6.15.2** In the event that LME Clear proposes to cancel any LME Contract in accordance with Rule 6.15.1 above, LME Clear shall take all reasonable steps to consult with, and co-operate with, the LME with a view to LME Clear and the LME applying a co-ordinated approach to the cancellation of the LME Contract that is consistent with both the LME Rules and the Rules.

**6.15.3** In the event that LME Clear cancels any Contract in accordance with Rule 6.15.1 above, LME Clear may take such action as LME Clear considers reasonably necessary to preserve the integrity of the Clearing System or the orderly performance of the market in the Eligible Products including:

- (a) requiring any other Contract that arose from the same Transaction as the cancelled Contract to also be cancelled, and for the original Transaction to be re-instated as between the original counterparties;
- (b) requiring the Member that was party to the cancelled Contract to enter into a replacement Contract for the same or materially equivalent terms; or
- (c) entering into one or more contracts on its own account in order to balance its obligations in respect of any other Contract or Contracts.

## **6.16 CONTRACTS AS BINDING OBLIGATIONS**

**6.16.1** Subject to Rule 6.16.2 below, a Contract that has come into effect under the Rules shall remain open and shall bind the parties until such time as:

- (a) it is settled in accordance with the Rules;
- (b) it expires in accordance with its terms;
- (c) it is transferred to another Member in accordance with the Rules;
- (d) it is closed out, liquidated or otherwise discharged in accordance with the Rules; or
- (e) it is cancelled in accordance with the Rules.

**6.16.2** Nothing in this Rule 6.16 shall be construed so as to limit or prevent LME Clear from applying daily settlement to market processes in relation to relevant Contracts in accordance with Clearing Procedure B. For the avoidance of doubt, the settlement to market process shall involve the daily close-out of relevant Open Contracts, and the creation of new Open Contracts reflecting the relevant Position.

**6.16.3** Subject to Rule 6.16.2, no variation, amendment, waiver or surrender of any terms, rights or obligations under any Contract shall be effective without the prior written consent of LME Clear.

## **6.17 REPORTS**

Rule 6

- 6.17.1** LME Clear shall make available to each Member Reports relating to the Member's rights and obligations under or in respect of Contracts formed pursuant to this Rule 6, containing such information and at such frequencies as are specified in Annex 4 (*List of Available Reports*).
- 6.17.2** The Member shall comply with the requirements set out in the Clearing Procedures in relation to the Member's use and verification of such Reports.

## Rule 7

### RULE 7 - SETTLEMENT AND CONTRACT PERFORMANCE

#### 7.1 INTRODUCTION

- 7.1.1** This Rule 7 sets out the basis on which Open Contracts shall be settled or otherwise discharged.
- 7.1.2** Members' obligations under this Rule 7 shall be read and interpreted in conjunction with Clearing Procedures.
- 7.1.3** Members shall perform their obligations in respect of each Contract in accordance with the Clearing Procedures.

#### 7.2 TYPES OF SETTLEMENT

##### **Contracts Settled under LME Rules**

- 7.2.1** Contracts arising as a consequence of the Acceptance of Transactions shall settle or otherwise be discharged in accordance with:
- (a) the relevant provisions of the LME Rules; and
  - (b) any additional requirements specified for such Contracts in the Clearing Procedures,

(such Contracts being "**Contracts Settled Under LME Rules**"). LME Clear and the Member shall comply with the LME Rules and the Clearing Procedures in relation to the settlement and / or discharge of Contracts Settled under LME Rules. In the event of any conflict between the LME Rules and these Rules in respect of any matter that falls within the scope of any Rule or provision of these Rules, these Rules shall prevail.

##### **Contracts that are not Contracts Settled Under LME Rules**

- 7.2.2** In accordance with the Clearing Procedures, Contracts that are not Contracts Settled Under LME Rules shall be settled in the following ways:
- (a) Physical Delivery Contracts shall be settled, on the Settlement Date, by:
    - (i) the Buyer making a Settlement Payment to the Seller, in cash in the relevant Settlement Currency; and
    - (ii) the Seller delivering to the Buyer such quantity of Underlying Assets as are specified by the terms of the Contract,

in accordance with Rule 7.5 below;

- (b) Financially Settling Contracts shall be settled, on the Settlement Date, by:
  - (i) the payment of a Settlement Payment by the party to the Contract that has the Payment Obligation; and
  - (ii) the expiry of the Contract in accordance with its terms;
- (c) Option Contracts shall be discharged upon:
  - (i) expiry; or

## Rule 7

- (ii) exercise of the option by the Option Holder, whether such exercise occurs automatically or at the election of the Option Holder, in accordance with Rule 7.6 below and the Clearing Procedures.

### 7.3 ISSUE OF SETTLEMENT INSTRUCTIONS

- 7.3.1 On each Business Day, LME Clear shall issue to each Member instructions to perform the Cash Settlements and Delivery Obligations due to be performed by that Member ("**Settlement Instructions**"). The requirements, timing and process for the issue of Settlement Instructions shall be as set out in the Clearing Procedures.
- 7.3.2 For the avoidance of doubt, Settlement Instructions may include instructions to a Member to make a payment on the day on which the Settlement Instruction is issued (including an instruction to provide Collateral in respect of an Intra-Day Margin Requirement).

### 7.4 CASH SETTLEMENT ARRANGEMENTS

- 7.4.1 Each Member shall, on each Business Day, settle all Cash Settlements due to or from the Member to LME Clear in accordance with the Settlement Instructions issued by LME Clear and within the timeframes specified in the Clearing Procedures.
- 7.4.2 Clearing Procedure E sets out the specific requirements applying to Cash Settlements. Members shall at all times comply with the requirements of Clearing Procedure E.

### 7.5 PHYSICAL DELIVERY

- 7.5.1 A Member shall not be eligible to become a party to a Physical Delivery Contract in relation to any Underlying Asset unless it has in place, at all times, all necessary arrangements with an Approved Delivery Facility that is specified in the Clearing Procedures as being approved for such Underlying Asset.
- 7.5.2 Rule 7.5.3 below applies only in respect of Physical Delivery Contracts that are not Contracts Settled Under LME Rules.
- 7.5.3 Upon the Settlement Date for a Physical Delivery Contract the Member and LME Clear shall settle their respective Delivery Positions in accordance with the following:
  - (a) where the Member is the Seller:
    - (i) the Member shall deliver to LME Clear the Underlying Asset that is required to be delivered under the terms of the Contract and in such quantities and in such form as are required pursuant to the Member's Delivery Obligation;
    - (ii) unless LME Clear directs the Member otherwise, the Member shall ensure that an Approved Delivery Facility shall deliver, from the Member's account with the relevant Approved Delivery Facility to LME Clear's account with a relevant Approved Delivery Facility, the Underlying Asset required to be delivered in accordance with (i) above; and
    - (iii) LME Clear shall make, or direct the relevant Approved Settlement Bank to make, a Settlement Payment to the Member's Settlement Account at the relevant ~~Approved~~ Settlement Bank in such Settlement Currency and of such amount as is required pursuant to LME Clear Payment Obligation and the Member shall accept such Settlement Payment in discharge of



## Rule 7

LME Clear's Payment Obligation and shall ensure that its Approved Settlement Bank accepts such Settlement Payment; or

- (b) where the Member is the Buyer:
  - (i) the Member shall pay to LME Clear the Settlement Payment in such Settlement Currency and of such amount as is required pursuant to the Members Payment Obligation;
  - (ii) unless LME Clear directs otherwise, the Member shall direct its Approved Settlement Bank to make, a Settlement Payment in accordance with (i) above to LME Clear's Settlement Account. Such payment shall be a Cash Settlement and shall be discharged in accordance with Rule 7.4 above; and
  - (iii) LME Clear shall direct a relevant Approved Delivery Facility to deliver, from LME Clear's account with the Approved Delivery Facility to the Member's account with an Approved Delivery Facility, the Underlying Asset that is required to be delivered under the terms of the Contract and in such quantities and in such form as are required pursuant to LME Clear's Delivery Obligation ~~the~~ The Member shall accept such delivery in discharge of LME Clear's Delivery Obligation and shall ensure its Approved Delivery Facility accepts such Underlying Asset.

**7.5.4** The settlement obligations specified in Rule 7.5.3 above shall be performed in accordance with the procedures, requirements and timescales specified in the Clearing Procedures.

**7.5.5** LME Clear may refuse to accept delivery of an Underlying Asset in settlement of an Open Contract in the event that such acceptance would result in a breach of Applicable Law.

## **7.6 OPTION CONTRACTS**

**7.6.1** This Rule 7.6 applies only in respect of Option Contracts that are not Contracts Settled Under LME Rules. (Clearing Procedure B6 shall apply to Contracts Settled under LME Rules).

**7.6.2** Upon the Option Premium Date the Option Holder under an Option Contract shall pay to the other party under the Contract the Option Contract Premium. Such payment shall be discharged as a Cash Settlement in accordance with:

- (a) Rule 7.4 above; and
- (b) any other requirements applicable to such Option Contract specified in the Clearing Procedures.

**7.6.3** The option under an Automatic Exercise Option Contract will be deemed to be exercised by the Option Holder on the Option Exercise Date, in accordance with the Clearing Procedures. Any Member that is an Option Holder under an Automatic Exercise Option Contract shall have no right to abandon, disclaim, refuse or otherwise prevent the exercise of such option.

**7.6.4** An option under a Manual Exercise Option Contract may be exercised by the Option Holder, subject to and in accordance with the procedural requirements and time limits specified in the Clearing Procedures.

## Rule 7

**7.6.5** Upon the exercise of an option under an Option Contract that requires the payment of an Option Exercise Payment, such payment shall become due and payable to the Option Holder by the other party under the Contract on the Option Exercise Date. Such payment shall be discharged as a Cash Settlement in accordance with:

- (a) Rules 7.4 above; and
- (b) any other requirements applicable to such Option Contract specified in the Clearing Procedures.

**7.6.6** Upon the exercise of an option under an Option Contract that provides for the creation of one or more new Contracts, then upon the Option Exercise Date:

- (a) the Option Contract shall be discharged; and
- (b) one or more new Contracts shall be deemed to take effect between LME Clear and the Member, in accordance with and on such terms as are specified in the Clearing Procedures.

**7.6.7** In the event that an option under a Manual Exercise Option Contract is not exercised by the Final Exercise Time, the Contract shall, unless LME Clear determines that the Final Exercise Time shall be postponed, immediately expire and shall cease to have any further binding effect.

**7.6.8** The settlement obligations specified in this Rule 7.6 shall be performed in accordance with the procedures, requirements and timescales specified in the Clearing Procedures (including, for the avoidance of doubt, Clearing Procedure B6 (*Option Exercise and Assignment*)).

## **7.7 FAILURE TO SETTLE**

**7.7.1** All payments and deliveries required to be made pursuant to this Rule 7 shall be made:

- (a) on the Settlement Date; or
- (b) on the Option Exercise Date, [where the relevant Option Contract requires a payment or delivery to be made on its exercise](#); and
- (c) in accordance with such additional procedural requirements,

that in each case are to be determined in relation to the relevant Contract in accordance with the Clearing Procedures. A Member shall ensure that any Cash Settlements or Delivery Obligations in respect of a Contract are performed in accordance with such specified requirements.

**7.7.2** A Member that fails to ensure that its Cash Settlements or Delivery Obligations are performed in accordance with this Rule 7 may be subject to action by LME Clear pursuant to Rule 10 (*Default*).

**7.7.3** Without prejudice to Rule 7.7.2, in the event of a Failed Settlement Position, LME Clear shall be entitled to take any action permitted or contemplated by:

- (a) the LME Rules, where the Failed Settlement Position relates to a Contract Settled Under LME Rules; and/or
- (b) the Default Procedures; and /or

## Rule 7

- (c) Rule 7.8 below; and/or
- (d) Rule 7.9 below, where the Failed Settlement Position relates to an LME precious ~~Product~~ Future.

**7.8 BUY-IN AND INVOICING BACK****7.8.1** In the event that:

- (a) a Member fails to deliver an Underlying Asset to LME Clear in fulfilment of its Delivery Obligation under a Physically Settling Contract; and
- (b) LME Clear requires an Underlying Asset in order to satisfy any Delivery Obligation that LME Clear has to any Member under a Physically Settling Contract,

LME Clear may:

- (i) in accordance with Rule 7.8.2, effect a buy-in of the relevant Underlying Asset in order to enable LME Clear to discharge such Delivery Obligation (a "**Buy-In**"); or
- (ii) in the event that LME Clear determines that it is not possible or practicable to effect a Buy-In, and in accordance with Rule 7.8.3, make a Cash Settlement to any Member in respect of which LME Clear has such a Delivery Obligation in substitution for the delivery of the Underlying Asset, in order to close out LME Clear's open Positions in respect of Contracts requiring delivery by LME Clear of such Underlying Asset ("**Invoice Back**").

**7.8.2 Buy-In**

- (a) LME Clear may effect a Buy-In by purchasing or borrowing the relevant Underlying Asset from another Member or pursuant to a transaction with a third party. LME Clear may effect such Buy-In:
  - (i) (except where (ii) below applies) at such price as is determined in accordance with the LME Rules applying to Buy-Ins or, where no such LME Rules apply in respect of the relevant Contract, at the latest Closing Price for such Underlying Asset or, if such Closing Price is not available, at such price as LME Clear determines is reasonably appropriate in the circumstances in consultation with the Board Risk Committee; or
  - (ii) where the Underlying Asset is a Precious Metal, at the prevailing market price for such Precious Metal at the time of the Buy-In; and
  - (iii) in such manner as LME Clear considers appropriate in the circumstances.
- (b) In the event that LME Clear effects a Buy-In, the Member that failed to deliver the relevant Underlying Asset shall reimburse LME Clear for all costs incurred by LME Clear in purchasing or borrowing the Underlying Asset, including, without limitation, the amount paid by LME Clear to purchase the Underlying Asset and any costs incurred by LME Clear in executing the transaction to purchase or borrow the Underlying Asset. LME Clear shall notify the Member detailing the amount LME Clear requires the Member to reimburse and such payment shall be settled as a Cash Settlement.

## Rule 7

**7.8.3 Invoice Back**

- (a) LME Clear may effect an Invoice Back:
  - (i) at such price as is determined in accordance with the LME Rules applying to Invoice Back or, where no such LME Rules apply in respect of the relevant Contract, at the latest Closing Price for such Underlying Asset or, if such Closing Price is not available, at such price as LME Clear determines is reasonably appropriate in the circumstances in consultation with the Board Risk Committee; and
  - (ii) in such manner as LME Clear considers appropriate in the circumstances.
- (b) In the event that LME Clear effects an Invoice Back, the Member that failed to deliver the relevant Underlying Asset shall reimburse LME Clear for all costs, liabilities or losses incurred by LME Clear in effecting the Invoice Back. LME Clear shall notify the Member detailing the amount LME Clear requires the Member to reimburse and such payment shall be settled as a Cash Settlement.

**7.8.4** This Rule 7.8 explains the meaning of "Invoice Back" for the purpose of the LME Rules. For the avoidance of doubt, an Invoice Back shall be a cash settlement of the relevant Contract.

**7.8.5** LME Clear's rights under this Rule 7.8 are without prejudice to its other rights under these Rules, including without limitation Rule 2.4 (*Force Majeure*), Rule 7.7 above, Rule 10 (*Default*) and the Default Procedures.

**7.9 POSTPONED DELIVERY (LMEPRECIOUS FUTURES)**

**7.9.1** In the event that a Member fails to deliver an Underlying Asset to LME Clear in fulfilment of its Delivery Obligation under a Physically Settling Contract that is an LMEprecious ~~Product~~Future:

- (a) subject to (d) below, LME Clear shall allow the Member to deliver the Underlying Asset to LME Clear until 12pm on the next following Business Day, notwithstanding the Settlement Date for the Contract;
- (b) in the event that LME Clear allows a delivery to be postponed pursuant to (a) above:
  - (i) it shall notify the Member;
  - (ii) the Contract(s) that are the subject of the failed delivery shall be subject to the application of a Variation Margin Requirement calculated on the basis of the Cash Contingent Variation Margin approach; ~~and~~
  - (iii) in the event that the Member fails to deliver the Underlying Asset to LME Clear by 12pm on the next following Business Day, LME Clear may take any such action as it may have taken on the Settlement Date pursuant to Rule 7.7.3 (including the powers specified in Rule 7.8) or may elect to accept the delivery of the Underlying Asset from the Member provided that LME Clear has not initiated a Buy-In; and
  - (iv) the Cash Settlement by LME Clear to such Member may be made at any time on such next following Business Day;

## Rule 7

- (c) the Member shall have committed an Act of Misconduct and may be subject to disciplinary proceedings pursuant to Membership Procedure D; and
- (d) in the event that the Member becomes a Defaulting Member, LME Clear reserves its right to take such other action as may be permitted pursuant to Rule 7.7.3 and Rule 10 (*Default*).

**7.9.2** In the event that LME Clear allows a delivery to be postponed pursuant to Rule 7.9.1(a) above, then:

- (a) one or more Open Contracts for LMEprecious ~~Products~~Futures with Members having a Receive Entitlement in respect of an Underlying Asset of the same type as that which has not been delivered to LME Clear shall be subject to a postponement of LME Clear's performance of its Delivery Obligation until LME Clear is able to make delivery, following receipt of the Underlying Asset from the Member that is subject to Rule 7.9.1(a) or LME Clear having obtained the Underlying Asset pursuant to the completion of a Buy-In with respect to such Member;
- (b) the Open Contracts to be made subject to such postponement shall be selected by reference to a methodology that will have regard to (i) the timing of the Cash Settlement made by the Member with the Receive Entitlement; (ii) the sizes of LME Clear's Delivery Obligations under such Open Contracts; and (iii) whether a Member with a Receive Entitlement has already been subject to a postponement in respect of that Receive Entitlement; and
- (c) notwithstanding the postponement of LME Clear's Delivery Obligation, any Member to which (a) applies shall not be relieved of its obligation to ensure that any Cash Settlement in respect of the Contract is performed on the scheduled Settlement Date.

**7.9.3** It is the responsibility of each General Clearing Member to ensure that, where it is a party to any Underlying Client Trade the performance of which by the General Clearing Member is ~~dependant~~dependent upon receipt of an Underlying Asset from LME Clear pursuant to a Delivery Obligation under a Contract, the General Clearing Member is able to postpone its own delivery of such Underlying Asset to its Client in the event that LME Clear exercises its discretion pursuant to Rule 7.9.2 above.

## Rule 8

**RULE 8 - MARGIN REQUIREMENT AND COLLATERAL****8.1 COLLATERAL**

Each Member shall provide to LME Clear, and maintain on a daily basis for so long as it is a Member, Eligible Collateral with a Collateral Value sufficient to satisfy its Margin Requirement, which shall comprise:

- (a) the End of Day Margin Requirement;
- (b) the Intra-Day Margin Requirement(s); and
- (c) any other margin requirements (which excludes a Default Fund Contribution) required at any time by LME Clear pursuant to the Rules and the Procedures,

as security, cover and/or credit support for the performance by that Member of all of its present and future obligations to LME Clear pursuant to the Rules or the operation of the Clearing System.

**8.2 CALCULATION OF MARGIN REQUIREMENT**

**8.2.1** The Margin Requirement for each Member will be the amount which LME Clear may determine and notify the Member from time to time.

**8.2.2** The Margin Requirement for each Member will be calculated by LME Clear in accordance with methodology from time to time available on its Website and at such times as LME Clear may determine (whether at the regular times stated in the Clearing Procedures or otherwise). LME Clear may adopt different methodologies in respect of different Eligible Products and different Underlying Assets.

**8.2.3** LME Clear shall notify each Member, at the times determined by LME Clear, of the amounts of Collateral required to be provided to LME Clear to satisfy its Margin Requirement.

**8.2.4** Any Cash Collateral to be provided by a Member shall be provided to LME Clear in immediately available funds within the time limits set out in the Clearing Procedures.

**8.2.5** Calculations made by LME Clear for the purposes of this Rule 8 may be made in the Base Currency using such notional currency conversion rates determined by LME Clear at the relevant time.

**8.3 TYPES OF COLLATERAL**

**8.3.1** Collateral may be provided by a Member to LME Clear in the form of certain asset types and subject to eligibility criteria as set out in Part D of the Clearing Procedures and the Collateral Specifications, and on such terms as LME Clear may agree, provided that:

- (a) the part of a Member's Collateral comprising Cash Collateral may not at any time fall below the minimum proportion and/or minimum amount set out in the Clearing Procedures; and
- (b) the part of a Member's Collateral in any other form may not at any time exceed the maximum proportion and/or maximum amount for each category of Collateral as referred to in the Clearing Procedures or Annexes to the Clearing Procedures.

## Rule 8

**8.3.2** All Cash Cover provided by a Member shall be available to LME Clear freely to use and apply for any purpose contemplated by the Rules. Notwithstanding any other provision of any Member Documentation, the Member will have no proprietary interest in such cash which will constitute an unsecured debt (evidenced by the relevant Account(s) of the Member) payable by LME Clear to the Member in the amount(s) at the time(s) set out in the Member Documentation and subject to any deduction, set-off and other rights of LME Clear provided in the Member Documentation.

**8.3.3** LME Clear shall pay interest on Cash Collateral provided by a Member at such rate and at such times as LME Clear may from time to time specify (or, if such rate is a negative rate, LME Clear may charge the Member interest). Regardless of which Account in respect of which the relevant cash is recorded (including any Client Account) all interest will be credited or debited to the Member's House Account. LME Clear reserves the right not to pay interest if the amount of Eligible Cash does not exceed such threshold as it may select from time to time and not to pay interest on any amount of Cash Collateral which LME Clear determines is in excess of the amount of Collateral required by it from the Member under this Rule 8. LME Clear may pay interest at different rates upon different types of cash balance.

**8.3.4** LME Clear shall levy accommodation charges in respect of non-cash Collateral held by LME Clear at such rates and at such times as LME Clear may from time to time specify.

#### **8.4 TOP-UP COLLATERAL**

**8.4.1** If at any time the Collateral Value of Eligible Collateral provided by a Member is less than its Margin Requirement, the Member shall immediately on request by LME Clear deliver additional Collateral in order that such shortfall is eliminated.

#### **8.5 SECURITY, MEMBER REPRESENTATIONS AND NEGATIVE PLEDGE**

**8.5.1** As security for the performance by a Member of all of its present and future obligations to LME Clear pursuant to the Rules and any other Member Documentation, or the operation of the Clearing System, the Member shall execute such Security Documents over all or part of its Collateral (as determined by LME Clear) and in such terms as set out in the Clearing Procedures.

**8.5.2** Each Member represents and warrants to LME Clear as at each date on which such Member provides Asset Cover to LME Clear under the Rules that:

- (a) such Member is the sole legal and beneficial owner of the Asset Cover at the time it is provided to LME Clear or, where the property comprising the Asset Cover has been made available to the Member by its own Client or other person, the property has been made available by way of title transfer or with a right of use so as to enable the Member to charge or transfer it as owner to LME Clear to secure the Member's obligations to LME Clear;
- (b) all such Asset Cover is provided to LME Clear free and clear of any Security Interest, trust or third party rights save any subordinated or other Security Interest in favour of any person including a Client of the Member which LME Clear may have required or approved in advance (and, in respect of LME Warrant Collateral, LME Clear provides its approval for such purposes in relation to any lien arising by operation of law or a right of retention in favour of a Warehouse in respect of unpaid rent and other charges owing to that Warehouse, in each case, relating to metal to which an LME Warrant provided as Collateral relates); and



## Rule 8

- (c) the provision of such Asset Cover to LME Clear will not constitute or result in a breach of Applicable Law or any of trust, agreement or undertaking binding on the Member or affect any such Asset Cover.

**8.5.3** LME Clear shall be entitled to assume that all Asset Cover provided by a Member to LME Clear under this Rule or under the terms of any agreement made with the Member is in conformity with Rule 8.5.2.

**8.5.4** A Member shall not, without the prior written consent of LME Clear:

- (a) create, or agree or attempt to create, or permit to subsist, other than in favour of LME Clear, any Security Interest, trust or other interest over any Asset Cover provided to LME Clear under this Rule 8, or purport to do so (and, in respect of LME Warrant Collateral, LME Clear shall be deemed to have provided its prior written consent for such purposes in relation to any lien arising by operation of law or a right of retention in favour of a Warehouse in respect of unpaid rent and other charges owing to that Warehouse, in each case, relating to metal to which an LME Warrant provided as Collateral relates);
- (b) sell, assign, transfer or otherwise dispose all or any part of, or any interest in, any such Asset Cover, or purport to do so, or part with ownership of any of it; or
- (c) take any step which would otherwise constitute or result in a breach of the representations and warranties contained in Rule 8.5.2.

**8.5.5** All Asset Cover provided by a Member shall be incapable of assignment or charge by the Member or any other person (except LME Clear to the extent authorised by the Rules and/or to the extent LME Clear may have required or approved in advance). Any purported assignment or charge by a Member or such other person (whether by way of security or otherwise) of any such Asset Cover in contravention of the foregoing sentence shall be of no effect.

**8.5.6** "Asset Cover" when used in Rules 8.5.4 and 8.5.5 includes any obligation owed by LME Clear to the Member or any other person (a) in the case of cash, to pay a sum of money corresponding to such Asset Cover in the form of cash, and (b) in the case of Gold, to deliver unallocated Gold corresponding to such Asset Cover in the form of Gold.

## **8.6 USE OF ASSET COVER**

**8.6.1** LME Clear shall ensure that all Asset Cover provided to it by Members is identifiable separately from LME Clear's own assets and those of any third party by whom they may be held.

**8.6.2** Cash Cover may be partially or wholly invested by LME Clear in accordance with its investment policy as amended from time to time by LME Clear. To the extent not so invested, such cash funds shall be deposited by LME Clear as it considers appropriate (consistent with Applicable Clearing Regulations).

- (a) Upon any such investment being made, there shall be no change to the entries in the relevant Member's Account.
- (b) Members shall have no proprietary or other interest in any Investment Securities, which shall be owned by LME Clear.
- (c) All income, profits, losses and risks associated with any Investment Securities shall be for the account of LME Clear, save to the extent losses and risks are



## Rule 8

shared with Members generally pursuant to the non-default loss procedure under Rule 10.14 (*Allocation of Non-Default Losses*).

- 8.6.3** Notwithstanding any provision of any Security Document which refers to any right of LME Clear to use any assets the subject of the Security Document, LME Clear shall have no right of use over any such asset.

**8.7 WITHDRAWAL OF EXCESS OR INELIGIBLE COLLATERAL**

- 8.7.1** If at any time the Collateral Value of a Member's Collateral exceeds its then Margin Requirement, LME Clear shall (upon request by the Member) return the Excess Collateral in accordance with the Clearing Procedures provided any withdrawal would not result in a breach of the Rules including in relation to Collateral Limits. This Rule 8.7 shall not apply if Rule 8.8.1 has become applicable, nor shall it apply if a Default Event has occurred and is continuing in relation to the Member, and in any event shall be subject to the terms of any relevant Security Document.

- 8.7.2** A Member may request that any Collateral which is not or has ceased to be Eligible Collateral be returned to it, save that no such Collateral shall be returned unless the Member is in compliance with Rule 8.4, and nor shall this Rule 8.7.2 apply if a Default Event has occurred and is continuing in relation to the Member, and in any event shall be subject to the terms of any relevant Security Document.

**8.8 RETURN OF COLLATERAL ON TERMINATION OF MEMBERSHIP**

- 8.8.1** If a Member gives notice to LME Clear to terminate its Membership, the Member's Collateral shall be returned to it as soon as reasonably practicable (and within five (5) Business Days) after the Termination Date applicable to the Member, provided that in each case all amounts owing to LME Clear by the Member have been fully, finally and unconditionally paid or discharged to LME Clear prior to return, such Member has no remaining Open Contracts and no circumstances exist which might lead to further obligations or liabilities owed by the Member to LME Clear to arise.

- 8.8.2** Any obligation of a Member to LME Clear which is unpaid or un-discharged at the time it ceases to be a Member shall continue in force notwithstanding such termination and LME Clear may retain sufficient amounts of Collateral to secure or cover any remaining obligations of the Member (including any contingent or prospective obligations) and any obligation which may arise out of any disciplinary action.

**8.9 RETURN OF COLLATERAL TO A DEFAULTING MEMBER**

Upon LME Clear determining that, in relation to a Defaulting Member, the Default Procedures and the procedures set out in Rule 10 have been satisfied and that no debt or liability is due or capable of becoming due from the Defaulting Member to LME Clear, the Defaulting Member shall be entitled to the return of the Collateral (if any) which LME Clear at that time holds for the Defaulting Member (including paying the Defaulting Member a sum equal to the Cash Collateral (if any) which at that time is (subject to, and following any debit carried out under, Rule 10.4.1(o)) recorded in an Account of the Defaulting Member), save that LME Clear may at any time after a Default Event has occurred return to the Defaulting Member any Collateral (including paying the Defaulting Member a sum equal to any Cash Collateral) which is recorded in any Client Account of the Defaulting Member. This Rule 8.9 is subject to any Applicable Law or any provision of the Member Documentation (or of any security agreement granted by the Defaulting Member to its Client(s)) which requires any such Collateral to be transferred or paid to any other person including pursuant to the Porting Process or Rule 10.5.1(c).

## Rule 9

**RULE 9 - DEFAULT FUND****9.1 DEFAULT FUND**

- 9.1.0** LME Clear shall maintain separate Default Funds in respect of each Service, and this Rule 9 shall apply separately in respect of each such Service. Accordingly (a) the terms Default Fund and Default Fund Contribution shall be construed to apply to the Default Fund maintained in respect of the relevant Service, as the context requires; and (b) any reference to a Member shall be to a Member in the context of its participation in the relevant Service.
- 9.1.1** Each Member shall provide, and maintain on a daily basis for so long as it is a Member, a Default Fund Contribution in the amount specified by LME Clear from time to time. All Default Fund Contributions shall be made and maintained wholly in Eligible Cash in accordance with the Default Procedures and in the Eligible Currency set out in Annex 2 (*Eligible Currencies, Collateral and Haircuts*). It will be paid in immediately available funds within the time limits set out in such Procedure.
- 9.1.2** The initial amount of the Default Fund Contribution to be paid by an Applicant shall be determined by LME Clear subject to and in accordance with Default Procedure B, and shall be paid by the Applicant to LME Clear prior to submitting any Transactions to LME Clear.
- 9.1.3** The amount of the Default Fund Contribution to be provided by each Member shall be recalculated from time to time by LME Clear in accordance with such methodology as LME Clear shall set out in the Default Procedures.
- 9.1.4** LME Clear shall pay interest on the Default Fund Contribution provided by a Member at such rate and at such times as LME Clear may from time to time specify (or, if such rate is a negative rate, LME Clear may charge the Member interest). Such amount may be added to (or, if the rate of interest is negative, deducted from) the Member's Default Fund Contribution.
- 9.1.5** If at any time the amount of Default Fund Contributions provided by a Member exceeds the amount then required of it by LME Clear, the amount of such excess Default Fund Contribution will be repaid at the intervals from time to time specified in Default Procedure Part B, provided that:
- (a) no security over such Default Fund Contributions granted by the Member to LME Clear is, or is likely to become, enforceable, and no Default Event has occurred and is continuing in relation to the Member;
  - (b) LME Clear is satisfied that, after such excess Default Fund Contribution is returned to the Member, there will continue to be sufficient Default Fund Contributions in order to continue to satisfy the Member's obligations under this Rule 9; and
  - (c) LME Clear may, if a Default Loss has arisen, retain such excess Default Fund Contribution to the extent and for as long as it believes that this may be required for use in replenishing the Member's Default Fund Contribution under Rule 10.10.1(e)(i).
- 9.1.6** If a Member gives notice to LME Clear to terminate its Membership for whatever reason, the Member's Default Fund Contribution, less any applications or deductions made as contemplated by Rule 9.1.9, shall be repaid on the Termination Date, as determined in accordance with Rule 3.6, 3.7, 3.8 or 3.11, as applicable.

Rule 9

- 9.1.7** The provisions of Rule 8.5 apply to Default Fund Contributions to the extent stated in the Rules.
- 9.1.8** Without prejudice to LME Clear's rights under Rule 9.1.9, no part of a Default Fund Contribution shall be treated as standing to the credit of any Client Account.
- 9.1.9** LME Clear shall be entitled to apply Default Fund Contributions for the purposes and in the manner and at the times provided for in Rule 10.10 and elsewhere in the Rules and Procedures.
- 9.1.10** Default Fund Contributions shall be "default fund contributions" for the purposes of Part VII of the Companies Act 1989.

## Rule 10

**RULE 10 - DEFAULT****10.1 APPLICABILITY**

- 10.1.1** The provisions of this Rule 10 and the Default Procedures constitute the default rules of LME Clear for the purposes of Part VII of the Companies Act 1989, the Recognition Regulations, the Settlement Finality Regulations and EMIR.
- 10.1.2** LME Clear shall be entitled to take action under this Rule 10 with respect to a Member if LME Clear determines that a Default Event has occurred and is continuing in respect of the Member.
- 10.1.3** LME Clear has a discretion to determine whether any Default Event has occurred and, if so, what action to take under the Default Rules.
- 10.1.4** The exercise by LME Clear of its powers under this Rule 10 shall be subject to any directions given by the Regulator pursuant to section 166 of the Companies Act 1989 or other Applicable Clearing Regulations.
- 10.1.5** Where LME Clear determines that a Default Event has occurred with respect to a Member, such Default Event shall be treated as applying in respect of all Services in which the Member participates, and such Member shall be a Defaulting-Member in respect of all such Services.

**10.2 DEFAULT EVENTS**

A "**Default Event**" means the occurrence, in relation to a Member, of any of the following events:

- (a) the Member fails to perform (or threatens not to perform, or appears to LME Clear unable, or likely to become unable, to perform) any obligation it owes to LME Clear including under any Membership Documentation, Contract or Transfer Order;
- (b) the Member is in material breach of the rules or terms of membership of any exchange, trading platform or clearing house (other than LME Clear), or has been declared a defaulter or is suspended or has been expelled from membership by any such exchange, trading platform or clearing house;
- (c) the Member is in material breach of the requirements (whether or not having the force of law) of its regulator or of any other regulatory body or organisation (including, for the avoidance of doubt, the Regulator), or the authorisation of the Member by any such regulatory body or organisation, is suspended or withdrawn;
- (d) any regulatory body takes or threatens to take action against or in respect of the Member under any law or regulation;
- (e) LME Clear determines that the financial condition of the Member is such that, in the reasonable opinion of LME Clear the Member no longer satisfies the Membership Criteria or the continuing use of LME Clear by the Member would result in an increased level of risk or uncertainty for LME Clear and/or its other Members (in respect of the exposures of such other Members to the Clearing System);

Rule 10

- (f) LME Clear has reasonable grounds to believe that the Member is in or is approaching significant financial or operational difficulty or otherwise will be unable to perform its obligations to LME Clear;
- (g) LME Clear has reasonable grounds to believe that the Member has made any material misstatement to LME Clear, or has omitted to disclose to LME Clear any material fact in any statement made to LME Clear, or has been responsible for any fraudulent or dishonest conduct or any breach of fiduciary duty;
- (h) circumstances have arisen which LME Clear has reasonable grounds to believe make it appropriate to suspend or terminate the Member's participation in order to avoid the risk of a failed or rejected delivery, or which could be prejudicial to LME Clear or represent a threat to the orderly operation, security, integrity or reputation of the Clearing System or which could lead to LME Clear becoming involved in legal proceedings with any third party;
- (i) the Member is dissolved pursuant to a consolidation, amalgamation or merger (except on terms previously approved by LME Clear);
- (j) the Member suspends or threatens to suspend, or ceases or threatens to cease, to carry on all or substantially all of its business;
- (k) the Member repudiates or attempts to repudiate any Member Documentation, or contests the validity, perfection or priority of any Member Documentation;
- (l) any regulation, order, judgment or proceeding shall purport to render any provision of any Member Documentation, invalid or unenforceable or shall purport to prevent or materially delay the performance or observance by the Member of its obligations in accordance with its terms;
- (m) any provision of Member Documentation, is or ceases for any reason to be binding on or enforceable against the Member, or the Member shall so assert in writing;
- (n) LME Clear has reasonable grounds to believe that there is a risk that the continuing participation of the Member could result in an obligation being incurred by it to LME Clear which the Member would be unable to settle when due;
- (o) LME Clear has reasonable grounds to believe that the suspension or termination of the Member's Membership is necessary either for the protection of LME Clear or for any of the other Members or to ensure the orderly operation, security, integrity and/or reputation of the Clearing System;
- (p) LME Clear has determined that suspension or termination of the Member's Membership is appropriate following a review of the suitability of the Member pursuant to Membership Procedure B7.2 or 7.3 (*Changes of Ownership*);
- (q) the Member admits in writing its inability to pay any debt, or it appears to LME Clear that the Member is unable to pay its debts as they fall due or that the value of its assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities;

## Rule 10

- (r) the Member stops, or suspends, or threatens to stop or suspend, payment of all or any part of its indebtedness or commences negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of all or any part of its indebtedness or the making of a general assignment for the benefit of or composition with its creditors or if a moratorium is agreed, declared or otherwise obtained in respect of, or affecting, all or any part of its indebtedness;
- (s) any distress, execution or other process is levied or enforced upon or against any property of the Member where the value of the property involved exceeds £500,000;
- (t) an application is made to a court of competent jurisdiction, or an order is made by such court, for the purpose of: (i) declaring the Member to be bankrupt or insolvent; (ii) approving or granting a petition for a moratorium, reorganisation, arrangement (including pursuant to a scheme of arrangement), liquidation, dissolution, adjustment or composition of or in respect of the Member under any Applicable Law; (iii) appointing an administrator, assignee, custodian, examiner, liquidator, provisional liquidator, receiver, sequestrator, supervisor, nominee or trustee or other similar official in respect of the Member or any substantial part of its property, assets or undertaking; (iv) ordering the winding up, liquidation or bankruptcy of the Member; or (v) consenting to the institution by the Member or any person of proceedings for it to be adjudicated, bankrupt or insolvent or for it to be wound up or liquidated; provide that this paragraph (t) shall not apply to any winding up petition which LME Clear reasonably considers to be frivolous or vexatious;
- (u) the Member takes any step or commences any proceedings, or consents to any application, for, or becomes subject to, the appointment of an administrator, assignee, custodian, examiner, liquidator, provisional liquidator, receiver, sequestrator, supervisor, nominee, trustee or other similar official in respect of the Member or any substantial part of its property, assets or undertaking;
- (v) the Member, being a partnership, is dissolved, or being a registered company, is dissolved or suffers its name to be struck off the register of companies;
- (w) anything occurs under the laws of any applicable jurisdiction which is analogous to or has a substantially similar effect to any of the events described in clause paragraphs (s) to (v) inclusive above in relation to the Member; or
- (x) an event listed in paragraphs (s) to (v) inclusive occurs in relation to any Affiliate of the Member, where in the reasonable opinion of LME Clear such occurrence is reasonably likely to result in a Default Event occurring in relation to the Member.

### 10.3 DEFAULT NOTICE AND OTHER ACTION

- 10.3.1** The Member shall, immediately on becoming aware of the occurrence of any Default Event, give a Notice to LME Clear of such event. The Member will not (except with the prior consent of LME Clear which shall not be unreasonably withheld or delayed) take any steps which could result in any further Transactions being submitted to LME Clear.

## Rule 10

- 10.3.2** If LME Clear considers that a Member will not be able to meet its future obligations to LME Clear, LME Clear shall inform the Regulator to that effect before issuing a Default Notice.
- 10.3.3** LME Clear will, as soon as reasonably practicable after it has decided to exercise any of its powers under Rule 10.4.1 below in relation to a Member:
- (a) issue a Default Notice in respect of such Member;
  - (b) publish on its Website its decision to issue such Default Notice;
  - (c) notify each Approved Transaction Platform (through which the Member trades) of its decision to issue a Default Notice and, in general terms, the action that has been or is expected to be taken by LME Clear under the Rules to settle all outstanding obligations involving the Defaulting Member and LME Clear; and
  - (d) notify such Member of any notice received from a Client requesting LME Clear to carry out a transfer pursuant to Rule 10.7.1;
- 10.3.4** A Member in respect of which a Default Notice has been issued is referred to in the Rules as a "**Defaulting Member**" and the expression "**Office-Holder**" has the meaning given to "relevant office holder" by section 189 of the Companies Act 1989. A reference to the Defaulting Member shall include (where the context permits) a reference to any Office-Holder appointed in relation to the Defaulting Member.
- 10.3.5** Without prejudice to the preceding provisions of this Rule 10, a Member shall notify LME Clear, the Regulator and (if different) the Member's regulator immediately of its passing of a creditors' voluntary winding up resolution, or a trust deed granted by it becoming a protected trust deed.
- 10.3.6** On LME Clear issuing a Default Notice, each non-defaulting Member shall co-operate with LME Clear and shall in particular (to the extent that it is reasonably able to do so):
- (a) if requested by LME Clear, assist in effecting any closing out or transfer of an Open Contract pursuant to Rule 10.4.1; and
  - (b) comply with any reasonable directions of LME Clear,
- where LME Clear considers that such requests or directions are reasonable or necessary in the interests of maintaining the integrity of the Clearing System or the stability of the financial system.
- 10.4 POWERS OF LME CLEAR AFTER A DEFAULT NOTICE**
- 10.4.1** LME Clear may take any one or more of the following steps on or at any time or times after it becomes entitled to do so under Rule 10.1.2:
- (a) Accept or decline to Accept a Transaction;
  - (b) cancel or reverse any outstanding instruction for a Settlement Payment or delivery of any Underlying Asset to or for the benefit of the Defaulting Member;
  - (c) close out or otherwise discharge all or any rights, obligations and positions of the Defaulting Member then outstanding with respect to Open Contracts and all or any rights, obligations and positions of the Defaulting Member arising out of the



## Rule 10

exercise by LME Clear of all or any of its other powers under the Rules (including closing out by netting of any Open Contracts within an Account of the Defaulting Member, where possible, to remove the Positions represented by such Open Contracts from those to be otherwise dealt with under this Rule 10);

- (d) enforce and/or otherwise exercise all or any rights, powers and discretions conferred on LME Clear by the Security Documents;
- (e) realise all or any of the Member's Collateral whether by private sale or otherwise for the account of the Defaulting Member without being obliged to obtain the Defaulting Member's consent or any order of a court of law, and to appoint any person to execute any document for such purpose in the name and on behalf of the Defaulting Member;
- (f) subject to, and in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*), transfer an Open Contract of the Defaulting Member to the account of another Member, or terminate and close out such Contract and re-establish a Contract on the same terms with another Member, being in each case a Member entitled and willing to have such position transferred to it;
- (g) subject to, and in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*), transfer to the Member to which an Open Contract is transferred (or with which the replacement Contract is re-established) under Rule 10.4.1(f) above, such Collateral held as security for the Defaulting Member's obligations to LME Clear on that account to cover the risks associated with the Open Contract that has been so transferred;
- (h) transfer an Open Contract of another Member with its agreement to the Defaulting Member for the purposes of closing out an Open Contract in the name of the Defaulting Member or for any other reason which LME Clear considers appropriate in the circumstances, without requiring the consent of any relevant Approved Transaction Platform;
- (i) make or cause to be made contracts for the purpose of hedging the risks to which LME Clear is exposed under Open Contracts with the Defaulting Member (whether such contracts are made through an Approved Transaction Platform, off market or otherwise), and (i) to record the same as Contracts in the Defaulting Member's name under the Rules or (ii) to allocate the costs of and/or the proceeds or losses under any contracts for the purpose of hedging to the relevant Account of the Defaulting Member that corresponds to the hedged Open Contracts;
- (j) exercise on behalf of the Defaulting Member (if LME Clear chooses) any option granted by an Open Contract, notwithstanding that such exercise may take place on a day which is not a day prescribed for such exercise by rules of any relevant Approved Transaction Platform;
- (k) to take such steps as may be available to LME Clear in the circumstances known to it to preserve as far as appropriate the position (including preservation of the Positions and Collateral) of any Client or Indirect Client of the Defaulting Member allocated to a Client Account, including the crediting or debiting of accounts, entry into new Contracts, transfer of existing Contracts, reversal of



## Rule 10

Contracts, or termination, close-out and re-establishment of Contracts (save that LME Clear may not, pursuant to this Rule 10.4.1(k), transfer to any non-defaulting Member any Contracts, or otherwise vary any rights or obligations of a non-defaulting Member without that non-defaulting Member's consent, subject that this shall be without prejudice to LME Clear's powers under Rules 10.4.2, 10.7 and 10.10);

- (l) conduct an auction of Open Contracts to which the Defaulting Member is a party in such Auction Portfolios and at such time or times as LME Clear may determine and invite non-defaulting Members to submit bids for such portfolios in accordance with the auction principles and process provided for in the Default Procedures;
- (m) designate a currency as a currency of account and, at the Defaulting Member's expense, convert any sum payable by or to the Defaulting Member in another currency into the currency of account;
- (n) without prejudice to any other right of LME Clear under the Rules and subject to Applicable Clearing Regulations, take such other action with regard to any Open Contract to which the Defaulting Member is a party as LME Clear may deem necessary or expedient to effect an orderly discharge of the Defaulting Member's obligations and/or for the protection of LME Clear or other Members and any such action may be taken in the name and at the expense of the Defaulting Member (save that LME Clear may not, pursuant to this Rule 10.4.1(n), transfer to any non-defaulting Member any Contracts, or otherwise vary any rights or obligations of a non-defaulting Member without that non-defaulting Member's consent, subject that this shall be without prejudice to LME Clear's powers under Rules 10.4.2, 10.7 and 10.10);
- (o) subject to the segregation provisions in Rule 4.3 (*Account Segregation*), debit any Account of the Member (including any such Account in which Cash Collateral is recorded) with any amount owed by the Defaulting Member to LME Clear including, to the extent permitted by Applicable Clearing Regulations, debiting the Defaulting Member's House Account with all amounts owing in respect of Fees and any expenses incurred by LME Clear with regard to or in consequence of the circumstances referred to in Rule 10.2 or the steps which are or may be taken under this Rule 10.4.1 or the Default Procedures (as the case may be);
- (p) any other step considered to be necessary or expedient by LME Clear to complete the process set out in Rule 10.7 or the Default Procedures;
- (q) appoint any person as its agent for the purpose of hedging, financing, selling or otherwise disposing of any Collateral of the Defaulting Member at any time after the powers conferred by this Rule 10.4 have become exercisable;
- (r) (subject always to Rule 10.4.7) cash settle any Delivery Obligation or LME Premium Warrant Payment Obligation that LME Clear may owe to a non-defaulting Member in circumstances where the failure by the Defaulting Member to discharge a Delivery Obligation or LME Premium Warrant Payment Obligation to LME Clear results in LME Clear being unable to deliver the relevant Underlying Asset to the non-defaulting Member;

## Rule 10

- (s) obtain (at the expense of the Defaulting Member) such advice or assistance, including legal advice, as LME Clear may deem necessary with respect to any matter arising out of the occurrence of any event referred to in Rule 10.2;
- (t) take such steps as LME Clear considers necessary or appropriate to delay any physical delivery of an Underlying Asset where LME Clear has a Delivery Obligation under an Open Contract with the Defaulting Member; and/or
- (u)
  - (i) issue instructions within LMEsword for the settlement of any Contract under which:
    - (1) an LME Warrant is due to be delivered to LME Clear;
    - (2) the Defaulting Member has, prior to its becoming a Defaulting Member, issued an "Authorised Warrant Transfer Instruction" in respect of such LME Warrant, in accordance with Clearing Procedure F; and
    - (3) such LME Warrant has not yet been delivered to LME Clear; and
  - (ii) perform any actions necessary to facilitate such settlement (including any actions specified under Clearing Procedure F2.17);
- (v) where the Defaulting Member has a Give-Up Contract allocated to an Administrative Account:
  - (i) allow a Give-Up Acceptance to be Accepted from a non-defaulting Member acting as the Accepting Member in respect of the Give-Up; and
  - (ii) upon Acceptance of such Give-Up Acceptance, cancel the Give-Up Contract allocated to the Defaulting Member's Administrative Account; and
- (w) to the extent not otherwise specified in this Rule 10.4.1 above, take any other step or apply any other process required or permitted pursuant to the Default Procedures.

The powers exercisable under this Rule 10.4.1 shall be applied in respect of the Defaulting Member and shall not be construed so as to enable LME Clear to take action in respect of any non-defaulting Member, unless and except to the extent, specifically stated in the relevant paragraph of this Rule 10.4.1.

### **10.4.2** Where LME Clear exercises its rights under Rule 10.4.1, and subject to Rule 10.5:

- (a) LME Clear may take such action as it may determine to be necessary or expedient, subject to Applicable Clearing Regulations, to close out or otherwise discharge and/or net the rights, obligations and positions of the Defaulting Member referred to in Rule 10.4.1(c), including by:
  - (i) buying in or selling out the Underlying Asset deliverable by or to the Defaulting Member or (if LME Clear considers this impractical or inexpedient) to effect a cash settlement of an Open Contract and/or taking such other action as LME Clear may determine to be necessary or expedient to close out the Delivery Obligations or Payment Obligations (including, without limitation, any LME Premium Warrant Payment

## Rule 10

Obligation) and Failed Settlement Positions of the Defaulting Member;  
and/or

- (ii) effecting corresponding contracts in relation to Open Contracts to which the Defaulting Member is a party;
- (b) LME Clear may take such action notwithstanding the fact that the Contracts concerned have different scheduled Settlement Dates;
- (c) LME Clear may bring into account for the purpose of such close out, discharge and/or netting all liabilities incurred by LME Clear in consequence of exercising its powers under the Default Rules (for which the Defaulting Member shall be liable to indemnify LME Clear), including all reasonable expenses of responding to the default and enforcing its rights hereunder;
- (d) LME Clear may collect and retain or bring into account for the purpose of such close out, discharge and/or netting, all dividends, interest and other income receivable under any Collateral provided by the Defaulting Member;
- (e) amounts payable by or to a Defaulting Member on such close out, discharge, cash settlement and/or netting of its rights, obligations or positions shall be determined by LME Clear (whose determination will be conclusive); and
- (f) LME Clear may take such action as it may determine to be necessary in order to delay any physical delivery of an Underlying Asset that may be required pursuant to a Delivery Obligation of LME Clear under an Open Contract, including by:
  - (i) effecting a corresponding contract with the Defaulting Member that has the same Settlement Date as the Open Contract (such that the Defaulting Member has a Delivery Obligation corresponding to the Delivery Obligation of LME Clear under the Open Contract); and
  - (ii) effecting another Contract between the Defaulting Member and LME Clear that is identical to the original Open Contract except that the Settlement Date under which LME Clear shall be required to perform the Delivery Obligation shall be scheduled for a later date.

For the purposes of this Rule 10.4.2, a "**corresponding contract**" means a contract on the same terms (except as to price, premium or date of performance) as the Contract to which the Defaulting Member is a party but under which the person who is the Buyer under the Contract agrees to sell and the person who is the Seller under the Contract agrees to buy.

- 10.4.3** If a Defaulting Member has an open Position for the purchase of an Underlying Asset and the same or another Defaulting Member has an open Position for the sale of the same Underlying Asset, then LME Clear may, if it chooses and subject to any requirements of Applicable Clearing Regulations, close out or hedge such Positions wholly or partly by effecting (i) a sale under which the Defaulting Member acting as Buyer agrees to sell to LME Clear at Market Value all or such part of the relevant Underlying Asset as LME Clear may select and (ii) a simultaneous purchase under which the Defaulting Member acting as Seller agrees to buy from LME Clear at Market Value a corresponding amount of the same Underlying Asset. This power may be

## Rule 10

exercised in respect of open Positions on different Accounts where the same Defaulting Member is involved in both transactions.

- 10.4.4** To the extent that the ability of LME Clear to perform its obligations to deliver Underlying Assets to any Member other than a Defaulting Member is adversely affected by the operation of the procedures set out in Rule 10.4.1 to 10.4.3, LME Clear may take such action as it considers appropriate and reasonable in the circumstances known to it to protect its position.
- 10.4.5** The procedure applicable under Rules 10.4.2 and 10.4.3 shall be completed by LME Clear as promptly as practicable after LME Clear has served a Default Notice. However, if it appears appropriate to LME Clear in the circumstances known to it, LME Clear may exercise the procedure in such stages and at such times as LME Clear considers best calculated to minimise any Loss to the Members of LME Clear and to avoid the creation of a disorderly market in any Underlying Asset that could otherwise arise from such close-out procedure.
- 10.4.6** When taking action under this Rule 10.4, LME Clear will ensure that such action does not adversely affect in any material way any Client's ability to effect a Transfer in respect of any Client Account in accordance with Rule 10.7 (*Portability of Client Accounts*).
- 10.4.7** LME Clear may not exercise any of its powers under Rule 10.4 to cash settle or Invoice Back any Contract with a non-defaulting Member unless and except to the extent explicitly specified in this Rule 10.4. Prior to exercising any power to cash settle or Invoice Back any Contract with a non-defaulting Member, LME Clear shall first consult with the Board Risk Committee and obtain the approval of the Board. For the avoidance of doubt, but without prejudice to the specific wording in any Rule, in the event that LME Clear exercises any right under this Rule 10 to cash settle or invoice back any Contract with a non-defaulting Member, the price for such cash settlement or Invoice Back shall be determined at the Closing Price for such Open Contracts as applies on the relevant Business Day or, if such Closing Price is not available, the price shall be such price as the Board determines is reasonably appropriate in the circumstances in consultation with the Board Risk Committee.
- 10.4.8** The Defaulting Member shall indemnify LME Clear in respect of all costs incurred by LME Clear in implementing its powers pursuant to this Rule 10 in relation to any Account(s) of the Defaulting Member (including any expenses, hedging costs, staff costs and legal fees), such costs being for the account of the Defaulting Member, and allocable to the Account in respect of which such costs are incurred.
- 10.4.9** Any amount that is to be brought into account as a sum payable under Rule 10.6.1, 10.6.4 or 10.8.1:
- (a) shall be an amount that is due and payable under these Rules, and- shall, if it is not already due, become immediately due from the time of occurrence of a Default Event or (where such amount is incurred subsequent to the occurrence of the Default Event) from the time the relevant party incurs the relevant cost that corresponds to such amount; and
  - (b) subject that any amount so payable shall be subject to the application of the netting provisions in Rules 10.6 and 10.8 and any liability of LME Clear to make

## Rule 10

any such payment to the Defaulting Member shall be subject to such netting provisions and the satisfaction of the requirements in Rule 10.9.

## 10.5 TREATMENT OF DIFFERENT TYPES OF ACCOUNT

**10.5.1** Where the Defaulting Member has one or more Client Accounts and one or more House Accounts with LME Clear, the process set out in Rule 10.6 will be separately completed in respect of each such House Account and the process set out in Rule 10.8 will be separately completed in respect of each such Client Account. Each sum finally payable shall be separately certified under Rule 10.9.1. For this purpose:

- (a) an Account which is a House Account may be combined for the purpose of such process with another House Account of the same Defaulting Member;
- (b) no Omnibus Segregated Client Account or Individual Segregated Client Account may be combined with any other Account of the Defaulting Member with LME Clear except to the extent permitted by Applicable Clearing Regulations;
- (c) LME Clear will as soon as practicable deliver any surplus amount or Collateral owing to the Defaulting Member in respect of an Individual Segregated Client Account or an Omnibus Segregated Client Account (after completion of final net settlement under Rule 10.8 and satisfaction of the Default Rules and Default Procedures) to the Client to which such Individual Segregated Client Account relates or to the Clients entitled to share in such Omnibus Segregated Client Account (as the case may be) or, if such Clients are not known to LME Clear or if it has insufficient information to determine how an amount is to be apportioned between them or to permit it to make a payment, to the Defaulting Member for the account of the relevant Client or Clients save that LME Clear shall only return any surplus amount or Collateral to a Client under this paragraph (c) if it is permissible under Applicable Law and LME Clear is not prevented from effecting such return by any court order or legal restriction applying to LME Clear, the amount or the Collateral, or by any claim or right of the Defaulting Member or any other person which may take precedence during any insolvency procedure affecting the Defaulting Member;

**Proviso:** LME Clear shall not return any such surplus amount or Collateral to a Client where any condition or requirement that reflects a condition or requirement to such return under Article 48(7) of the EMIR Level 1 Regulation is not satisfied;

- (d) LME Clear may (to the extent permitted by Applicable Clearing Regulations) allocate all or any part of a positive net balance on a House Account of a Defaulting Member (including any surplus of Collateral provided by the Defaulting Member in respect of the House Account) to meet a deficiency on one or more Client Accounts of the Defaulting Member (but not vice versa);
- (e) LME Clear shall allocate the Defaulting Member's Default Fund Contribution in or towards the discharge of Default Loss on a Client Account and a House Account on such basis as it deems appropriate; and
- (f) LME Clear shall deliver any surplus amount of Default Fund Contribution to the Defaulting Member after: (i) the application of such Default Fund Contribution in accordance with this Rule 10; (ii) the completion of the final net settlement under

## Rule 10

Rule 10.6; and (iii) satisfaction of the Default Rules and Default Procedures, subject to and in accordance with Rule 10.9.

### 10.6 FINAL NET SETTLEMENT ON HOUSE ACCOUNT

**10.6.1** For the purpose of discharging the Defaulting Member's rights and liabilities under or in respect of all Contracts to which it is party and which are recorded on its House Account(s), LME Clear shall:

- (a) bring into account:
  - (i) all sums payable by or to the Defaulting Member in respect of such Contracts;
  - (ii) (to the extent permitted by the Default Requirements) all other sums payable by or to the Defaulting Member under the Rules (otherwise than on Client Account); and
  - (iii) all costs incurred by LME Clear in implementing its powers pursuant to this Rule 10 in relation to any Account(s) of the Defaulting Member (including any expenses, hedging costs, staff costs and legal fees), such costs being for the account of the Defaulting Member;
- (b) the sums so payable shall be aggregated or set off so as to produce a net sum; and
- (c) if payable by the Defaulting Member to LME Clear, such net sum shall be set off against:
  - (i) any sum due by LME Clear to the Defaulting Member and/or any Collateral (following enforcement and liquidation if necessary pursuant to the terms of the relevant Security Document) provided by or on behalf of the Defaulting Member; and
  - (ii) such amount (if any) of the outstanding Default Fund Contribution of the Defaulting Member as LME Clear may determine under Rule 10.5.1(d) (after the application of such Default Fund Contribution for any other purpose permitted under the Rules),

(or, in either case, the proceeds of realisation of such amounts) so as to produce a further net sum; or
- (d) if payable by LME Clear to the Defaulting Member such net sum on its House Account(s) shall be aggregated with the amounts referred to in paragraph (c)(i) and (ii) (or the proceeds of realisation of such amounts), or shall be set off against any other sum payable by the Defaulting Member to LME Clear (otherwise than on Client Account) as LME Clear may select so as to produce a further net sum.

**10.6.2** For the purposes of this Rule, LME Clear may assess the sum payable by or to the Defaulting Member in respect of any breach of the Rules in such reasonable manner as it thinks fit.



## Rule 10

**10.6.3** Where the net sum determined under Rule 10.6.1 above is payable to the Defaulting Member, the amount payable shall be subject to the further application of Rule 10.8.1(c)(ii) (*Final Net Settlement of Unported Client Accounts*) and Rule 10.6.4 below.

**10.6.3A** The process in Rule 10.6.1 to 10.6.3 shall be applied separately in respect of each Service, such that a separate net sum shall be calculated for the House Account in respect of each Service, subject that:

- (a) this shall be without prejudice to LME Clear's rights pursuant to Rule 10.5.1(d); and
- (b) where the net sum for the House Account for one Service indicates a positive balance, such that an amount may be due to the Defaulting Member, and the net sum for the House Account for another Service indicates a negative balance, such that an amount may be payable to LME Clear, LME Clear may set-off such positive and negative amounts in order to reduce the negative balance, and the net sums for each House Account shall be adjusted accordingly;
- (c) LME Clear shall apportion the relevant costs in accordance with Rule 10.6.1(a)(iii) between the respective net sum calculations for the House Account in respect of each Service in such manner as LME Clear shall determine in its sole discretion.

#### Counterparty Losses

**10.6.4** In the event that the Defaulting Member is also a Treasury Counterparty and LME Clear has incurred Counterparty Losses pursuant to the default of such Treasury Counterparty, and where LME Clear has:

- (a) completed the application of its powers under Rule 10.4 (*Powers of LME Clear after a Default Notice*) and Rule 10.10.1 (*Default Waterfall and Allocation of any Excess Loss – During the Default Period*);
- (b) calculated the net sum payable under Rule 10.6.1 above; and
- (c) (where applicable) deducted from such net sum any amount set off in accordance with Rule 10.8.1(c)(ii),

then, in the event that (after the application of (a) to (c) above) there remains a positive net balance on any House Account of the Defaulting Member:

- (d) LME Clear may elect to set such positive net balance off against any such Counterparty Losses, **provided that** the maximum amount of such Counterparty Losses that may be so set off shall be limited to the amount of the remaining positive net balance on the House Account. For the avoidance of doubt, LME Clear shall not apply its rights of set off under this Rule 10.6.4 so as to cause the House Account to have a negative net balance; and
- (e) in the event that LME Clear exercises its rights under this Rule 10.6.4, the final net sum certified by LME Clear in respect of the Defaulting Member's House Account, pursuant to Rule 10.9 below shall be the sum resulting from the application of (d) above.

Rule 10

**10.7 PORTABILITY OF CLIENT ACCOUNTS**

**10.7.1** Where assets and positions are recorded on an Individual Segregated Client Account or an Omnibus Segregated Client Account of a Defaulting Member, LME Clear shall, during the Porting Period, apply the provisions of this Rule 10.7 and Default Procedure D, with the objective of transferring the assets and Positions recorded to such Client Account from the relevant Individual Segregated Client Account or the Omnibus Segregated Client Account with the Defaulting Member (the "**Member Transferor**") to a new Client Account of a non-defaulting Member (the "**Member Transferee**") that:

- (a) (in the case of a Client Account to which the Automatic Porting Process applies) has been identified in the Automatic Porting Designation Documents lodged in respect of the Client or Clients allocated to such Client Account; or
- (b) (in the case of any other Client Account) has agreed to accept such assets and Positions and that has been identified in a Porting Request Notice issued to LME Clear by such Client or Clients in accordance with the requirements set out in Default Procedure D,

(each such transfer being a "**Transfer**").

**10.7.2** Where the Automatic Porting Process applies to a Client Account, the Automatic Porting Designation Documents lodged by a Member in respect of a Client (or any Indirect Client) shall constitute a request by such Clients (for themselves and in respect of any Indirect Clients) to LME Clear to execute a Transfer to any Member Transferee specified in the Automatic Porting Designation Documents in the event that the Member becomes a Defaulting Member.

**10.7.3** Where the Automatic Porting Process does not apply to a Client Account, LME Clear must be in receipt of a validly executed Porting Request Notice from each Client allocated to that Client Account in order for LME Clear to apply the Porting Process.

**10.7.4** If the relevant Client Account of a Defaulting Member records the assets and/or positions of two or more Clients, any Transfer shall be:

- (a) requested and exercised jointly in respect of all such Clients; and
- (b) to the same Member Transferee,

unless LME Clear agrees otherwise.

**10.7.5** LME Clear shall seek to transfer the assets and Positions (which shall include the Contracts and Collateral) allocated to a Client Account of a Defaulting Member only if:

- (a) in the case of a Client Account to which the Automatic Porting Process applies:
  - (i) the Automatic Porting Designation Documents held by LME Clear in respect of such Client Account identify a potential Member Transferee that has been designated by all Clients allocated to such Client Account as a Designated Member Transferee;
  - (ii) such Member Transferee is a non-defaulting Member which has agreed in writing to accept such Transfer within the Porting Election Period; and



## Rule 10

- (iii) the requirements set out in Default Procedure D2.2 are satisfied;
- (b) in the case of a Client Account to which the Automatic Porting Process does not apply:
  - (i) LME Clear must have received, within the Porting Election Period, in respect of each Client allocated to the Client Account, a Porting Request Notice that has been:
    - (1) validly made under Rule 10.7.1 and Rule 10.7.3; and
    - (2) duly completed and signed by the Member Transferee and each such Client allocated to the Client Account;

(subject that separate Porting Request Notices may be submitted by each Client, provided that each Porting Request Notice is countersigned by the same Member Transferee);
  - (ii) the requirements set out in Default Procedure D2.3 are satisfied;
- (c) LME Clear has the information required to enable it to calculate the amounts to be transferred and is satisfied as to its accuracy, whether provided by the Defaulting Member or the relevant Client or otherwise; and
- (d) LME Clear is satisfied that sufficient additional Collateral (if any) will, on the transfer being effected or, if necessary, in advance, be provided to it by the Member Transferee in accordance with the Rules including, without limitation, as a result of the operation of Rule 10.7.11 below;
- (e) LME Clear is satisfied that all Clients allocated to the Client Account are Identified Clients; and
- (f) such transfer is permissible under Applicable Law and LME Clear is not prevented from effecting such transfer by any court order or legal restriction applying to LME Clear, the Collateral or the Open Contracts, or by any claim or right of the Member Transferor or any other person which may take precedence during any insolvency procedure affecting the Member Transferor.

The transfer of assets (including Collateral) pursuant to this Rule 10.7.5 is subject to Rule 10.7.10.

### 10.7.6 **Partial Porting**

- (a) Notwithstanding any other provision set out in Rule 5 (*Client Business and Portability Arrangements*), this Rule 10.7 and Default Procedure D (*Porting Procedure*), LME Clear may effect a Transfer of the Positions relating to some but not all of the Open Contracts –recorded to an Omnibus Segregated Client Account of a Defaulting Member (a “**Partial Transfer**”) in accordance with the provisions of this Rule 10.7.6.
- (b) If at any time during a Default Period LME Clear determines, in its absolute discretion and in consultation with the Default Management Committee, that it is unlikely that the condition set out in Rule 10.7.3 will be satisfied with respect to one or more Omnibus Segregated Client Accounts to which the Automatic

## Rule 10

Porting Process does not apply (each a “**Relevant Account**”), LME Clear may decide to facilitate Partial Transfers out of the Relevant Accounts. In such circumstances LME Clear shall, in consultation with the Default Management Committee, designate one or more indicative Partial Transfer Windows. When determining the duration and aggregate number of Partial Transfer Windows, LME Clear shall, in its sole discretion, seek to identify the most favourable risk management solution, having regard to:

- (i) the number of Clients allocated to the Relevant Accounts;
  - (ii) the number, size and Market Value of the Open Contracts allocated to the Relevant Accounts; and
  - (iii) the direction, size of the Position and overall risk profile of each Relevant Account.
- (c) LME Clear shall, as soon as practicable after determination, publish such indicative Partial Transfer Windows on its Website. Throughout the Default Period LME Clear shall have the right, having as its primary objective effective risk management, to vary the number and/or duration of the Partial Transfer Windows without prior notification. LME Clear shall publish on its Website any decision to shorten any previously publicised Partial Transfer Window as soon as practicable following the implementation of such decision.
- (d) At the end of each Partial Transfer Window LME Clear shall, in respect of each Relevant Account, consider all Porting Request Notices received from one or more Clients allocated to the Relevant Account (each a “**Requesting Client**”) during that Partial Transfer Window, together with any Porting Request Notices received but not actioned in prior Partial Transfer Windows. LME Clear will, subject to the proviso below, transfer from the Relevant Account the Open Contracts (but not the Collateral) of all Requesting Clients to the Member Transferee(s) nominated in the relevant Porting Request Notices if:
- (i) by effecting such Partial Transfers, the risk to LME Clear would not significantly increase taking into account:
    - 1. any increase or decrease in the ~~the~~ Margin Requirement that would apply to the Relevant Account going forward; and
    - 2. if applicable to the Relevant Account, any increase or decrease in any contingent margin credit that would offset the Margin Requirements of that Relevant Account going forward;
  - (ii) LME Clear is satisfied that sufficient additional Collateral (if any) will, on the transfer being effected or, if necessary, in advance, be provided to it by the Member Transferee in accordance with the Rules including, without limitation, due to the operation of Rule 10.7.11 below;
  - (iii) LME Clear has the information required to enable it to calculate the amounts to be transferred (including, for the avoidance of doubt, contingent margin credits) and is satisfied as to its accuracy, whether provided by the Defaulting Member or the relevant Requesting Clients or otherwise;

## Rule 10

- (iv) the requirements set out in Default Procedure D2.4 are satisfied;
- (v) LME Clear is satisfied that all Requesting Clients allocated to the Relevant Account are Identified Clients;
- (vi) it is practicable to determine the specific Positions allocable to each Requesting Client; and
- (vii) such Partial Transfers are permissible under Applicable Law and LME Clear is not prevented from effecting such Partial Transfers by any court order or legal restriction applying to LME Clear or the Open Contracts, or by any claim or right of the Member Transferor or any other person which may take precedence during any insolvency procedure affecting the Member Transferor.

**Proviso:** Nothing in this Rule 10.7.6(d) shall oblige LME Clear to effect a Partial Transfer which either: (x) if effected would change the direction and/or size of the Positions of the Open Contracts remaining in the Relevant Account; or (y) LME Clear considers inappropriate having as its primary objective effective risk management.

- (e) If LME Clear is unable at the end of any Partial Transfer Window to effect Partial Transfers of all Requesting Clients in accordance with Rule 10.7.6(d) above, LME Clear shall effect as many Partial Transfers as it considers appropriate having as its primary objective effective risk management but also having regard to porting the largest number of Requesting Clients and/or the largest number and greatest size and Market Value of Open Contracts. Where LME Clear is considering a Partial Transfer which, if effected, would prevent it from effecting Partial Transfers for one or more other Requesting Clients with similar positions that would satisfy the requirements for a Partial Transfer on their own merits but not together, LME Clear shall draw lots to decide which Partial Transfer to effect at such time.
- (f) Notwithstanding any other provision in this Rule 10.7.6, LME Clear may effect a Partial Transfer in respect of a Requesting Client prior to the expiry of a Partial Transfer Window if:
  - (i) the conditions set out in Rule 10.7.6(d) are otherwise satisfied; and
  - (ii) LME Clear determines in consultation with the Default Management Committee that by effecting such Partial Transfer earlier than would otherwise be permitted pursuant to the terms of Rule 10.7.6(d) it would, in LME Clear's sole discretion, either:
    1. significantly decrease the risk to LME Clear; and/or
    2. enable LME Clear to process a greater number of Partial Transfers than would otherwise be possible if it did not accelerate the implementation of such Partial Transfer.
- (g) References in this Rule 10.7.6 to LME Clear either practising or having regard to "effective risk management" shall be taken to mean that LME Clear, when taking

## Rule 10

default action, will always seek to protect: (i) its capital and the Default Fund; and (ii) the integrity of the markets which it clears.

**10.7.7** LME Clear may decline to effect a Transfer in respect of any Individual Segregated Client Account or Omnibus Segregated Client Account:

- (a) if any of the conditions set out in Rule 10.7.5 or, if applicable, 10.7.6 are not satisfied in relation to the Individual Segregated Client Account or Omnibus Segregated Client Account; or
- (b) if LME Clear has reason to believe that the taking of any action under this Rule 10.7 in relation to the Individual Segregated Client Account or Omnibus Segregated Client Account would be contrary to Applicable Clearing Regulations, or impair its own ability to perform its obligations as they fall due.

**10.7.8** Notwithstanding Rule 5.1.7, 5.1.8, 10.7.5(e) and 10.7.6(d)(v), LME Clear shall effect a Transfer pursuant to a Porting Request Notice issued in respect of a Client Account to which Non-Identified Clients are allocated where all such Non-Identified Clients have provided to LME Clear such information as LME Clear reasonably considers to be appropriate and sufficient regarding their identities, the details of their representatives that are authorised to provide instructions on their behalf and the Transactions that have been registered on their behalf. Any such Client shall be treated as an Identified Client from the time that LME Clear considers that it has appropriate and sufficient information in accordance with this Rule 10.7.8.

**10.7.9** Notwithstanding any other provision set out in Rule 5 (*Client Business and Portability Arrangements*), this Rule 10.7 and Default Procedure D (*Porting Procedure*), but subject to the proviso below, LME Clear may permit a Transfer pursuant to a Porting Request Notice issued in respect of a Client Account where any condition or requirement specified in such Rules or Procedures is not satisfied (including, for the avoidance of doubt, where the Porting Election Period has expired) where LME Clear considers that it is appropriate, in the interests of (i) the Clients; (ii) the Clearing System; (iii) the stability of the markets in which the Member's or Clients participate; or (iv) the stability of the wider financial system in the United Kingdom, that such Transfer shall take place.

**Proviso:** Where and to the extent that a Transfer falls within the meaning of, and is subject to, Article 48(5) or (6) of the EMIR Level 1 Regulation, LME Clear shall not permit such Transfer to take effect where any condition or requirement that reflects a condition or requirement to a Transfer under Article 48(5) or (6) of the EMIR Level 1 Regulation is not satisfied, including for the avoidance of doubt, any requirement for the Client(s) and the Member Transferee to have consented to the Transfer.

**10.7.10** LME Clear may, pursuant to any Transfer, transfer only the positions (and associated Contracts) allocated to an Account and not the related assets (or Collateral) allocated to that Account where and to the extent that:

- (a) the Member Transferee ensures that the Margin Requirement applicable to its Client Account (taking into account the Positions that will be added by the Transfer) is satisfied by the provision of Collateral provided by such Member Transferee to LME Clear prior to the Transfer Time;

## Rule 10

- (b) the Automatic Porting Designation Documents or the Porting Request Notice specifies that any Collateral shall not be subject to the Transfer, in which case the Transfer shall be conditional upon the satisfaction of the requirement specified in Rule 10.7.5(d) above;
- (c) for reasons outside the control of LME Clear it is not operationally practicable for such Collateral to be subject to the Transfer, in which case the Transfer shall be conditional upon the satisfaction of the requirement specified in Rule 10.7.5(d) above;
- (d) the transfer of the Collateral is not permissible under Applicable Law or LME Clear is prevented from effecting such transfer by any court order or legal restriction applying to LME Clear or the Collateral, or by any claim or right of the Member Transferor or any other person which may take precedence during any insolvency procedure affecting the Member Transferor; or
- (e) the Transfer is a Partial Transfer.

**10.7.11** Where the Collateral allocated to an Account includes LME Warrant Collateral, such LME Warrant Collateral shall cease to constitute Available Non-cash Collateral from the time that the relevant Default Notice is effective until such time as that LME Warrant Collateral is retransferred to the LME Clear Pledged Account by a Member Transferee in accordance with and subject to the provisions of Default Procedure Part D2.12.

**10.7.12** LME Clear may, when taking the action under this Rule 10.7, rely (without further investigation) on the information provided by the Defaulting Member or its relevant Clients to LME Clear pursuant to the Rules.

**10.7.13** Such a Transfer shall be effected in accordance with the provisions set out in the Default Procedures.

**10.7.14** LME Clear shall incur no liability to the Defaulting Member, any Client or other person for any action taken or omitted to be taken under this Rule 10.7, except in the case of its own wilful default.

**10.7.15** LME Clear has published a disclosure document summarising the legal implications of its powers to effect Transfers. This document explains the implications of Transfers made in accordance with LME Clear's obligations under Articles 48(5) and 48(6) of the EMIR Level 1 Regulation, together with the implications of the exercise by LME Clear of its discretion pursuant to Rule 10.7.9 to permit a Transfer notwithstanding that any condition in the Rules or Procedures may not have been satisfied. The exercise of such a waiver may result in Transfers in circumstances where it is not necessary for the purposes of complying with the minimum requirements of Articles 48(5) and 48(6) of the EMIR Level 1 Regulation. The disclosure document can be found at:

[http://www.lme.com/~media/Files/LME%20Clear/Rules%20and%20regulation/Disclosure/LME%20Clear%20-%20Disclosure%20under%20EMIR%2039\(7\).pdf](http://www.lme.com/~media/Files/LME%20Clear/Rules%20and%20regulation/Disclosure/LME%20Clear%20-%20Disclosure%20under%20EMIR%2039(7).pdf)

## **10.8 FINAL NET SETTLEMENT OF UNPORTED CLIENT ACCOUNTS**

**10.8.1** For the purpose of discharging the Defaulting Member's rights and liabilities under or in respect of all Contracts to which it is party and which are recorded on a Client Account (which has not been ported under Rule 10.7), LME Clear shall:

## Rule 10

- (a) bring into account:
  - (i) all sums payable by or to the Defaulting Member in respect of such Contracts recorded on such Client Account;
  - (ii) (to the extent permitted by the Default Requirements) all other sums payable by or to the Defaulting Member under the Rules on such Client Account; and
  - (iii) LME Clear's costs in hedging and liquidating any Positions allocated to a Client Account that have not been transferred pursuant to the Porting Process, such costs being for the account of the Defaulting Member;
- (b) the sums so payable shall be aggregated or set off so as to produce a net sum; and
- (c) if payable by the Defaulting Member to LME Clear:
  - (i) such net sum shall in each case be set off against:
    - (1) any sum due by LME Clear to the Defaulting Member and/or any Collateral (following enforcement and liquidation if necessary pursuant to the terms of the relevant Security Document) provided by or on behalf of the Defaulting Member in each case in respect of the relevant Client Account; and
    - (2) such amount (if any) of the outstanding Default Fund Contribution of the Defaulting Member as LME Clear may determine under Rule 10.5.1(e) (after the application of such Default Fund Contribution for any other purpose permitted under the Rules),

(or, in either case, the proceeds of realisation of such amounts) so as to produce a further net sum, or shall be aggregated with any debit balance on such Client Account; and
  - (ii) such net sum may be further set off against any positive net balance on a House Account of the Defaulting Member that LME Clear elects to allocate to meet any deficiency on the Client Account pursuant to Rule 10.5.1(d) so as to produce a further net sum; or
- (d) if payable by LME Clear to the Defaulting Member, the net sum on such Client Account shall be aggregated with the amounts referred to in paragraph (c)(i) and (ii) (or the proceeds of realisation of such amounts).

**10.8.2** The process in this Rule 10.8 shall be applied separately in respect of each Service, such that a separate net sum shall be calculated for each Client Account in respect of each Service.

## **10.9 CERTIFICATION, DELEGATION, CO-OPERATION, REPORTING**

**10.9.1** On completion of the process set out in Rule 10.6 or 10.8 (whichever is applicable), LME Clear shall promptly certify each sum finally payable by the Defaulting Member to LME Clear (or vice versa) on the relevant Account or, as the case may be, the fact that no sum is payable. The certificate of LME Clear under this Rule 10.9 shall be



## Rule 10

conclusive as to the discharge of the Defaulting Member's rights and liabilities in respect of the Contracts to which it relates and the net sum finally payable in respect of them (or the fact that no sum is payable). LME Clear shall incur no liability whatsoever for any act or omission in determining any sum payable under this Rule 10 except to the extent arising from LME Clear's wilful default.

- 10.9.2** LME Clear shall, as soon as practicable after issuing a Default Notice in respect of a Member, appoint a day on which any net sums certified under this Rule 10 will become due to the Defaulting Member and will be paid by LME Clear. The day so appointed shall not fall on a day before completion of the process specified in this Rule 10.9.
- 10.9.3** LME Clear shall make such report to the Regulator of its proceedings under this Rule, and shall supply copies and make available such report, in the manner required by section 162 of the Companies Act 1989.
- 10.9.4** The provisions of this Rule 10 are without prejudice to the right of LME Clear to prove in the insolvency of the Defaulting Member both in respect of any net sum or sums payable by the Defaulting Member pursuant to Rule 10.5 and 10.8 and in respect of any other obligations of the Defaulting Member to the extent they are not brought into account in the net settlement procedure set out in the Rules 10.5 and 10.8, including any other expenses incurred by LME Clear in consequence or in respect of the event or circumstance which entitled LME Clear to act under Rule 10.1.2 or the steps which are taken under this Rule 10, and of any other losses, costs or expenses incurred or suffered by LME Clear and for which the Defaulting Member is liable under the Rules and/or to exercise any other rights and remedies which it may have against the Defaulting Member.
- 10.9.5** LME Clear may appoint any person to take or assist it in taking any step under the Rules or to complete or assist it in completing the process set out in Rule 10.4 to 10.9. Any costs incurred by LME Clear, acting reasonably, to any such person shall be for the account of the Defaulting Member.
- 10.9.6** LME Clear may at any time co-operate, by the sharing of information and otherwise, with the Regulator or any other regulator, any Approved Transaction Platform, or any relevant Office-Holder acting in relation to the Defaulting Member or his estate and any other authority or body having responsibility for any Defaulting Member, or having an interest in any matter arising out of or connected with the circumstances mentioned in Rule 10.1.
- 10.9.7** In addition to any report supplied under section 162(3) of the Companies Act 1989, LME Clear shall report to the Defaulting Member, on the steps taken by LME Clear in relation to the Defaulting Member under Rule 10.4.
- 10.9.8** LME Clear may, by notice in writing to a non-defaulting Member, require such non-defaulting Member to provide reasonable assistance to LME Clear (including market execution services and information) in connection with the close out of a Defaulting Member's open contracts. Such assistance may include, but shall not be limited to, the participation by such non-defaulting Member in auctions of a Defaulting Member's positions under any open contracts.
- 10.9.9** LME Clear may, if required pursuant to any law or regulation binding on LME Clear or at the direction of any Regulator that has the power to give directions to LME Clear, disclose to the public any breach by a Member of the Membership Criteria. Any such

## Rule 10

disclosure shall not constitute a breach by LME Clear of its obligations under Rule 2.6.1 (*Confidentiality*).

**10.9.10** LME Clear may retain so much of the net sum referred to in Rule 10.9.2 as it considers necessary to cover any further costs (including expenses, staff costs and legal fees incurred by LME Clear in managing the default of the Defaulting Member) recoverable by LME Clear from the Defaulting Member under the Rules. LME Clear shall, upon the settlement of such further costs, pay any remaining amount of the net sum to the Defaulting Member or, where Rule 10.5.1(c) applies, to the relevant Client(s).

**10.9.11** LME Clear shall not be liable to any Member, Client or any other person for any statement made by an Approved Transaction Platform or any other person regarding the amount of profit or loss that may be due to such Member, Client or other person in the event of any Default Event or any similar circumstances arising in relation to any Member.

## **10.10 DEFAULT WATERFALL AND ALLOCATION OF ANY EXCESS LOSS**

### **Separate Default Waterfalls for Separate Services**

**10.10.0** This Rule 10.10 shall be applied separately in respect of each Service, and references specific terms (including references to the Default Loss, Excess Loss, Default Period, Default Fund —Contributions and Dedicated Own Resources and ~~Termination~~Termination Dates) shall be construed to refer to such terms as they apply solely in the context of the specific Service and the relevant Default Fund, **provided that** where a Member has a positive balance on its House Account in respect of any Service, such positive balance may be set off against any Account on which there is a Default Loss in respect of any Service, so as to reduce the Default Loss to which the provisions of Rule 10.10 are to be applied. For the avoidance of doubt, and subject to the foregoing proviso, where a Defaulting Member participates in more than one Service:

- (a) the Default Loss and/or Excess Loss in respect of one Service shall be calculated separately from the Default Loss and/or Excess Loss in respect of any other Service;
- (b) any Default-Specific Replenishment Notice, Default-Specific Cap, Stabilisation Replenishment Notice and Per Default Stabilisation Cap shall be calculated separately in respect of the relevant Default Fund applicable to each Service, and the provisions applying to such terms shall be applied separately in respect of each such Service;
- (c) where this Rule 10 is applied in respect of any Service, only Members participating in that Service shall be liable to make contributions pursuant to a Default Specific Replenishment Notice or a Stabilisation Replenishment Notice in respect of the relevant Default Fund applicable to that Service;
- (d) LME Clear shall maintain separate Dedicated Own Resources in respect of each Service, and accordingly, references to such Dedicated Own Resources shall be construed on a service-specific basis;
- (e) separate Default Periods may apply in respect of each Service, subject that all such Default Periods shall commence at the time of the issue of the Default



## Rule 10

Notice, and each such Default Period shall end at the relevant time determined in accordance with Rule 10.10.6.

### Indemnity Basis of Obligations

**10.10.0A-** Where under this Rule 10.10 a non-defaulting Member is required to make a payment, contribution or replenishment, including out of its Default Fund Contributions, in relation to a Defaulting Member's Excess Loss, such payment, contribution or replenishment shall be made pursuant to an indemnity which is hereby given irrevocably by such non-defaulting Member to LME Clear.

### During the Default Period

**10.10.1-** A Default Loss shall be satisfied in the following order of priority:

- (a) first, LME Clear will apply all Collateral provided by the Defaulting Member in respect of each relevant Account on which a Default Loss has arisen, in accordance with Rule 10.5 and 10.6 or 10.8 (as applicable) in or towards the discharge of the Default Loss in accordance with the Rules;
- (b) second, if the Collateral provided by the Defaulting Member is applied by LME Clear towards the Default Loss and is not sufficient to discharge the balance of the Default Loss, LME Clear will apply the Default Fund Contribution of the Defaulting Member in or towards the discharge of the outstanding balance of the Default Loss;
- (c) third, if the Default Fund Contribution of the Defaulting Member is applied by LME Clear towards the Default Loss and is not sufficient to discharge the balance of the Default Loss, LME Clear will apply its Dedicated Own Resources in or towards the discharge of the outstanding balance of the Default Loss;
- (d) fourth, if the Dedicated Own Resources of LME Clear have been applied by LME Clear towards the Default Loss and are not sufficient to discharge the balance of the Default Loss, LME Clear will apply the Default Fund Contributions of non-defaulting Members on the basis set out in Default Procedure Part C:6.6 and, if applicable, Default Procedure Part C:6.8, in or towards the discharge of the remaining balance of the Default Loss (the "**Excess Loss**"); and
- (e) fifth, if all the above resources have been applied by LME Clear towards the Default Loss and are not sufficient to discharge the balance of the Default Loss, or where permitted under Rule 10.10.4 below, then LME Clear may issue one or more Notices to the non-defaulting Members requiring such Members to contribute additional resources towards the discharge of the remaining balance of the Default Loss in the form of Default Fund Contributions (a "**Default-Specific Replenishment Notice**"). Upon the publication of a Default-Specific Replenishment Notice:
  - (i) each non-defaulting Member will immediately pay to LME Clear with the amount of Default Fund Contribution specified in the Default-Specific Replenishment Notice, subject to and up to the limits specified in Rule 10.10.4 below; and

## Rule 10

- (ii) LME Clear will immediately replenish such an amount of its Dedicated Own Resources that is in the same proportion as the total amounts payable under (i) bear to the aggregate sum of the Default-Specific Replenishment Caps applicable to all non-defaulting Members, subject that LME Clear shall not be required to replenish an amount that would result in the level of Dedicated Own Resources being in excess of the level immediately prior to the commencement of the Default Period.

All amounts so replenished by non-defaulting Members and LME Clear will be applied on a pro-rata basis in or towards the discharge of the outstanding balance of the Default Loss.

For the purposes of Rule 10.10.1(e), the expression "*pro rata*" means in the proportion which the amount of the Default Fund Contributions provided to LME Clear by each individual non-defaulting Member or the amount of the Dedicated Own Resources provided by LME Clear bears to the aggregate amount of the Default Fund Contributions provided by all non-defaulting Members and the amount of the Dedicated Own Resources provided by LME Clear (taken as a whole), immediately following the replenishment. This provision is subject to Rule 10.10.10(d).

When determining the amount of any Excess Loss, LME Clear may include within the amount of such Excess Loss a provision for the reasonable costs that LME Clear, acting reasonably, estimates will be incurred by LME Clear in implementing its powers pursuant to this Rule 10 in relation to any Account(s) of the Defaulting Member (including any expenses, staff costs and legal fees).

**10.10.2** If the amounts replenished and applied in accordance with Rule 10.10.1(e) are not sufficient to discharge the Excess Loss, LME Clear may notify the non-defaulting Members, by Notice, that they shall be required to contribute towards the discharge of the Excess Loss on the following basis:

- (a) LME Clear shall determine the total amounts of payments due to Members on the next following Business Day pursuant to the calculation of Members' Variation Margin Requirements ("**Total Member VM Profits**");
- (b) LME Clear shall apportion the Excess Loss against each Account of each Member that has, in respect of such Account, an entitlement to receive payment balances pursuant to the calculation of that Member's Variation Margin Requirement (each Member's entitlement in respect of each such Account being its "**Per Account Member VM Profit**"), on the basis that:
  - (i) if the amount of remaining Excess Loss is less than the Total Member VM Profits, the non-defaulting Members that have Per Account Member VM Profits shall have their Per Account Member VM Profits applied towards the discharge of the Excess Loss on a pro-rata basis (where the expression "*pro rata*" means in the proportion which the amount of the Per Account Member VM Profit of each individual non-defaulting Member bears to the Total Member VM Profits of all Accounts of all non-defaulting Members); and
  - (ii) if the amount of remaining Excess Loss is equal to or greater than the Total Member VM Profits, each non-defaulting Member's Per Account

Rule 10

Member VM Profit shall be applied in full towards the discharge of the Excess Loss,

and where LME Clear has applied all or any part of a non-defaulting Member's Per Account Member VM Profit towards the discharge of the remaining Excess Loss, LME Clear's Payment Obligations to such Member for that Business Day shall be reduced accordingly (the process set out in this paragraph (b) being a "**VM Haircut**");

- (c) in the event that, following the application of the VM Haircut, there remains an Excess Loss, LME Clear may repeat the VM Haircut process on each of the next following Business Days until the earlier of:
  - (i) the Excess Loss has been fully discharged; or
  - (ii) the Board determines, following consultation with the Board Risk Committee, that the application of further VM Haircuts would be inappropriate or ineffective in discharging the Excess Loss and that cash settlement in accordance with paragraph (d) below should be applied; and
- (d) in the event that LME Clear makes a determination in accordance with paragraph (c)(ii) above, then on the day on which the final VM Haircut is calculated (the "**Final Day**"), LME Clear may effect a cash settlement of certain Open Contracts between LME Clear and the non-defaulting Members, together with a write-down of LME Clear's cash settlement obligations to such non-defaulting Members on the following basis:
  - (i) LME Clear shall determine which Open Contracts of the Defaulting Member have not yet been closed out;
  - (ii) LME Clear shall identify the metal or metals comprising the Underlying Assets for such Open Contracts (such metals being the "**Unclosed Metals**");
  - (iii) LME Clear shall effect a cash settlement of every Open Contract between LME Clear and any non-defaulting Member for which an Unclosed Metal comprises the Underlying Asset, and the price for such cash settlement shall be determined at the Closing Price for such Open Contracts as applies on the Final Day or, if such Closing Price is not available, the price shall be such price as the Board determines is reasonably appropriate in the circumstances in consultation with the Board Risk Committee (on the basis that, where possible, such price shall be the same as that applied in respect of the variation margin calculation applied in respect of each such Open Contract on the Final Day); and
  - (iv) any amount payable by LME Clear to each non-defaulting Member as a consequence of the cash settlements applicable to each Account of such Member shall be set off against any amounts payable to LME Clear by such Member pursuant to the calculation of the Variation Margin Requirement applicable to such Account as determined following Close of Business on that Final Day, and the settlement of such payments and set-off amounts shall be made on the next Business Day following the Final Day in accordance with the Cover Distribution Process.

Rule 10

**10.10.3** The amount of the Default Fund will not be recalculated and reset during the Default Period. Each Member shall be required to provide additional Default Fund Contributions during the Default Period:

- (a) pursuant to a Default-Specific Replenishment Notice (in accordance with Rule 10.10.1(e)(i) and subject to and in accordance with Rule 10.10.4 below); and/or
- (b) pursuant to a Stabilisation Replenishment Notice (in accordance with and subject to Rule 10.10.5 below).

**10.10.4** LME Clear may issue one or more Default-Specific Replenishment Notices to each non-defaulting Member during the Default Period, in accordance with Rule 10.10.1(e) and in accordance with and subject to the following provisions:

- (a) the total amount payable by a non-defaulting Member pursuant to one or more Default-Specific Replenishment Notices issued in respect of a single Member Default shall not exceed the level of Default Fund Contributions of that non-defaulting Member immediately prior to the Default Period (the "**Default-Specific Cap**");
- (b) in respect of each Member Default, LME Clear may issue one or more Default-Specific Replenishment Notices to each non-defaulting Member for such amounts and at such times as LME Clear determines is appropriate, subject to the application of the Default-Specific Cap;
- (c) LME Clear may issue a Default-Specific Replenishment Notice pursuant to Rule 10.10.1(e) notwithstanding that:
  - (i) the Default Fund Contributions of non-defaulting Members may not have been exhausted pursuant to Rule 10.10.1(d); and
  - (ii) the effect of such Default-Specific Replenishment Notice, taken together with any other replenishments and the existing balance of the Default Fund, would result in each non-defaulting Member's total Default Fund Contributions being in excess of the level applicable immediately prior to the commencement of the Default Period; and
- (d) in the event that there is more than one Member Default during a Default Period:
  - (i) a separate Default-Specific Cap shall be applied in respect of each Member Default;
  - (ii) each Default-Specific Replenishment Notice must specify to which Member Default it relates; and
  - (iii) any amounts contributed by a non-defaulting Member pursuant to a Default-Specific Replenishment Notice may be applied by LME Clear only in respect of the Member Default to which it relates.

**10.10.4A** In any six (6) month period (commencing on the date of delivery of the first Default-Specific Replenishment Notice in connection with the first Default), the maximum amount that LME Clear may require any Member to contribute pursuant to Default-Specific Replenishment Notices shall be limited to the amount that would be recoverable under three (3) Default-Specific Replenishment Notices that were each

## Rule 10

issued for the amount of the Default-Specific Cap applicable to each such Default-Specific Replenishment Notice.

**10.10.5** Each Member shall be required to provide additional Default Fund Contributions during the Default Period immediately upon receipt of Notice from LME Clear requiring it to replenish its Default Fund Contribution, where LME Clear requires such replenishment in order to ensure that the Default Fund does not fall below the Relevant DF Minimum Threshold (a "**Stabilisation Replenishment Notice**"). The amounts payable by a non-defaulting Member pursuant to one or more Stabilisation Replenishment Notices shall be as determined by LME Clear, subject that:

- (a) the total amount payable by a non-defaulting Member pursuant to one or more Stabilisation Replenishment Notices issued in respect of a single Member Default shall be limited to an amount equal to the total value of the Default Fund Contribution of that non-defaulting Member immediately prior to the Default Period (the "**Per Default Stabilisation Replenishment Cap**") and, accordingly, in the event that there is more than one Member Default during a Default Period:
  - (i) a separate Per Default Stabilisation Replenishment Cap shall be applied in respect of each Member Default; and
  - (ii) each Stabilisation Replenishment Notice must specify to which Member Default it relates; and
- (b) LME Clear may not apply any amounts contributed by a non-defaulting Member pursuant to a Stabilisation Replenishment Notice towards any Default Losses that relate to the Member Default pursuant to which the Stabilisation Replenishment Notice was issued; such amounts may only be applied by LME Clear, in accordance with Rule 10.10.1(d) or (e), towards the discharge of Default Losses that arise in respect of other Member Defaults that may arise during or after the Default Period.

**10.10.5A** In any six (6) month period (commencing on the date of delivery of the first Stabilisation Replenishment Notice in connection with the first Default), the maximum amount that LME Clear may require any Member to contribute pursuant to Stabilisation Replenishment Notices shall be limited to the amount that would be recoverable under three (3) Stabilisation Replenishment Notices that were each issued for the amount of the Per Default Stabilisation Replenishment Cap applicable to each such Stabilisation Replenishment Notice.

### Duration of Default Period

**10.10.6** For the purpose of this Rule 10.10, the expression "**Default Period**" means:

- (a) the period commencing on the issue of a Default Notice in respect of a Defaulting Member and ending on:
  - (i) the date on which LME Clear issues a Circular to notify Members that the default management process in respect of that Defaulting Member has been substantially carried out; or
  - (ii) if a Default Notice is issued by LME Clear in respect of one or more other Members before such process has been substantially carried out in respect of the first Defaulting Member, the final date on which the default

## Rule 10

management process for all such Defaulting Members has been substantially carried out,

and LME Clear will not be obliged to give such notification until satisfied that all risk to LME Clear arising from such Defaulting Member's membership of the Clearing System has ceased to exist; or

- (b) where the Defaulting Member participates in more than one Service, separate Default Periods shall come into effect in relation to each such Service, in each case commencing on the issue ~~feof~~ the Default Notice and each ending on:
  - (i) the date on which LME Clear issues a Circular to notify Members that the default management process in respect of the Defaulting Member's participation in the specific Service has been substantially carried out; or
  - (ii) if a Default Notice is issued by LME Clear in respect of one or more other Members before such process has been substantially carried out in respect of the first Defaulting Member, the final date on which the default management process for all such Defaulting Members has been substantially carried out,

LME Clear shall not be obliged to give such notification until satisfied that all risk to LME Clear arising from such Defaulting Member's participation in the Service has ceased to exist.

#### After the Default Period

**10.10.7** If, after the end of any Default Period, the amount of LME Clear's Dedicated Own Resources falls short of the amount required pursuant to Article 16 of the EMIR Level 1 Regulation, ~~-~~LME Clear will notify the Clearing House Regulator of that fact and shall:

- (a) make good the shortfall within 30 days of the date on which it arose; or
- (b) in the event that the Excess Loss was finally satisfied pursuant to Rule 10.10.2, LME Clear shall carry out an urgent business viability review (having regard to the principles set out in the Default Procedure C8) to determine whether to continue to operate the Clearing System as a central counterparty or to discontinue operation and will publish its decision by Circular, together with a Notice issued directly to each Member. LME Clear may make any such determination in respect of the Clearing System as a whole or in respect of any specific Service.

**10.10.8** Upon receipt of Notice from LME Clear that a Default Period has ended, each Member shall immediately replenish in full its Default Fund Contribution applicable to the Service(s) to which the Default Period related, in order ~~-~~to restore it to the level applicable immediately prior to the commencement of the Default Period.

**10.10.9** After the end of a Default Period:

- (a) LME Clear shall, between the second (2<sup>nd</sup>) and sixth (6<sup>th</sup>) Business Day following the end of the Default Period, recalculate the size of the relevant Default Fund and notify each Member to inform them of their revised Default Fund Contribution (the time of provision of such notice being the "Cut Off Time");



## Rule 10

- (b) each Member may choose either:
  - (i) to continue its Membership;
  - (ii) terminate its Membership by lodging a Resignation Notice with LME Clear in accordance with Rule 3.5 and 3.6; or
  - (iii) terminate its participation in any specific Service by lodging a Service Termination Notice with LME Clear in accordance with Rule 3.7,

but shall be deemed to continue its Membership and participation in any Service unless it lodges a Resignation Notice or Service Termination Notice (as applicable) with LME Clear in accordance with the Rules prior to the Cut Off Time;
- (c) a Member that does not lodge a Resignation Notice or Service Termination Notice with LME Clear under Rule 10.10.9(b) before the Cut Off Time shall, if the level of required Default Fund Contribution determined by LME Clear on the basis of its latest Default Fund calculation is higher than the level of Default Fund Contribution currently maintained by the Member with LME Clear, immediately pay to LME Clear such additional amount as is sufficient to meet its recalculated level of required Default Fund Contribution (and this provision shall be applied separately in respect of each Service to which the Member contributes a separate Default Fund Contribution); and
- (d) each Member that lodges a Resignation Notice or Service Termination Notice with LME Clear under Rule 10.10.9(b) before the Cut Off Time shall immediately pay to LME Clear such amount of Collateral as LME Clear may require by way of additional margin on each Account of such Member in an amount equal to the difference between the then current Margin Requirement for such Account and the amount calculated by LME Clear to represent the worst case loss capable of being incurred on such Account by such Member as a result of it continuing to use the Clearing System during the period until the Termination Date or Service Termination Date (as applicable), and will maintain such additional margin during such resignation period.

### Retiring Members

- 10.10.10** If a Member lodges a Resignation Notice or Service Termination Notice with LME Clear before the Cut Off Time, Rule 3.8 (Exposure Limiting Resignation) shall apply.

### Closure of Clearing System

- 10.10.11** If LME Clear elects under Rule 10.10.7(b) to discontinue the operation of the Clearing System, then
- (a) LME Clear will:
    - (i) permit Open Contracts with LME Clear to be withdrawn for bilateral settlement between two Members;
    - (ii) run a final settlement cycle at a time chosen by it;

## Rule 10

- (iii) terminate all Open Contracts on a Settlement Date determined by LME Clear (using the methodology set out in the Default Procedures) and the price for the cash settlement of such Open Contracts shall be determined at the latest Closing Price for the Underlying Assets for such Open Contracts or, if such Closing Price is not available, the price shall be such price as the Board determines is reasonably appropriate in the circumstances in consultation with the Board Risk Committee; and
- (iv) notify each non-defaulting Member of any amounts payable as determined by the final settlement cycle (which will be immediately paid by each such Member to LME Clear in accordance with Rule 8 (*Margin Requirement and Collateral*)),

in each case on such terms and conditions as LME Clear may determine as appropriate in the circumstances then prevailing;

- (b) manage the discontinuance of the operation of the Clearing System, and the withdrawal of its authorisation as an authorised central counterparty under EMIR, in accordance with the wind-down plan that it is required to maintain under EMIR, and in consultation with the Clearing House Regulator(s); and
- (c) where LME Clear elects to discontinue operation of the Clearing System in respect only of a specific Service, but not in respect of any other Service, this Rule shall be applied only in respect of the Open Contracts relating to the discontinued Service and associated payments.

Each Member acknowledges and agrees that LME Clear may be required by a Clearing House Regulator to take, or refrain from taking action(s) in connection with the operation of the Clearing System during the period in which LME Clear is implementing its wind-down plan and that LME Clear shall not be liable to any Member or any other person for any act taken or omitted to be taken by LME Clear on the instructions of a Clearing House Regulator.

**10.10.12** Any steps taken by LME Clear pursuant to Rule 10.10.11 (a) above shall be without prejudice to the application of Rule 10.13 (*LME Clear Default*) in respect of any Member (and its Contracts) that has exercised its rights thereunder prior to LME Clear making an election under Rule 10.10.7(b).

#### **Failure to Co-operate with LME Clear**

**10.10.13** If a Member shall fail to perform its obligations under this Rule 10.10 or (where applicable) under Rule 3.8 (*Exposure Limiting Resignation*), then without prejudice to LME Clear's rights to declare a Default Event in respect of that Member, LME Clear may take disciplinary action against the Member pursuant to Rule 3.11 (*Membership*) and Membership Procedure D. Any disciplinary action which LME Clear takes pursuant to Rule 3.11 and/or Membership Procedure D, or the voluntary or involuntary cessation of participation by Member, shall not affect the obligations of the Member to LME Clear or any remedy to which LME Clear may be entitled under the Rules and Applicable Law.

#### **10.11 REFUNDS**



## Rule 10

- 10.11.1** If the amount of an Excess Loss indemnified by non-defaulting Members under Rule 10.10.1(e) or 10.10.2 is subsequently recovered by LME Clear in whole or in part, LME Clear shall notify such non-defaulting Members that contributed towards the discharge of such Excess Loss (at their last known address, if they have since ceased to be Members) of the amount of the recovery and the amount refundable to them (a "**Refund**") out of the amount so recovered (which shall be shared between them in the same proportions in which the Excess Loss was borne by them), provided that no Member shall be entitled to recover a greater amount than that Member contributed towards the discharge of the Excess Loss. LME Clear shall be entitled to retain any surplus amount recovered, following the reimbursement of Members.
- 10.11.2** Any unclaimed Refund may be invested or otherwise used by LME Clear until claimed. No Refund shall bear interest as against LME Clear.
- 10.11.3** Any Refund which has remained unclaimed for a period of 12 months from the date of notification under Rule 10.10.1 shall, if LME Clear so determines, be applied:
- (a) first, in making a further Refund under Rule 10.10.1 to those non-defaulting Members which have claimed their Refunds until they have received the full amount indemnified by them in respect of the Default Loss to which the Refund relates; and
  - (b) secondly, the balance shall cease to be refundable by LME Clear and shall thereafter belong to LME Clear absolutely and be available for use by LME Clear in its operation of the Clearing System.

## **10.12 INDIRECT CLIENT PORTING**

### **Definitions**

**10.12.1** In this Rule 10.12:

- (a) "**Client Porting Request**" means a request by a Member for LME Clear to take the steps set out in Rule 10.12.5 or Rule 10.12.7;
- (b) "**Client Termination Event**" has the meaning set out in Rule 10.12.2(b);
- (c) "**Defaulting Clearing Client**" means the Clearing Client in respect of which a Client Termination Event has occurred;
- (d) "**Direct Client Transfer**" means a transfer of Transferring Indirect Clients to a direct Client relationship with the Member, and the allocation of such Transferring Indirect Clients to a Replacement Direct Client Account, in accordance with Rule 10.12.7;
- (e) "**Original Indirect Client Account**" means the Indirect Individual Segregated Client Account or Indirect Gross Omnibus Segregated Client Account (as applicable) maintained by the Member for the Defaulting Clearing Client in respect of the Transferring Indirect Clients;
- (f) "**Replacement Clearing Client**" means a Clearing Client that agrees to accept responsibility to the Member for the Underlying Client Trades of the Transferring Indirect Clients;

## Rule 10

- (g) **"Replacement Clearing Client Transfer"** means a transfer of Transferring Indirect Clients to a Replacement Clearing Client, and the allocation of such Transferring Indirect Clients to a Replacement Indirect Client Account, in accordance with Rule 10.12.5;
- (h) **"Replacement Direct Client Account"** means an Indirect Individual Segregated Client Account or Indirect Gross Omnibus Segregated Client Account (as applicable) established by a Member in order to record the assets and positions relating to Transferring Indirect Clients, where such Account is established on the basis that such Transferring Indirect Clients shall be treated as direct Clients of the Member;
- (i) **"Replacement Indirect Client Account"** means an Indirect Individual Segregated Client Account or Indirect Gross Omnibus Segregated Client Account (as applicable) established by a Member in respect of a Replacement Clearing Client in order to record the assets and positions relating to Transferring Indirect Clients; and
- (j) **"Transferring Indirect Clients"** means the Indirect Clients that are the subject of a Client Porting Request.

### Client Termination Events and Client Porting Requests

#### 10.12.2 In the event that:

- (a) a Member has established an Indirect Individual Segregated Client Account or an Indirect Gross Omnibus Segregated Client Account for a Clearing Client in respect of one or more Indirect Clients;
- (b) any event occurs in relation to the Clearing Client that gives rise to a right for the Member or the Clearing Client to terminate, or results in the automatic termination, all of the Underlying Client Trades between the Member and the Clearing Client (including, for the avoidance of doubt, where the Clearing Client becomes insolvent or any Office-Holder is appointed in respect of the Clearing Client) and such Underlying Client Trades are, accordingly, terminated or either party provides notice to the other to terminate such Underlying Client Trades (the circumstances described in this paragraph (b) being a **"Client Termination Event"**); and
- (c) such Underlying Client Trades correspond to Contracts allocated to the Indirect Individual Segregated Client Account or Indirect Omnibus Segregated Client Account (as applicable) maintained by the Member in respect of such Clearing Client, such that there are Open Contracts between LME Clear and the Member allocated to such Account,

then the Member may issue a Client Porting Request to LME Clear.

#### 10.12.3 The Member shall specify in the Client Porting Request:

- (a) whether the transfer of the Transferring Indirect Clients shall be to:
  - (i) a Replacement Indirect Client Account; or

## Rule 10

- (ii) a Replacement Direct Client Account; and
- (b) whether the Collateral allocated to the relevant Original Indirect Client Account shall be transferred to the Replacement Indirect Client Account or the Replacement Direct Client Account (as applicable).

**10.12.4** Within twelve (12) Business Hours of receipt of a Client Porting Request, LME Clear shall determine whether a Replacement Clearing Client Transfer or a Direct Client Transfer (as applicable) is possible and shall notify the Member:

- (a) whether such a transfer may be made; and
- (b) of any conditions that LME Clear considers, acting reasonably, must be satisfied in order to enable LME Clear to effect such transfer; and
- (c) the time period within which all such conditions must be satisfied.

LME Clear may not refuse a transfer pursuant to a Client Porting Request where the conditions in Rule 10.12.5 or 10.12.7 (as applicable) and Rule 10.12.9 are satisfied.

### Transfer to Replacement Clearing Client

**10.12.5** In the event that the Member notifies LME Clear that all the Indirect Clients are to be transferred to a single Replacement Clearing Client then, subject to Rule 10.12.4, LME Clear will transfer to the Replacement Indirect Client Account all Open Contracts and the associated Positions and, where applicable, Collateral recorded to the Original Indirect Client Account, provided that:

- (a) the Replacement Clearing Client is a Client of the Member;
- (b) the Member has, in respect of such Replacement Clearing Client established Replacement Indirect Client Account that is of an equivalent type to the Original Indirect Client Account;
- (c) the Member has satisfied all requirements applying to the establishment of such Replacement Indirect Client Account as a Client Account under these Rules;
- (d) LME Clear receives written notification from the Replacement Clearing Client, in such form as LME Clear determines acceptable and within such period as LME Clear specifies following its receipt of the Client Porting Request, that it agrees to act as the Replacement Clearing Client in respect of all the Indirect Clients allocated to the Original Indirect Client Account; and
- (e) the general conditions in Rule 10.12.9 are satisfied.

**10.12.6** In the event that LME Clear determines, for whatever reason, that it is not possible to effect a Replacement Clearing Client Transfer pursuant to Rule 10.12.5, LME Clear may decline to act on the Client Porting Request.

### Transfer to Direct Clearing Arrangement

**10.12.7** In the event that the Member notifies LME Clear that it wishes to establish a Replacement Direct Client Account in respect of the Transferring Indirect Clients then, subject to Rule 10.12.4, LME Clear will transfer to the Replacement Direct Client Account all Open Contracts and the associated Positions and, where applicable,

## Rule 10

Collateral recorded to the Original Indirect Client Account (provided that the general conditions in Rule 10.12.9 are satisfied). LME Clear will permit such transfers only to a type of Replacement Direct Client Account that provides an equivalent level of segregation for the Transferring Indirect Client(s) as was provided under the Original Indirect Client Account.

### Responsibilities of Member

**10.12.8** LME Clear shall be entitled to treat any Client Porting Request as having been made by the Member with the full consent of all the Indirect Clients allocated to the relevant Account and shall not be under any obligation to the Member, any Client, any Indirect Client or any other person to make further enquiries regarding the wishes of the Indirect Clients. Accordingly, it shall be the responsibility of the Member to ensure that:

- (a) the Transferring Indirect Clients allocated to the Account that is the subject of the Client Porting Request:
  - (i) are notified of:
    - (1) the fact that the Client Porting Request has been made by the Member in respect of the Account(s) allocated to the Clearing Client;
    - (2) the nature of the transfer requested by the Member;
    - (3) the conditions LME Clear requires to be satisfied in order to enable LME Clear to effect such transfer; and
    - (4) the time period within which the conditions to the transfer must be satisfied; and
  - (ii) do not object to the Client Porting Request; and
- (b) the Member has made, prior to LME Clear giving effect to any Client Porting Request, such arrangements with the Transferring Indirect Clients and any Replacement Clearing Client as are necessary and appropriate to enable the Member and any Replacement Clearing Client to facilitate:
  - (i) the clearing of Transactions in respect of such Indirect Clients (including the transferring Underlying Client Trades) via the Clearing System; and
  - (ii) either:
    - (1) the transfer of Collateral from the relevant Account of the Member allocated to the Defaulting Clearing Client to the Replacement Indirect Client Account or the Replacement Direct Client Account; or
    - (2) the deposit of sufficient Collateral to the Replacement Indirect Client Account or the Replacement Direct Client Account to cover the risks associated with the Transactions to be transferred to such Account.

### General Conditions to Transfer

## Rule 10

**10.12.9** LME Clear shall not be required to effect a Replacement Clearing Client Transfer or a Direct Client Transfer unless:

- (a) the Member has established the appropriate type of Account to receive the assets and positions in respect of the Transferring Indirect Clients;
- (b) the Member provides to LME Clear evidence or written representations, satisfactory to LME Clear (acting reasonably), that a Client Termination Event has occurred in relation to the relevant Underlying Client Trades, pursuant to a Notice which is copied to the Indirect Clients allocated to the Original Indirect Client Account;
- (c) the Member provides to LME Clear a copy of the notice given by the Member to the Clearing Client in accordance with Rule 10.12.8(a), copied to the Indirect Clients allocated to the Original Indirect Client Account, notifying the Clearing Client of its intention to effect a Replacement Clearing Client Transfer or a Direct Client Transfer (as applicable) and specifying that, in the event that such transfer does not occur for any reason, LME Clear may decline to act on the Client Porting Request;
- (d) where requested by LME Clear, the Member provides to LME Clear an indemnity, in such form as LME Clear determines acceptable; and
- (e) any conditions notified by LME Clear pursuant to Rule 10.12.4 above have been satisfied.

### General Discretion for LME Clear

**10.12.10** LME Clear shall, upon becoming aware of any Client Termination Event, have a general discretion to effect a transfer of the Open Contracts and the associated Positions and Collateral recorded to the Original Indirect Client Account to:

- (a) a Replacement Indirect Client Account, pursuant to a Replacement Clearing Client Transfer; or
- (b) a Replacement Direct Client Account, pursuant to a Direct Client Transfer,

in each case notwithstanding that any requirement or condition specified in this Rule 10.12 may not have been satisfied, **provided that:**

- (i) LME Clear considers, acting reasonably, that such transfer or re-designation is desirable in the interests of (i) protecting the integrity or stability of the Clearing System or any Approved Transaction Platform or (ii) protecting the interests of the Indirect Clients allocated to the Original Indirect Client Account;
- (ii) the Member consents to such transfer or re-designation; and
- (iii) in the case of a Replacement Clearing Client Transfer, LME Clear has written confirmation from the Member or from the Replacement Clearing Client that the Replacement Clearing Client consents to the transfer.

## 10.13 LME CLEAR DEFAULT

Rule 10

**10.13.1** For the purpose of this Rule 10.13:

- (a) an "**LME Clear Payment Default**" shall arise in the event that LME Clear fails to make a payment or delivery to a Member when it is due and payable or deliverable under the Rules and such failure is not remedied within thirty (30) days of LME Clear's receipt of notice of such failure from the affected Member, but shall not arise where:
  - (i) the Member has, prior to the date on which such payment or delivery became due, become a Defaulting Member;
  - (ii) LME Clear has satisfied or otherwise discharged its obligation to make payment or delivery pursuant to alternative means permitted by the Rules;
  - (iii) LME Clear's obligation to make the payment or delivery is not a payment or delivery obligation of LME Clear to the Member that is governed by the Rules;
  - (iv) LME Clear's failure to make the payment or delivery is the result of a Force Majeure Event;
  - (v) the obligation of LME Clear to make payment or delivery is the subject of action taken by LME Clear under Rule 2.4 (*Force Majeure*) in the event of a Force Majeure Event or circumstances falling within Rule 17 (*Emergencies*) of Part 3 of the LME Rules; or
  - (vi) in the circumstances prevailing, LME Clear is permitted under the Rules to have not made the payment or delivery to the Member, notwithstanding that it may have become due (such as, without limitation, where LME Clear does not deliver an Underlying Asset to a Member as a consequence of the application of the provisions applying to Invoicing Back pursuant to Rule 7.8);
- (b) an "**LME Clear Insolvency Default**" shall arise in the event that LME Clear:
  - (i) makes an application to a court of competent jurisdiction, or an order is made by such court, for the purpose of: (i) declaring LME Clear to be bankrupt or insolvent; (ii) approving or granting a petition for a moratorium, reorganisation, arrangement (including pursuant to a scheme of arrangement), liquidation, dissolution, adjustment or composition of or in respect of LME Clear under any Applicable Law; (iii) appointing an administrator, assignee, custodian, examiner, liquidator, provisional liquidator, receiver, sequestrator, supervisor, nominee or trustee or other similar official in respect of LME Clear or any substantial part of its property, assets or undertaking; (iv) ordering the winding up, liquidation or bankruptcy of LME Clear; or (v) consenting to the institution by LME Clear or any person of proceedings for it to be adjudicated, bankrupt or insolvent or for it to be wound up or liquidated; provided that this paragraph (b)(i) shall not apply to any winding up petition which LME Clear reasonably considers to be frivolous or vexatious; or
  - (ii) LME Clear commences any proceedings, or consents to any application, for, or becomes subject to, the appointment of an administrator, assignee,

## Rule 10

custodian, examiner, liquidator, provisional liquidator, receiver, sequestrator, supervisor, nominee, trustee or other similar official in respect of the Member or any substantial part of its property, assets or undertaking;

but shall not arise:

- (iii) where and to the extent that such circumstances arise solely as a consequence of any corporate restructuring of LME Clear or its Group (including any merger, consolidation or amalgamation of LME Clear or its business with that of any other party); or
- (iv) where any member of LME Clear's Group, other than LME Clear, is the subject of the circumstances described in (i) or (ii) above,

and an LME Clear Payment Default and an LME Clear Insolvency Default shall, subject to Rule 10.13.2 below, each constitute an **"LME Clear Default"**; and

- (c) **"Resolution Authority"** shall mean the Bank of England, acting in its capacities as the Regulator of LME Clear and as the authority with power to exercise powers with respect to LME Clear pursuant to, and for the purposes of, Part 1 (Special Resolution Regime) of the Banking Act 2009, as modified and supplemented by sections 89B to 89G of that Act.

**10.13.2** The exercise of stabilisation powers under the Banking Act 2009 by the Resolution Authority in respect of LME Clear or any entity in the same Group as LME Clear and the occurrence of any event directly linked to the exercise of such powers shall not constitute the basis for an LME Clear Default (whether as an LME Clear Payment Default or an LME Clear Insolvency Default) provided that the substantive obligations of LME Clear under the Rules, including payment and delivery obligations and the provision of collateral, continue to be performed.

**10.13.3** In the event that an LME Clear Payment Default occurs and provided that the circumstances giving rise to the LME Clear Payment Default are continuing, the Member to which the relevant payment is due may issue a Close Out Netting Notice to LME Clear.

**10.13.4** In the event that an LME Clear Insolvency Default occurs and provided that the circumstances giving rise to the LME Clear Insolvency Default are continuing, any Member other than a Defaulting Member may issue a Close Out Netting Notice to LME Clear.

**10.13.5** Any Close Out Netting Notice issued by a Member must be in writing and must specify the date from which all Contracts to which the Member is a party shall be liquidated and terminated (the **"Close Out Date"**). The Close Out Date specified by the Member may not be later than the fifth (5<sup>th</sup>) Business Day following the date of receipt by LME Clear of the Close Out Netting Notice.

**10.13.6** In the event that a Member issues to LME Clear a valid Close Out Netting Notice in respect of an LME Clear Default, then:

- (a) the Close Out Netting Notice shall be deemed to have been received by LME Clear no earlier than the time determined in accordance with Rule 2.9 (Notices) for the method by which the Notice was sent;



## Rule 10

- (b) all Open Contracts between the Member and LME Clear shall automatically terminate on the Close Out Date, such that on and from the Close Out Date neither LME Clear nor the Member shall be obliged to perform any further Payment Obligations or Delivery Obligations in respect of such Open Contracts, save for the settlement of the Close Out Amounts calculated in accordance with this Rule 10.13; and
- (c) the Member shall, on or as soon as reasonably practicable following the Close Out Date (and in any event within five (5) Business Days of the Close Out Date):
  - (i) calculate the respective rights and liabilities of LME Clear and the Member in relation to the Contracts allocated to each Account of the Member that would (save for (b) above) be Open Contracts, in order to determine, in respect of each Account, a net amount due to the Member or LME Clear (the "**Close Out Amount**"); and
  - (ii) notify LME Clear of the Close Out Amounts calculated in respect of each Account, and by which party each Close Out Amount is payable, with a written statement containing a detailed explanation of the calculations applied by the Member to determine the Close Out Amounts.

**10.13.7** In order to determine the Close Out Amount for an Account:

- (a) the Member shall calculate, in respect of that Account:
  - (i) the aggregate rights of the Member to receive payments from LME Clear, whether current, contingent or future (an "**Aggregate Member Entitlement**"); and
  - (ii) the aggregate obligations of the Member to make payments to LME Clear, whether current contingent or future (an "**Aggregate Member Obligation**"),

in each case on the basis that:

- (1) all costs necessarily or reasonably incurred by the Member in calculating any amounts payable and all costs necessarily or reasonably incurred by the Member in liquidating and terminating any Open Contract or re-establishing any associated hedge, in accordance with this Rule 10.13 shall be added to the Aggregate Member Entitlement;
- (2) all payments that would be made in settlement or performance of any Contract shall be determined on the basis that such Contracts shall be assumed to have been required to be settled or performed on the Close Out Date in accordance with the Closing Prices for the Eligible Products under such Contracts published on the Business Day immediately preceding the Close Out Date. In the event that no Closing Prices are available the Member shall use such market prices, or official settlement prices, published by a relevant exchange or clearing house, as may be available on the Business Day immediately preceding the Close Out Date, provided that in selecting any such prices, the Member shall act in good



## Rule 10

faith and with a view to selecting a price that does not unfairly disadvantage LME Clear;

- (3) the Aggregate Member Entitlements shall be expressed as a single sum in the Base Currency, as a positive figure;
- (4) the Aggregate Member Obligations shall be expressed as a single sum in the Base Currency, as a negative figure; and
- (5) in the event that, in order to make such calculation, the Member needs to convert any amounts denominated in any other currency into the Base Currency in order to calculate the Aggregate Member Entitlements and Aggregate Member Obligations, such conversion shall be effected at such rate prevailing on the date of calculation as the Member may reasonably select, provided that in selecting such rate, the Member shall act in good faith and with a view to selecting a rate that does not unfairly disadvantage LME Clear; and

- (b) the Aggregate Member Obligation on each Account shall be set off against the Aggregate Member Entitlement on that Account in order to produce a single net sum for that Account, such net sum being the Close Out Amount in respect of that Account.

**10.13.8** In the event that the Close Out Amount in respect of an Account is:

- (a) a positive amount, LME Clear shall pay such Close Out Amount to the Member;
- (b) a negative amount, the Member shall pay such Close Out Amount to LME Clear,

in each case as soon as reasonably practicable, and in any event no later than five (5) Business Days following the Business Day on which the Member notified LME Clear of such Close Out Amount in accordance with Rule 10.13.6 above. The Close Out Amount shall be paid in the Base Currency.

**10.13.9** Any Close Out Amount that is not paid when due in accordance with Rule 10.13.8 above shall accrue interest, at the Relevant Rate for each day that such Close Out Amount remains unpaid.

**10.13.10** For the avoidance of doubt, the Member's rights under this Rule 10.13 are additional to, and shall not be construed to limit or exclude any other rights that the Member may have under these Rules or Applicable Law.

## **10.14 ALLOCATION OF NON-DEFAULT LOSSES**

**10.14.1** In this Rule 10.14:

- (a) "**Maximum Potential Non-Default Losses**" means, at any time, the total exposure of LME Clear to Non-Default Losses being the value at that time of LME Clear's investment portfolio (being all investments excluding Securities Collateral provided by Members) and all credit balances of cash accounts held by LME Clear;

Rule 10

- (b) **"NDL Payment"** means, in relation to a Non-Default Loss, a payment made or (as the case may be) to be made by a Member to LME Clear equal to:
  - (i) the Non-Default Loss, less the amount of LME Clear's own funds applied by LME Clear pursuant to Rule 10.14.2,
  - (ii) multiplied by the Member's NDL Percentage;
- (c) **"NDL Payment Period"** means, in relation to a demand by LME Clear for NDL Payments from the Members, the period of thirty (30) days ending on the third (3<sup>rd</sup>) day before the date of the demand;
- (d) **"NDL Percentage"** means, in relation to a Member, the proportion (expressed as a percentage) that (1) the daily average of the Member's Initial Margin Requirement over the NDL Payment Period bears to (2) the daily average of all Members' Initial Margin Requirement over the NDL Payment Period;
- (e) **"Net Recoveries"** means, in relation to a Non-Default Loss, any recovery or receipt of any kind (including by way of set-off) made by LME Clear relating to or arising from the circumstances giving rise to the Non-Default Loss;
- (f) **"Non-Default Loss"** means a Loss incurred by LME Clear, including any loss of any asset or cash, pursuant to a default by any Treasury Counterparty;
- ~~(g)~~ (g) **"Reporting NDL Percentage"** means a version of the NDL Percentage that is calculated with reference to a single day, rather than an average over the NDL Payment Period, in order to estimate the Member's Maximum Potential Non-Default Losses for the purposes of LME Clear's monthly report to Members;
- (h) **"Treasury Counterparty"** means:
  - (i) any counterparty to any transaction undertaken by LME Clear in connection with LME Clear's treasury and/or investment management activities;
  - (ii) any issuer of any securities (including Investment Securities) that is the subject of LME Clear's treasury and/or investment management activities;
  - (iii) any issuer of any securities (including Investment Securities) held by LME Clear as Asset Cover or as an asset of LME Clear;
  - (iv) any counterparty to a transaction in connection with LME Clear's treasury and/or investment management activities (including deposit-taking institutions) appointed by LME Clear to hold cash, including Cash Cover;
  - (v) any investment agent or investment manager providing any service to LME Clear in connection with LME Clear's treasury management or investment management activities, that involves the holding of, or dealing with, any Investment Securities, Asset Cover or other assets belonging to LME Clear; and/or
  - (vi) any LMEsword Depository or Warehouse,

## Rule 10

but excluding any Settlement Bank, Custodian or Securities System Operator (that in any such case does not fall within (v) or (vi) above) providing a service to LME Clear that involves the holding of any Asset Cover or any assets belonging to LME Clear.

**10.14.2** If a Non-Default Loss occurs, LME Clear shall meet that loss in the following order:

- (a) first, from LME Clear's own funds (subject to Rule 10.14.3); and
- (b) then, by making demand on every Member for an NDL Payment (subject to Rule 10.14.4).

This Rule 10.14.2 is subject to Rule 10.14.10.

**10.14.3** The total amount that LME Clear is obliged under Rule 10.14.2(a) to deduct from its own funds shall not exceed the amount of regulatory capital maintained by LME Clear from time to time for the purpose of meeting its obligations pursuant to Article 4 (*CCP capital requirements for credit, counterparty and market risks*) of the EMIR Level 2 Capital Requirements.

**10.14.4** Upon receiving a demand for an NDL Payment from LME Clear pursuant to Rule 10.14.2(b), each Member shall immediately pay to LME Clear such sum in full in the currency demanded without set-off, withholding, counterclaim or deduction of any kind and, without prejudice to Rule 2.18 (*Set-Off*), LME Clear may, without further notice to or consent from each such Member, immediately debit all or part of any such demanded NDL Payment from the Collateral maintained on the House Account of the Member.

**10.14.5** In the event that, subsequent to the exercise of its powers under this Rule 10.14, LME Clear makes any Net Recoveries relating to the underlying circumstances which gave rise to any Non-Default Loss, LME Clear shall distribute such Net Recoveries on the following basis:

- (a) first, to all Members in proportion to the NDL Payments made by each such Member in relation to such Non-Default Loss, and limited to the amount of NDL Payments made by each such Member; and
- (b) then, to LME Clear for its own account.

**10.14.6** Any determination made by LME Clear pursuant to this Rule 10.14 shall be final and binding on each Member and shall not be capable of challenge or subject to dispute.

**10.14.7** The procedure set out in this Rule 10.14 shall apply each time there is a Non-Default Loss.

**10.14.8** Following a Non-Default Loss, LME Clear shall use reasonable efforts to make Net Recoveries.

**10.14.9** LME Clear will provide a monthly report to each Member setting out the [estimated](#) maximum liability at that time of the Member for Non-Default Losses being the sum resulting from multiplying the Member's [Reporting](#) NDL Percentage with the Maximum Potential Non-Default Losses.

Rule 10

- 10.14.10** Where and to the extent that any Non-Default Loss is also a Counterparty Loss, LME Clear may take such steps to meet that loss as may be permitted in accordance with its rights under Rule 10.6.4 (*Counterparty Loss*). In such circumstances, such loss shall be treated as a Non-Default Loss under this Rule 10.14 only where and to the extent that such Counterparty Loss is not fully discharged by the application of LME Clear's other rights under these Rules.
- 10.14.11** This Rule 10.14 is subject, in respect of any Member that resigns in accordance with Rule 10.10.9(b), to Rule 10.10.10(e).

Rule 11

**RULE 11 - SETTLEMENT FINALITY**

**11.1 IRREVOCABILITY OF TRANSFER ORDERS**

**11.1.1** For the purposes of the Settlement Finality Regulations, LME Clear shall specify the time at which Transfer Orders:

- (a) take effect and are entered into the Clearing System; and
- (b) become irrevocable.

**11.1.2** A Transfer Order shall not be revoked at any time after it becomes irrevocable as in accordance with Rule 11.1.1(b).

**11.1.3** The specification of the matters described in Rule 11.1.1 shall be as set out in the Settlement Finality Procedure.

## Rule 12

### RULE 12 - COMPRESSION

#### 12.1 AVAILABILITY

##### Election for Compression

**12.1.1** A Member may elect for Contracts allocated to any Account of that Member to be Compressed with other Contracts allocated to that Account, subject to and in accordance with the provisions of this Rule 12.

**12.1.2** A Member may elect for an Account to be subject to either:

- (a) Manual or File Based Compression; or
- (b) Automatic Compression.

**12.1.3** In order for a Member to elect for Compression to be applied to Contracts in an Account of that Member, the Member must submit an updated reference data form to LME Clear (a "**Compression Request**"), detailing:

- (a) the Account(s) to which Compression should apply;
- (b) whether the Account should be subject to:
  - (i) Manual or File Based Compression; or
  - (ii) Automatic Compression; and
- (c) the frequency at which Compression shall be applied (which will be either daily, weekly or monthly and will determine the Business Day on which a Compression Run will be applied in accordance with the methodology set out in the DSS),

together with such other information, representations and confirmations as may be required in connection with such Compression Request. The Member must also submit an updated reference data form to LME Clear to cancel an election for Compression or to change the frequency of Compression.

**12.1.4** Automatic Compression shall only be available in respect of:

- (a) House Accounts;
- (b) Direct Individual Segregated Client Accounts; and
- (c) Indirect Individual Segregated Client Accounts.

##### Compressible Accounts

**12.1.5** Compression may be applied in respect of an Account where:

- (a) the requirements of Rule 12.1.3 have been satisfied; and
- (b) there are Eligible Compressible Contracts that are capable of being Compressed,

## Rule 12

(such Account being a "**Compressible Account**"). Notwithstanding the foregoing, Gross Omnibus Segregated Client Accounts shall not be Compressible Accounts.

### Eligible Compressible Contracts

**12.1.6** Compression may be applied only in respect of Contracts for Eligible Products that are Eligible Compressible Contracts.

**12.1.7** Contracts with the following features will be "**Eligible Compressible Contracts**":

- (a) the Contracts must be in respect of an Eligible Product that is denoted in Annex 1 (*Eligible Products*) as being "capable of compression" ;
- (b) the Contracts must have the same Core Economic Terms;
- (c) the Contracts must not have been allocated to the relevant Account on the same Business Day as that on which Compression is to be applied; and
- (d) where the Transactions that resulted in the formation of the Contracts also resulted in the formation of Underlying Client Trades, the same Client or Indirect Client, as applicable, is a party to each such Underlying Client Trade.

**12.1.8** The effect of Rule 12.1.7(d) is that:

- (a) where a Direct Net Omnibus Segregated Client Account is a Compressible Account, Compression may be applied only to Contracts that correspond to Underlying Client Trades relating to the same Client; and
- (b) where an Indirect Net Omnibus Segregated Client Account is a Compressible Account, Compression may be applied only to Contracts that correspond to Underlying Client Trades relating to the same Indirect Client.

**12.1.9** Compression may only be applied on a per-Account basis. This means that Contracts allocated to different Accounts cannot be Compressed together.

## 12.2 COMPRESSION PROCESS

### Manual or File Based Compression

**12.2.1** Where a Compressible Account is subject to Manual or File Based Compression, a Compression Run may be applied at such frequencies as are specified by the Member in the Compression Request relating to that Account and in accordance with the following process.

- (a) On the Business Day on which a Compression Run is due to be applied to a Member's Compressible Account, a Member may submit a request to LME Clear for Compression to be applied to an Account:
  - (i) by selecting the Eligible Compressible Contracts that are to be subject to Compression via the LMEmercury GUI (such request being a request for Manual Compression); or
  - (ii) by submitting to LME Clear a file, in a format specified by LME Clear, identifying the Eligible Compressible Contracts that are to be subject to Compression (such request being a request for File Based Compression).

## Rule 12

- (b) Such request must be made not later than the cut-off time specified in the DSS as the latest time by which a request for Compression may be submitted on the Business Day on which the Compression Run is to be applied. Any request received later than the cut-off time will not be implemented.
- (c) Following its receipt of such request, and not later than the relevant time specified in the DSS, LME Clear will prepare a Compression Proposal which the Member can access in the LMEmercury GUI.
- (d) Once the Compression Proposal becomes available, the Member must promptly, and in any event not later than the cut-off time specified in the DSS:
  - (i) review the Compression Proposal; and either
  - (ii) cancel the proposed Compression Run via the LMEmercury GUI if there are any errors in the Compression Proposal or the Member does not wish Compression to take effect for any reason, including for the avoidance of doubt, where the Compression Proposal applies Compression to Contracts that cannot be Compressed due to the requirement in Rule 12.1.7(d) not being satisfied; or
  - (iii) notify LME Clear via the LMEmercury GUI if it agrees that the Eligible Compressible Contracts in the Compressible Account shall be Compressed in the manner described in the Compression Proposal.
- (e) In the event that LME Clear receives a notification pursuant to Rule 12.2.1(d)(ii) that the Compression Proposal is erroneous in any way, the Compression Run shall not be applied to the Account, unless the Member submits another request to LME Clear for Compression to be applied to an Account and completes the process set out in this Rule 12.2.1 prior to the cut-off time specified in the DSS. In the event that a Member does submit another request to LME Clear for Compression to be applied to an Account, this Rule 12.2.1 shall apply to such request on the basis that it has been made in accordance with Rule 12.2.1(a).
- (f) In the event that LME Clear does not receive a notification pursuant to Rule 12.2.1(d)(iii) that the Member agrees to the Compression Proposal by the relevant cut-off time, then LME Clear shall not apply the Compression Run.
- (g) In the event that LME Clear receives a notification pursuant to Rule 12.2.1(d)(iii) that the Member agrees to the Compression Proposal, by the relevant cut-off time, then LME Clear shall apply the Compression Run.
- (h) In the event that a Member's Compressible Account is subject to Automatic Compression and the Member wishes to request Manual or File Based Compression in accordance with Rule 12.2.1(a) on the same day as Automatic Compression is due to be applied to contracts in that Compressible Account, the Member must first cancel the proposed Compression Run in accordance with Rule 12.2.2(c)(ii).

**Automatic Compression**

- 12.2.2** Where a Compressible Account is subject to Automatic Compression, Compression will be applied in accordance with the following process.



## Rule 12

- (a) A Compression Run may be applied to a Compressible Account at such frequencies as are specified by the Member in the Compression Request relating to that Account.
- (b) On the Business Day on which the Compression Run is due to be applied to a Member's Compressible Account, LME Clear will prepare a Compression Proposal which the Member can access in the LMEmercury GUI.
- (c) Once the Compression Proposal becomes available, the Member must promptly, and in any event not later than the cut-off time specified in the DSS:
  - (i) review the Compression Proposal; and
  - (ii) cancel the proposed Compression Run via the LMEmercury GUI if there are any errors in the Compression Proposal or the Member does not wish Compression to take effect for any reason, including for the avoidance of doubt, where the Compression Proposal applies Compression to Contracts that cannot be Compressed due to the requirement in Rule 12.1.7(d) not being satisfied.
- (d) In the event that LME Clear receives a cancellation pursuant to Rule 12.2.2(c)(ii) that the Compression Proposal is erroneous in any way, the Compression Run shall not be applied to the Account, unless the Member submits a request in accordance with 12.2.1(a) and completes the process set out in 12.2.1.
- (e) In the event that LME Clear does not receive a notification pursuant to Rule 12.2.2(c)(ii) that the Compression Proposal is erroneous in any way or that it does not want the Compression to take effect, by the relevant cut-off time, then LME Clear shall apply the Compression Run.

### Compression Proposals

- 12.2.3** LME Clear shall develop each Compression Proposal in accordance with the methodology set out in the DSS.
- 12.2.4** A Compression Proposal shall specify the Post-Compression Contracts that would be in the Compressible Account following the implementation of the Compression Run.
- 12.2.5** The Post-Compression Contracts identified in a Compression Proposal will represent the application of the following process:
  - (a) first, Eligible Compressible Contracts with the same direction will be aggregated (the effect of which will be that any Post-Compression Contract resulting from aggregation will have a notional value that is the sum of the notional values of the Eligible Compressible Contracts that were so aggregated); and
  - (b) second, Eligible Compressible Contracts with opposite directions will be netted (the effect of which will be that any such Post Compression Contract resulting from netting shall have a notional value that is the net of the notional values of the Eligible Compressible Contracts that were so netted),

subject in each case to:

- (i) such modifications as may be specified in the methodology set out in the DSS; and

Rule 12

(ii) the qualifications set out in Rule 12.2.7 below.

**12.2.6** For the purposes of Rule 12.2.5:

- (a) Contracts have the "same direction" where under each Contract the same parties are Buyer and Seller respectively; and
- (b) Contracts have the "opposite direction" where the Buyer under one Contract is the Seller under the other Contract.

**12.2.7** Compression must be effected so as to ensure that:

- (a) for Eligible Products for which the Variation Margin Requirement is calculated on the basis of the Discounted Contingent Variation Margin (or DCVM) approach, the DCVM attributable to the Post-Compression Contracts upon Compression shall be the same as the sum of the DCVM attributable to the Eligible Compressible Contracts immediately prior to Compression;
- (b) the Post-Compression Contracts are allocated a notional Market Value, that is within a maximum tolerance (set out in the DSS) of the previous day's Closing Price relating to any Eligible Compressible Contract that was included in the Compression Run;
- (c) Compression may not be permitted to result in Post-Compression Contracts having a zero or negative notional Market Value; and
- (d) Compression shall not, solely by itself, result in any increase in a Member's Margin Requirement.

**Time and Effect of Compression**

**12.2.8** Compression shall take effect at the Compression Time. Following the implementation of a Compression Run, LME Clear will issue a report to the Member confirming the implementation of the Compression Run and the Compression Time.

**12.2.9** Upon Compression:

- (a) the Member and LME Clear (each acting as principal) shall be released from further obligations towards one another under the Eligible Compressible Contracts specified in the Compression Proposal and their respective rights against one another under such Contracts shall be cancelled; and
- (b) the Post-Compression Contracts specified in the Compression Proposal shall, by operation of this Rule, come into full force and effect between the Member and LME Clear, such that the Member and LME Clear (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another under the Post Compression Contracts.

**12.2.10** For the avoidance of doubt, where, prior to a Compression Run, the clearing of a Transaction had been represented by one or more Eligible Compressible Contracts, following the Compression Run, the clearing of such Transaction shall be represented by the Post-Compression Contracts that resulted from the Compression of such Eligible Compressible Contracts.

## Rule 12

**12.2.11** For the avoidance of doubt, a Post-Compression Contract may have a notional Market Value that is different from the previous day's Closing Price relating to the Eligible Compressible Contracts that were Compressed in order to produce such Post-Compression Contract. The basis on which such notional Market Value shall be established is explained in further detail in the DSS.

**12.2.12** For the avoidance of doubt, the termination of any Eligible Compressible Contract specified in a Compression Proposal, pursuant to Rule 12.2.9(a), shall be conditional upon the creation and coming into force of the Post-Compression Contracts specified in the Compression Proposal, pursuant to Rule 12.2.9(b).

### **12.3 DISCRETION OF LME CLEAR**

**12.3.1** The application of any Compression Run shall be at the discretion of LME Clear and LME Clear shall be under no obligation to implement any Compression Run, notwithstanding:

- (a) any request by a Member to do so; or
- (b) any other provision of this Rule 12.

**12.3.2** In the event that LME Clear declines to implement a Compression Run, LME Clear shall notify the Member.

### **12.4 OBLIGATIONS OF THE MEMBER**

**12.4.1** Each Member that requests the application of Compression to any of its Accounts must:

- (a) submit a Compression Request in accordance with Rule 12.1.3;
- (b) ensure that LME Clear is promptly notified of any change of circumstances that would cause the information provided in any previously submitted Compression Request to no longer be correct;
- (c) promptly review each Compression Proposal produced by LME Clear;
- (d) make any notifications required by this Rule 12 in a timely manner;
- (e) ensure that the Member is at all times able to reconcile each Contract allocable to an Account with the Transaction that is cleared by such Contract;
- (f) ensure that under no circumstances shall the Member:
  - (i) submit a request for Compression;
  - (ii) approve a Compression Proposal; or
  - (iii) in relation to Automatic Compression, fail to cancel a proposed Compression Run,

that would result in the Compression of two Contracts that do not satisfy the condition in Rule 12.1.7(d);

- (g) ensure that the Member makes any notifications to any trade repository or Regulator regarding the effect of such Compression on any Transaction or

Rule 12

Contract to which the Member is a party as may be required of such Member pursuant to Applicable Law;

- (h) ensure that any Client is promptly notified of the implementation of any Compression Run in relation to any Contract that relates to any Underlying Client Trade to which that Client is a party; and
- (i) take all necessary and appropriate steps to ensure that, upon the Compression of any Contracts, a corresponding netting or aggregation takes effect in respect of any Transactions that remain in force between the Member and any other party, or between any Client and any other party, and that are cleared by such Contracts. Without limitation to the foregoing, the Member shall ensure that the terms governing any such Transaction shall specify that such netting or aggregation shall take effect automatically upon Compression, in order to avoid the creation of a mis-match between the positions between the counterparties to the relevant Transaction and the Positions represented by the corresponding Post-Compression Contracts.

**12.4.2** Without prejudice to the generality of Rule 2.3.5, each Member shall indemnify and hold harmless each LME Clear Party against any and all losses, damages, claims, liabilities, costs or expenses (whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or any other legal theory) incurred by the LME Clear Party arising directly out of or in connection with such Member's breach of any of its obligations pursuant to Rule 12.4.1 above, save to the extent that the losses, damages, claims, liabilities, costs or expenses arise as a result of the fraud, fraudulent misrepresentation, negligence, wilful default or bad faith of the LME Clear Party. The Member shall not be liable to an LME Clear Party under this indemnity for loss of goodwill, loss of business opportunity or loss of anticipated savings or profits.

# **LME CLEAR LIMITED**

## **PROCEDURES**

## MEMBERSHIP PROCEDURE

## Membership Procedure Part A

### PART A – INTRODUCTION AND GENERAL MATTERS

#### 1. INTRODUCTION

- 1.1 These Membership Procedures form part of, and shall be read in conjunction with, the Rules and are legally binding on Members. Terms defined in the Rules have the same meaning in these Membership Procedures. In the event of any conflict or inconsistency between the Rules and these Membership Procedures, the Rules shall prevail.
- 1.2 These Membership Procedures are arranged in to the following Parts:
  - (a) Part A: introduction and general matters;
  - (b) Part B: applications for Membership and on-going administration of Membership;
  - (c) Part C: procedures for the handling of complaints;
  - (d) Part D: disciplinary procedures; and
  - (e) Part E: appeals procedures.

#### 2. DEFINITIONS

- 2.1 In these procedures, the following words and expressions shall bear the means set opposite them:

**"Act of Misconduct"** means:

- (a) any breach of the Rules;
- (b) a failure to pay any fine or order for costs imposed by a Disciplinary Committee that has not been overturned by an Appeal Committee;
- (c) providing information (including information for the purpose of obtaining Membership) which is false, misleading or inaccurate in a material particular;
- (d) ceasing to meet the Membership Criteria without notifying LME Clear; or
- (e) any other act or omission by a Member that is specifically identified as an Act of Misconduct under the Rules;

**"Additional Capital"** means: (a) equity reserves which do not constitute Permanent Capital (distributable or otherwise); (b) profit and loss reserves; (c) redeemable shares; and (d) subordinated loans (subject to the conditions in Membership Procedure B5.6 to 5.8;

**"Appeal Committee"** means a committee appointed pursuant to Membership Procedure E1.1;

**"Application Documentation"** means the standard form application documentation, including the application questionnaire, required by LME Clear to be submitted by each Applicant for Membership, in such revised or updated form that LME Clear may maintain from time to time;

**"Defence"** has the meaning given in Membership Procedure D3.1;

## Membership Procedure Part A

**"Disciplinary Committee"** means a committee appointed pursuant to Membership Procedure D4.1;

**"Enforcement Notice"** has the meaning given in Membership Procedure D2.2;

**"LME Clear Membership Application Form"** means the application form that LME Clear provides to potential applicants seeking to obtain Membership of LME Clear;

**"Independent Complaints Commissioner"** means the independent person appointed in accordance with Membership Procedure C4.2;

**"Intangible Fixed Assets"** means non-financial fixed assets that do not have physical substance but are identifiable and controlled by the entity through custody or legal rights (e.g. goodwill; intellectual property);

**"LME Clear Compliance Department"** means the department within LME Clear that is responsible for ensuring that LME Clear adheres to all relevant laws and regulatory requirements;

**"Net Capital"** means Permanent Capital plus Additional Capital, less Intangible Fixed Assets;

**"Nol"** has the meaning given in Membership Procedure D1.3 of these Procedures;

**"Permanent Capital"** means: (a) issued and fully-paid ordinary share capital; (b) issued and fully-paid preference share capital; and (c) funds in a share premium account and reserves not available for distribution (for the avoidance of doubt, if the relevant reserves are in deficit, the negative amount will be deducted from items (a) and (b) to calculate Permanent Capital); and

**"Relevant Parties"** means:

- (a) the person or Member found to have committed the Act of Misconduct;
- (b) all Members; and
- (c) in all cases, the appropriate regulatory or other authorities, as LME Clear deems appropriate.

2.2 Any capitalised terms which are not defined in Membership Procedure A2.1 shall have the meaning given to them in Rule 1 (*Definitions and Interpretation*).



## Membership Procedure Part B

### PART B – MEMBERSHIP

#### 1. MEMBERSHIP CATEGORIES

1.1 The categories of Membership are as set out in Rule 3.1.

#### 2. APPLICATIONS FOR MEMBERSHIP

2.1 Applications for Membership of LME Clear shall be made by providing LME Clear with:

- (a) two original copies of the signed and undated Membership Agreement with evidence of authorised signatories;
- (b) two original, signed and undated, copies of each Security Document specified by LME Clear, with evidence of authorised signatories;
- (c) the information and documents specified in the Application Documentation; and
- (d) the application fee specified by LME Clear in the Application Documentation or on the Website.

2.2 The Applicant shall specify in its application which category of Membership it is seeking to obtain and the Services in which it wishes to participate.

2.3 The Applicant shall specify in its application for Membership which types of business and Eligible Products it is seeking to clear through the Clearing System.

2.4 In relation to any application for Membership, LME Clear may:

- (a) make all such enquiries about the Applicant and the Applicant's connected persons as LME Clear considers appropriate;
- (b) request that the Applicant provides such information as LME Clear considers relevant;
- (c) take all necessary steps to verify any information provided by the Applicant; and
- (d) carry out a due diligence visit to the Applicant's premises in order to establish whether the Membership Criteria and/or any conditions imposed in accordance with Membership Procedure B:3.3 on a Member which is a Bridge Institution are satisfied.

2.5 The Applicant shall provide LME Clear with such additional information and respond to such enquiries as LME Clear may require under Membership Procedure ~~B2~~B:2.4.

2.6 The information provided by an Applicant to LME Clear shall be subject to the confidentiality provisions and rights of disclosure set out in Rule 2.6 (*Confidentiality*).

2.7 LME Clear is under no obligation to process or make a decision in relation to an application within a specific time frame. However, LME Clear will ordinarily aim to make a decision on an application ~~with~~within eight (8) weeks of receipt from the Applicant of an application that LME Clear considers to be complete in all respects.

2.8 An application for Membership shall be dependent on the Applicant demonstrating that it meets the eligibility criteria set out in Membership Procedures ~~B3~~B:3 and 4.

## Membership Procedure Part B

- 2.9 LME Clear may approve an application for Membership on a conditional basis, subject to the Applicant fulfilling certain conditions within a specified time frame. LME Clear may specify any of the Membership Criteria as a condition that can be satisfied between the time of conditional approval and the activation of the Member's ability to commence the submission of Transactions to LME Clear. For the avoidance of doubt, LME Clear will not permit a Member to commence the submission of Transactions to LME Clear until the Member has deposited the required Default Fund Contribution to LME Clear.
- 2.10 If the Applicant does not fulfil the relevant conditions within the specified time frame, LME Clear may elect to deem the relevant application for Membership to have been withdrawn. Where LME Clear makes such an election, the Applicant shall be required to re-apply for Membership if it still wishes to become a Member.
- 2.11 When an Applicant is granted Membership, it will receive:
- (a) notification that its Membership application has been accepted;
  - (b) a copy of the Membership Agreement that is signed and dated by LME Clear; and
  - (c) details of any specific conditions (beyond those contained in the Membership Agreement) relating to the Applicant's Membership.
- 2.12 LME Clear may place restrictions on an Applicant's Membership, so that the Applicant would only be permitted to clear certain types of Transaction through LME Clear.
- 2.13 In the event that LME Clear determines that it will reject an Applicant's application for Membership:
- (a) LME Clear shall notify the Applicant in writing and shall specify the reasons for such rejection; and
  - (b) the Applicant shall have a right to appeal the decision by submitting a written request to LME Clear for a hearing by the Appeal Committee to determine whether the application should have been rejected in accordance with Membership Procedure E.
- 2.14 In the event that LME Clear determines that it is necessary to apply different, or additional, criteria to any category of Applicant, in order to enable LME Clear to control the risks to the Clearing System posed by such Applicants, such criteria shall be set out in the Membership Procedures and shall be applied on a consistent basis to all Applicants to which such criteria relate.

### 3. MEMBERSHIP CRITERIA

- 3.1 An application for Membership shall be subject to the Applicant:
- (a) meeting the conditions (if any) in the Membership Agreement;
  - (b) satisfying the criteria set out in the Application Documentation;
  - (c) satisfying the relevant criteria for the type of business the Applicant wishes to clear, as set out in Membership Procedure B4;
  - (d) satisfying the minimum Net Capital requirements, as set out in Membership Procedure B5 or such greater capital requirements as may be set by LME Clear;

## Membership Procedure Part B

- (e) maintaining appropriate banking arrangements satisfying any specific requirements published by LME Clear from time to time or specifically notified to the Applicant;
- (f) maintaining appropriate arrangements with the Approved Delivery Facilities specified in the Clearing Procedures for those Eligible Products that the Applicant wishes to clear;
- (g) having executed all relevant documentation required by the Approved Transaction Platforms for the Eligible Products that the Applicant wishes to clear and maintaining such arrangements in place at all times;
- (h) complying with all Applicable Law (including maintaining all required regulatory authorisations in all jurisdictions in which it is required to maintain such authorisations);
- (i) maintaining an administrative support function that:
  - (i) is appropriately separated from the Applicant's trading desks;
  - (ii) has robust systems and records; and
  - (iii) includes staff, adequate in number and experience, who understand the business of LME Clear and the Member;
- (j) meeting the technical equipment requirements as specified by LME Clear from time to time;
- (k) having adequate personnel, facilities, systems and procedures to enable the Applicant to satisfactorily handle transactions and communications with LME Clear, fulfil anticipated commitments to, and meet the operational requirements of, LME Clear with necessary promptness and accuracy;
- (l) successfully completing a default management 'fire-drill' in accordance with such requirements as LME Clear may have notified to the Applicant;
- (m) completing any other testing and training requirements as specified by LME Clear from time to time; ~~and~~
- (n) having received confirmation from LME Clear that the Applicant has satisfied LME Clear's internal credit rating requirements;
- (o) being approved as a Member by the ~~Executive~~Clearing Risk Committee; and
- (p) satisfying the requirements specified in paragraph 3.1A below.

3.1A In addition to the requirements in paragraph 3.1 above, an application for Membership shall be subject to the Applicant:

- (a) not being subject to any form of Sanctions, and the directors, officers, employees or agents of it or any of its Affiliates must not be subject to any form of Sanctions;
- (b) not exposing LME Clear or any other Member to any risk of infringement of any applicable law, including relevant Sanctions;

## Membership Procedure Part B

- (c) ensuring that any business conducted by it, or by or through any of its staff, shall not cause the Member or LME Clear or any of their staff to be in breach of any applicable laws and/or regulations, including without limitation any relevant Sanctions (except to the extent that any obligation or undertaking contemplated by this subsection would be in conflict with any applicable laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts);
- (d) providing details of any order or transaction in metals derivatives, which if cleared through or reported to LME Clear, would take place in circumstances where the Member would be in breach of subsection (3.1(c)).
- (e) having, implementing and maintaining policies and procedures which are adequate to ensure compliance with applicable Sanctions, and, at the request of LME Clear, promptly provide satisfactory evidence of such policies and procedures (including, without limitation, copies thereof) and of the adequate implementation and maintenance of such policies and procedures (except to the extent that any obligation or undertaking contemplated by this subsection would be in conflict with any applicable Laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts);
- (f) notifying LME Clear as soon as reasonably practicable upon becoming aware of any of the following:
- (g) any Sanctions of which it has become the target;
  - (i) any change to the Member such that it is or becomes incorporated, registered, located, organised, domiciled or resident in any jurisdiction subject to Sanctions;
  - (ii) any of its Affiliates, Clients, directors, officers, employees or agents or any of its Affiliates' directors, officers, employees, or agents, to its knowledge:
    - (1) being the target of any Sanction;
    - (2) being or becoming incorporated, registered, located, organised, domiciled or resident in any jurisdiction subject to Sanctions,

unless, in any case, the same is permitted pursuant to an exemption or exception in the applicable laws establishing the Sanctions or any regulations thereunder or subject to an applicable licence granted by all relevant governmental authorities under that applicable law.

3.2 It shall be a condition of Membership that each Member must at all times comply with the Membership Criteria.

3.3 Notwithstanding paragraphs 3.1, 3.1A and 3.2 above, where the Applicant is a Bridge Institution, LME Clear shall have the discretion to impose conditions on the Applicant in lieu of meeting the Membership Criteria. Such conditions shall be regularly reviewed to ensure that the Member has sufficient financial resources and operational capacity to meet its obligations under the Rules on an ongoing basis.

## 4. REQUIREMENTS FOR SPECIFIC TYPES OF BUSINESS

4.1 For the purpose of this Procedure, On-Exchange Business and OTC Business shall each be a "**type of business**".

## Membership Procedure Part B

### On-Exchange Business: LME Base Products

- 4.2 Where the Applicant intends to clear On-Exchange Business in respect of LME Base Products:
- (a) the Applicant shall apply to participate in the LME Base Service; and
  - (b) the Applicant shall be (or have applied to become):
    - (i) a Category 1 or 2 Member of LME where the application is to become a General Clearing Member; or
    - (ii) a Category 3 Member of LME where the application is to become an Individual Clearing Member.

### On-Exchange Business: LMEprecious Products

- 4.3 Where the Applicant intends to clear On-Exchange Business in respect of LMEprecious Products,
- (a) the Applicant shall apply to participate in the LMEprecious Service; and
  - (b) the Applicant shall be (or have applied to become):
    - (i) an "LMEprecious General Clearing Member" of the LME, where the application is to become a General Clearing Member; or
    - (ii) an "LMEprecious Individual Clearing Member" of the LME, where the application is to become an Individual Clearing Member.

### On-Exchange Business: Common minimum Net Capital requirements

- 4.4 The minimum Net Capital requirements applicable to any given Member to clear On-Exchange Business may vary depending on the Member's Membership category. (The requirements may be satisfied in foreign currency equivalents). As of the date of this current issue of the Rules Members shall hold a minimum Net Capital of ~~£5~~US\$10 million.

### OTC Business *[Service not currently available]*

- 4.5 Where the Applicant intends to clear OTC Business in respect of Bullion, the Applicant shall have executed all relevant membership documentation issued by LME in order to access the services of LME Smart.
- 4.6 The minimum Net Capital requirements applicable to any given Member to clear OTC Business may vary depending on the Member's Membership category. (The requirements may be satisfied in foreign currency equivalents). As of the date of this current issue of the Rules, all Members shall hold a minimum Net Capital of ~~£5~~US\$10 million.

### Regulatory Status for General Clearing Members

- 4.7 Any Applicant or Individual Clearing Member that intends to become a General Clearing Member:
- (a) shall, unless LME Clear agrees otherwise, be:

## Membership Procedure Part B

- (i) an authorised person or exempt person within the meaning of Part III of FSMA that is permitted under Applicable Law to arrange, or otherwise clear transactions with or for third parties;
  - (ii) a credit institution as defined in Article 4.1.1 of Regulation (EU) No 575/2013 of the European Parliament and of the Council;
  - (iii) an investment firm as defined in Article 4.1 of Directive 2014/65/EU of the European Parliament and of the Council other than a person to whom Article 2 applies; or
  - (iv) any undertaking whose head office is outside the European Community and whose functions correspond to those of a credit institution or investment firm as defined in (ii) and (iii) above; and
- (b) shall be regulated in the conduct of its business under the securities and/or banking legislation of an EEA State or of any other country or countries acceptable to LME Clear, and shall not be prohibited by such legislation or its Regulator from becoming a General Clearing Member or from performing the obligations of a Member under the Rules.

### 5. NET CAPITAL REQUIREMENTS AND CALCULATION

#### Minimum Net Capital Requirements

- 5.1 Members shall at all times hold sufficient capital to meet their minimum Net Capital requirements.
- 5.2 Where a Member clears for multiple types of business, the minimum Net Capital requirement shall be the higher of the minimum Net Capital requirements applicable to the Member for each of those types of business.

#### Additional Net Capital Requirements

- 5.3 LME Clear may require a Member to hold additional Net Capital where, in the opinion of LME Clear, the Member's minimum Net Capital is insufficient having regard to the amount and type of business that the Member carries out.

#### Permanent Capital and Additional Capital

- 5.4 LME Clear may vary the definition of Permanent Capital or Additional Capital as it thinks appropriate.
- 5.5 Members should contact LME Clear if they are uncertain as to whether certain instruments fall within the definition of Permanent Capital or Additional Capital.

#### Acceptability of Subordinated Loans

- 5.6 A Member may include subordinated loans as part of its Additional Capital provided that:
- (a) the debt under such loan constitutes no more than fifty per cent (50%) of its minimum Net Capital requirement, unless LME Clear has provided its prior written consent to such debt constituting a greater percentage; and
  - (b) the Member undertakes that the loans will not be repaid without the prior consent of LME Clear.

## Membership Procedure Part B

### 5.7 In the event that a Member intends:

- (a) for the debt under a subordinated loan to constitute more than fifty per cent (50%) of its minimum Net Capital requirement; or
- (b) to repay a subordinated loan that is included as part of its Additional Capital,

the Member shall provide LME Clear with not less than ten (10) Business Days' prior notice of its intention to do so, specifying the date on which it intends such arrangement to take effect, and requesting LME Clear's consent to implement such arrangement. LME Clear may, acting reasonably, specify such conditions as LME Clear considers appropriate to the granting of any such consent.

### 5.8 For the avoidance of doubt, a Member may include subordinated loans from a parent company as part of its Additional Capital.

#### **Acceptability of other long-term loans**

### 5.9 LME Clear may recognise long-term loans other than subordinated loans in the calculation of Additional Capital.

#### **Loan terms**

### 5.10 Where loans (whether subordinated or otherwise) are included in a Member's Net Capital, LME Clear may require the relevant Member to provide LME Clear with details of the terms governing the relevant loans.

## 6. ON-GOING REPORTING REQUIREMENTS

#### **General requirements**

### 6.1 Each Member shall provide the following information to LME Clear when reasonably requested by LME Clear:

- (a) such information in relation to the Member, its Clients or its Transactions as LME Clear may request (which may, for the avoidance of doubt, include information on commercial, regulatory or compliance matters and any information requested pursuant to Rule 5.3.1 or 5.3.3);
- (b) such information as LME Clear may specify regarding the Member's ability to continue to comply with the Membership Criteria [or any conditions imposed pursuant to paragraph 3.3 above](#);
- (c) up-to-date information relating to the documentation or information provided by the Member as part of its application for Membership (including without limitation the categories of information specified in Membership Procedures B3 and B4);
- (d) such information as LME Clear may request regarding the owners and controllers of the Member;
- (e) such information as LME Clear may request regarding the directors and senior managers of the Member and any personnel who are responsible for the day-to-day management or operation of any function related to (i) the Transactions and Contracts that are subject to clearing by LME Clear or (ii) the Member's interaction with any aspect of the Clearing System; and



## Membership Procedure Part B

- (f) any other information that LME Clear is permitted to request from the Member in accordance with any provision of the Rules.

For the avoidance of doubt, it shall always be reasonable for LME Clear to request information from a Member in the event that LME Clear considers that such information is necessary in order to enable LME Clear to assess the risk posed by a Member to the Clearing System or the Member's compliance with the Rules.

### Financial accounts

- 6.2 Members shall provide LME Clear with a copy (in the English language) of each version of their annual financial accounts, together with a statement that their auditors have reviewed and approved the relevant financial accounts, within four (4) months of the Member's financial year-end.
- 6.3 LME Clear may also require any Member to provide the financial accounts of the Member's ultimate or immediate Parent Undertaking.

### Regulatory returns

- 6.4 Unless LME Clear agrees otherwise, where a Member is regulated by the Prudential Regulation Authority or the Financial Conduct Authority, Members shall provide LME Clear with copies of all their regulatory returns (e.g. regulatory returns made to the Prudential Regulation Authority or the Financial Conduct Authority).
- 6.5 Members shall provide LME Clear with copies of any reports or notifications to a Regulator by the Member in relation to the Member's financial status, exposure to risk and compliance with any regulatory capital requirement or other financial requirement imposed on the Member by the Regulator where such reports or notifications or the information contained therein would be materially relevant to LME Clear's assessment of the Member's financial condition, credit worthiness, or fitness to remain a Member.

## 7. NOTIFICATION REQUIREMENTS

### General requirements

- 7.1 A Member shall promptly notify LME Clear, both orally and in writing:
- (a) if the Member at any time ceases to satisfy, or reasonably considers that it may imminently cease to satisfy, any of the Membership Criteria [or any conditions imposed pursuant to paragraph 3.3 above](#);
  - (b) if the Member becomes the subject of any investigation, inquiry or disciplinary process by its Regulator or by any other governmental or regulatory body;
  - (c) if any development occurs which would materially change the information provided to LME Clear by the Member in its application for Membership;
  - (d) if any event occurs that would entitle LME Clear to exercise its rights under Rule 10 (*Default*);
  - (e) if any matter arises that could affect the Member's ability to perform its obligations under the Rules;
  - (f) if there is a change in the Authorised Representatives designated by the Member pursuant to Membership Procedure B8;



## Membership Procedure Part B

- (g) if there is a change in any Service Agent designated by the Member pursuant to Rule 2.13.3; or
- (h) if any circumstances arise that could result in the Member being unable to perform its obligations in respect of any Contract,

and for the avoidance of doubt, a Member shall provide to LME Clear such information as the Member may be required to provide to LME Clear in accordance with the terms of any other provision of the Rules.

### Changes of Ownership

- 7.2 A Member which is a body corporate shall notify LME Clear in writing of the name of any person for the time being holding, or having a beneficial interest in, ten per cent (10%) or more of any class of the equity share capital of the Member or of any Parent Undertaking of the Member, and of any change in such a holding or interest, within seven (7) days of the holding or interest, or a change therein, coming to the Member's notice.
- 7.3 The members of a partnership or an unincorporated association who are joint Members shall notify LME Clear in writing of the name of any person who becomes or ceases to be a partner of that partnership or member of that unincorporated association (as the case may be) within seven (7) days of that event coming to that joint Member's notice.
- 7.4 Upon receipt by LME Clear of any notice from a Member under Membership Procedure B7.2 or 7.3, LME Clear may review the suitability of the Member for Membership of LME Clear. LME Clear may require the Member to provide such additional information as LME Clear may from time to time consider material in the course of such review. If upon completion of the review LME Clear is not satisfied that the Member continues to satisfy the criteria for Membership of the relevant types of business to be cleared by the Member LME Clear shall consider whether to suspend the rights of the Member or to terminate its Membership.
- 7.5 **Fall in Net Capital or shareholder funds**

- 7.6 A Member shall immediately notify LME Clear if its Net Capital or shareholder funds fall to below ~~one hundred per cent (100%) of:~~

- (a) the Member's Net Capital requirement;
- (b) any threshold prescribed by a Regulator in accordance with Applicable Law; or
- (c) 85% of the amount detailed in its last annual financial accounts; ~~or.~~
- ~~(b) — the Member's Net Capital requirement.~~

### 8. AUTHORISED REPRESENTATIVES

- 8.1 Each Member shall at all times have appointed at least one individual to act as its Authorised Representative. The Authorised Representatives appointed by a Member shall be the primary points of contact and liaison between LME Clear and the Member in relation to matters arising in connection with the operation of the Clearing System and the discharge of the parties' obligations under the Rules and Procedures.
- 8.2 The Member shall ensure that its Authorised Representatives are:

## Membership Procedure Part B

- (a) appropriately knowledgeable and trained in relation to those aspects of the Clearing System for which they are appointed to liaise with LME Clear;
  - (b) appropriately empowered by the Member to take decisions on behalf of, and represent the interests of, the Member in relation to those aspects of the Clearing System for which they are appointed to liaise with LME Clear; and
  - (c) in their interactions with LME Clear, act in an open and co-operative manner, and be honest and truthful and not mislead or conceal any material matter.
- 8.3 The Member shall ensure that LME Clear is at all times in receipt of up-to-date contact details (including direct telephone number, office address and email address) of each Authorised Representative currently appointed by the Member.
- 8.4 In the event that LME Clear notifies the Member of any concerns regarding, or objection to, any Authorised Representative appointed by the Member, the Member shall take all reasonable steps to address LME Clear's concerns. In the event that the Member is unable to adequately address LME Clear's reasonable concerns, the Member shall replace the Authorised Representative.
- 9. **OTHER CONDITIONS**
  - 9.1 It shall be a condition of Membership for a General Clearing Member that it complies at all times with any and all reporting and information requirements applicable to the maintenance of Client Accounts, as such requirements may be specified in Rules 4 (*Accounts*) and 5 (*Client Business and Portability Arrangements*), as amended from time to time.
  - 9.2 LME Clear may, at any time, add to, vary or reduce the conditions that a Member shall continue to satisfy in order to retain its Membership of LME Clear where LME Clear has reasonable grounds to consider that such revised conditions are necessary in order to control the risks posed by the Member to the Clearing System. For the avoidance of doubt, LME Clear may modify the Membership Criteria applicable to a Member in order to impose additional disclosure and reporting obligations in relation to the financial affairs of the Member or its Affiliates where LME Clear has reasonable grounds for concern regarding the Member's solvency or its continuing ability to satisfy the Membership Criteria.
- 10. **CHANGES TO SERVICES AND MEMBERSHIP STATUS**
  - 10.1 A Member that participates in any Service may notify LME Clear that it wishes to participate in additional Service(s).
  - 10.2 LME Clear may require a Member that wishes to participate in any additional Service or to otherwise change its Membership status to:
    - (a) provide any additional information that LME Clear may require in order to allow the Member to participate in the Service and/or change its Membership status, or
    - (b) demonstrate its compliance with any requirements specific to the Service or Membership status that LME Clear requires Members to satisfy in order to participate in the Service or to maintain such Membership status.
  - 10.3 For the avoidance of doubt, any Member wishing to participate in a Service must:

## Membership Procedure Part B

- (a) have obtained the relevant category of membership at the Approved Transaction Platform that corresponds to the nature of the clearing activity to be conducted by the Member in respect of the Service;
  - (b) have established appropriate arrangements, acceptable to LME Clear, to enable the Member to settle Contracts in connection with the Service; and
  - (c) comply with any requirements to provide Default Fund Contributions in respect of the specific Service.
- 10.4 A Member that participates in more than one Service may terminate its participation in a specific Service in accordance with process and requirements specified in Rule 3 (*Membership*).

Membership Procedure Part C

**PART C – COMPLAINTS**

**1. SCOPE OF COMPLAINTS**

- 1.1 LME Clear shall investigate Complaints made against LME Clear or its personnel.
- 1.2 Complaints may relate to:
- (a) breaches of Applicable Clearing Regulations by LME Clear;
  - (b) breaches of the Rules by LME Clear; or
  - (c) acts or omissions affecting:
    - (i) the proper operation of LME Clear; or
    - (ii) the functions of LME Clear.
- 1.3 For the avoidance of doubt, any Complaint by a Member about another Member shall be made to LME Clear and shall be dealt with by LME Clear in accordance with the disciplinary proceedings set out in Membership Procedure D.

**2. REGISTERING A COMPLAINT**

- 2.1 Complaints shall be made in writing and signed by an Authorised Representative.
- 2.2 A Complaint should:
- (a) include sufficient information to allow LME Clear to:
    - (i) properly identify the matter that is subject to the Complaint; and
    - (ii) establish the basis for any alleged loss by the Complainant;
  - (b) include a representation by the Complainant as to the date on which it became aware of the event that has given rise to the Complaint; and
  - (c) set out the remedy sought by the Complainant.
- 2.3 If insufficient information is provided, LME Clear may request further information.
- 2.4 Any information regarding the Complaint or obtained from the Complainant in the course of a subsequent investigation may be disclosed to third parties (for example, the Regulator) as LME Clear considers appropriate, subject to any other provision of the Rules.
- 2.5 Any Complaints shall be sent to the address set out below in an envelope marked "Complaint":

~~The Chief Legal and Compliance Officer~~  
General Counsel  
LME Clear Limited  
10 Finsbury Square  
London EC2A 1AJ  
United Kingdom

## Membership Procedure Part C

2.6 Complaints shall be made within six (6) months of the date on which the Complainant became aware of the event to which the Complaint relates, provided that no Complaint may be made at any time after the third (3<sup>rd</sup>) anniversary of the date of the event to which the Complaint relates. Any Complaint made after this deadline shall not be investigated by LME Clear.

2.7 There is no fee to make a Complaint.

### 3. PROCESSING A COMPLAINT

3.1 Complaints will be investigated by the LME Clear Compliance Department who may involve other staff at LME Clear or outside professional assistance as appropriate.

3.2 The inquiry will be conducted independently of any LME Clear personnel who may be involved in the subject matter of the Complaint.

3.3 LME Clear will aim to complete its investigation within three (3) months, or within such further period as the scope of the Complaint reasonably demands.

3.4 LME Clear will, insofar as it is consistent with its duties in operating LME Clear and its duties of confidentiality to Members, advise the Complainant and any other relevant parties of the outcome of the investigation, and in particular whether it considers that there are good grounds for Complaint against LME Clear or its personnel. LME Clear will also advise the Complainant of recommended action arising from the investigation of the Complaint.

### 4. REFERRING COMPLAINTS TO LME CLEAR'S INDEPENDENT COMPLAINTS COMMISSIONER

4.1 If the Complainant is dissatisfied with the investigation of the Complaint or with the reported outcome of the investigation, he may request that the Complaint is referred to an Independent Complaints Commissioner. Such request shall be made within fifteen (15) Business Days of the Complainant being notified of the outcome of the investigation.

4.2 The Independent Complaints Commissioner shall be appointed for the purposes of a Complaint by the Centre for Effective Dispute Resolution (CEDR). The individual appointed as the Independent Complaints Commissioner shall:

- (a) be independent of LME Clear and the Complainant (meaning that the individual is not, and has not been, an officer, director or employee of LME Clear, the Complainant or their Affiliates);
- (b) have appropriate knowledge and experience of how clearing is carried out by LME Clear, including the Rules and any Applicable Law relevant to the Complaint; and
- (c) have appropriate experience of the market to which the Complaint relates.

4.3 LME Clear shall be responsible for co-ordinating the appointment of the Independent Complaints Commissioner. Unless there are reasons for a delay which are beyond the reasonable control of LME Clear, the Independent Complaints Commissioner shall be appointed within fifteen (15) Business Days of the request under Membership Procedure C4.1 being received by LME Clear.

4.4 The Independent Complaints Commissioner may:

## Membership Procedure Part C

- (a) call on all appropriate documentation from all relevant parties to enable him to form a view on the Complaint;
  - (b) permit and/or request the Complainant and LME Clear to provide written submissions in relation to any specific matter;
  - (c) interview representatives of the Complainant and LME Clear;
  - (d) take whatever appropriate action he considers might assist in considering the Complaint; and
  - (e) conduct the consideration of the issues as he sees fit.
- 4.5 The Independent Complaints Commissioner shall produce a written report on its findings in relation to the Complaint. The written report may make a recommendation, if appropriate, that LME Clear make a compensatory payment to the Complainant and/or remedies the matter to which the Complaint relates.
- 4.6 The written report shall be provided to LME Clear and the Complainant. In addition, the Independent Complaints Commissioner may publish the report (or any part of it) if the Independent Complaints Commissioner considers that it ought to be brought to the attention of the public.
- 4.7 The Independent Complaints Commissioner may:
- (a) require LME Clear to inform the Independent Complaints Commissioner and the Complainant of the steps which it proposes to take in response to the report; and
  - (b) require LME Clear to publish the whole or a specified part of its response to the Independent Complaints Commissioner.
- 4.8 LME Clear shall be liable for any costs relating to the appointment of the Independent Complaints Commissioner.
- 4.9 The decision of the Independent Complaints Commissioner shall be final and binding and there shall be no further appeal.

## Membership Procedure Part D

### PART D – DISCIPLINE

#### 1. INVESTIGATIONS

- 1.1 LME Clear may investigate any alleged Acts of Misconduct by a Member.
- 1.2 In the course of conducting an investigation, LME Clear may appoint professional, legal or accounting advisers to assist, or enlist the assistance of any other external adviser as it thinks fit. Any external adviser appointed by LME Clear shall be required to treat all information obtained in the course of the investigation as confidential and to disclose it only to LME Clear.
- 1.3 LME Clear shall issue a Notice of Investigation ("**Nol**") notifying the Member concerned that an investigation has been commenced. The Nol shall be in writing to the Member's Compliance Officer, and shall contain a brief description of the matter under investigation.
- 1.4 Members shall co-operate fully with all investigations (whether or not they are the Member under investigation). In particular, Members shall:
  - (a) make available for interview such of their officers, employees or agents as may be reasonably requested in order that they may answer questions and explain any matter that LME Clear considers relevant to the investigation;
  - (b) comply fully with their obligation to provide information in accordance with Rule 3 (*Membership*); and
  - (c) permit an authorised representative of LME Clear to visit their offices at any time, for the purpose of the investigation.

#### 2. INITIATING PROCEEDINGS

- 2.1 LME Clear may bring disciplinary proceedings against any Member where LME Clear considers the Member (or an employee or other person for whom LME Clear deems the Member to be responsible) to have committed an Act of Misconduct.
- 2.2 Where LME Clear decides to bring disciplinary proceedings, it shall serve a notice setting out the alleged Act of Misconduct together with a summary of the facts relied upon (the "**Enforcement Notice**") on the Member concerned.
- 2.3 The disciplinary proceedings under Part D of these Membership Procedures are without prejudice to LME Clear's rights under Rule 10 (*Default*).

#### 3. DEFENCE

- 3.1 The Member has sixty (60) days from service of a Enforcement Notice to serve a statement of defence (a "**Defence**") that:
  - (a) responds to all or any of the allegations;
  - (b) states whether or not the Member admits all or any of the allegations; and
  - (c) states what admissions of fact, if any, the Member makes.
- 3.2 After reviewing the Defence, LME Clear may, if it deems it appropriate, choose to discontinue disciplinary proceedings.

## Membership Procedure Part D

- 3.3 After reviewing the Defence, LME Clear may, if it deems it appropriate, amend its Enforcement Notice. In these circumstances, the Member has ten (10) Business Days from service of the amended Enforcement Notice to serve an amended Defence. If the Member fails to serve an amended Defence, the Member will be deemed to be relying on his original Defence.
- 3.4 Where no Defence has been served pursuant to Membership Procedure D3.1, and no settlement has been reached within twenty (20) Business Days from service of an Enforcement Notice, the Member will be deemed to have accepted the facts and matters alleged in the Enforcement Notice and will therefore be deemed to have committed an Act of Misconduct. For the avoidance of doubt, a disciplinary hearing will not be held and the Disciplinary Committee shall make a determination in accordance with Membership Procedure D6.
4. **COMPOSITION OF DISCIPLINARY COMMITTEE**
- 4.1 The Disciplinary Committee shall consist of three directors of LME Clear.
- 4.2 Details of the precise composition of the Disciplinary Committee shall be provided to the Member prior to the disciplinary hearing.
5. **THE DISCIPLINARY HEARING**
- 5.1 The disciplinary hearing shall take place:
- (a) where LME Clear does not amend its Enforcement Notice under Membership Procedure D3.3, no later than twenty (20) Business Days after service of the Defence;
  - (b) where LME Clear amends its Enforcement Notice under Membership Procedure D3.3, no later than twenty (20) Business Days after the last date on which an amended Defence could have been filed; or
  - (c) on such other date as the Disciplinary Committee shall require.
- 5.2 The Disciplinary Committee shall determine the procedure to be followed at the disciplinary hearing. Without limitation, the Disciplinary Committee may:
- (a) hold a pre-hearing review to hear procedural applications by LME Clear or the Member;
  - (b) direct LME Clear and a Member to disclose copies of any document;
  - (c) direct LME Clear and a Member to provide further submissions or information as may be necessary to clarify the relevant facts and issues;
  - (d) allow LME Clear and a Member to call witnesses to give evidence and be questioned (and this may include relevant experts and advisers); and/or
  - (e) allow LME Clear and a Member to be represented by any person.
- 5.3 Disciplinary hearings will normally be held in private, unless both LME Clear and the Member agree that the hearing should be in public.
- 5.4 The Disciplinary Committee may appoint its own legal advisers.



## Membership Procedure Part D

- 5.5 If either party fails to attend a disciplinary hearing, the hearing may proceed in that party's absence.
- 5.6 A record shall be made of a disciplinary hearing, electronically or otherwise. The Member shall be entitled to a transcription or copy of the record on payment of any applicable costs.
- 5.7 The Disciplinary Committee may admit any evidence whether oral or written, and whether or not the same would be admissible in a court of law.
- 5.8 The burden of proof shall be on LME Clear. The Disciplinary Committee shall not find an allegation proved unless it is satisfied on the balance of probability.

## 6. THE DETERMINATION

- 6.1 The Disciplinary Committee shall announce its findings to the parties as soon as practicable.
- 6.2 Where the Disciplinary Committee is satisfied that the Member has committed an Act of Misconduct it shall provide the parties with an opportunity to make representations before determining the penalty to be imposed.
- 6.3 The Disciplinary Committee shall announce the penalty to be imposed as soon as possible.
- 6.4 Within twenty (20) Business Days of announcing its findings, the Disciplinary Committee shall serve on the parties a written decision comprising:
  - (a) its findings of fact;
  - (b) its findings as to whether any charges not admitted are proved;
  - (c) the reasons for its decision; and
  - (d) any penalties to be imposed on the Member, together with an indication as to:
    - (i) whether any part of the penalty is compensatory for the benefit of the Members generally or for specified individuals; and
    - (ii) what part of the penalty is punitive.
- 6.5 Subject to appeal, and unless the Disciplinary Committee determines otherwise, any penalty imposed shall take effect ten (10) Business Days after service of the written decision.

## 7. PENALTIES

- 7.1 The Disciplinary Committee may impose one or more of the following penalties:
  - (a) a public or private reprimand;
  - (b) a fine of any amount;
  - (c) an order that the Member make restitution to any person where the Member has profited from its misconduct at that person's expense;

## Membership Procedure Part D

- (d) an order that the Member pay to LME Clear any gains resulting from a proven breach of the Rules;
- (e) a requirement to comply with such conditions as the Disciplinary Committee deems appropriate;
- (f) suspension or termination from Membership subject to ratification by the Board of LME Clear or its nominated delegate(s). Any suspension or termination shall be in accordance with Rules 3.6 to 3.9 or Rule 10 (*Default*) (for the avoidance of doubt, a determination that a Member has committed an Act of Misconduct shall constitute a Default Event under Rule 10 (*Default*)).

7.2 The sanction imposed by the Disciplinary Committee shall be proportionate and commensurate with the seriousness of the Act of Misconduct, taking into account factors including the consequences of the act and whether the act was deliberate or negligent.

7.3 In the event that a Member fails to comply with a penalty imposed, or direction made under this Membership Procedure 7, such failure shall constitute a breach of the Rules.

### 8. COSTS

The Disciplinary Committee may make costs orders at its discretion. It may order any party to pay such costs as it reasonably considers to be appropriate in the circumstances, including, but not limited to, administration costs and costs incurred in the investigation, preparation and presentation of the case.

### 9. SETTLEMENTS

9.1 LME Clear and the Member may agree to settle disciplinary proceedings at any time up to the commencement of the disciplinary hearing.

9.2 Settlement negotiations shall be undertaken on a without prejudice basis.

### 10. CONVICTIONS AND FINDINGS BY OTHER AUTHORITIES

10.1 The findings of fact of any court in the United Kingdom or the Upper Tribunal (Tax and Chancery Chamber), which have not been set aside on appeal or otherwise, shall be conclusive evidence of the facts so found.

10.2 A criminal conviction by any court in the United Kingdom which has not been set aside on appeal or otherwise shall be conclusive evidence of the commission of that offence.

10.3 The findings of fact of the following bodies, which have not been set aside on appeal or otherwise, shall be *prima facie* evidence of the facts so found:

- (a) any court of competent jurisdiction outside the United Kingdom;
- (b) any committee or tribunal of the Financial Services Authority, the Bank of England, the Prudential Regulatory Authority, the Financial Conduct Authority, ESMA, a self-regulating organisation, a recognised professional body, a recognised investment exchange, a recognised clearinghouse or any "overseas regulator" under section 195(3)-(4) of the Financial Services and Markets Act 2000 or any financial services legislation replacing the Financial Services and Markets Act, exercising regulatory or disciplinary functions;
- (c) the Competition Commission; and

## Membership Procedure Part D

- (d) any other body exercising a regulatory or disciplinary jurisdiction over any persons engaged in financial services business whether in the United Kingdom or elsewhere.

### 11. FINES FOR SETTLEMENT FAILURES (LMEPRECIOUS)

In the event that a Member conducts an Act of Misconduct pursuant to Rule 7.9.1 (*Postponed Delivery: LMEprecious*):

- (a) such Act of Misconduct may also constitute a breach of the LME Rules;
- (b) LME Clear shall co-ordinate with the LME with respect to the investigation, and any disciplinary action, to be taken against the Member pursuant to this Membership Procedure D and the disciplinary procedures under the LME Rules; and
- (c) for the avoidance of doubt, nothing shall prevent LME Clear from applying the procedures in this Membership Procedure D in respect of such Act of Misconduct in the event that the LME does not apply its own disciplinary procedures against, or take any disciplinary action against, the Member.

## Membership Procedure Part E

### PART E – APPEAL

#### 1. INITIATING AN APPEAL

##### 1.1 Within ten (10) Business Days of:

- (a) notice that LME Clear has determined to reject an Applicant's application for Membership; or
- (b) service of a decision by the Disciplinary Committee under Membership Procedure D6.4,

the Applicant or Member may appeal to the Appeal Committee by serving a notice of appeal to LME Clear.

##### 1.2 A notice of appeal shall set out the grounds of the appeal and contain a brief statement of all matters relied upon by the person making the appeal.

##### 1.3 The grounds of the appeal may be any one or more of the following:

- (a) LME Clear or the Disciplinary Committee (as appropriate) misdirected itself;
- (b) LME Clear or the Disciplinary Committee's (as appropriate) decision was:
  - (i) one that could not have reasonably been reached;
  - (ii) unsupported by the evidence or was against the weight of the evidence; or
  - (iii) based on an error of law or misinterpretation of the Rules;
- (c) in the case of an Act of Misconduct, the penalty imposed by the Disciplinary Committee was either excessive or insufficient; or
- (d) in the case of an Act of Misconduct, new evidence is available, which, if it had been brought forward before the Disciplinary Committee's findings were made, the Disciplinary Committee could reasonably have come to a different decision (this ground will not apply if the evidence could, by the exercise of reasonable diligence, have been brought forward before the Disciplinary Committee's findings were made).

#### 2. COMPOSITION OF THE APPEAL COMMITTEE

##### 2.1 The Appeal Committee shall comprise two persons who shall be nominated by the Centre for Effective Dispute Resolution (CEDR). The individuals appointed shall:

- (a) be independent of LME Clear and the Applicant or Member (meaning that the individual is not, and has not been, an officer, director or employee of LME Clear, the Applicant or Member or their Affiliates);
- (b) have appropriate knowledge and experience of how clearing is carried out by LME Clear, including the Rules and any Applicable Law relevant to the appeal; and
- (c) have appropriate experience of the market to which the appeal relates.

##### 2.2 Details of the precise composition of the Appeal Committee shall be provided to the Applicant or Member prior to the appeal hearing.

## Membership Procedure Part E

### 3. THE APPEAL HEARING

- 3.1 The Appeal Committee shall determine the procedure at the appeal having regard to the following:
- (a) the person making the appeal is to open the appeal;
  - (b) any witnesses called may be:
    - (i) examined, cross-examined and re-examined by the parties; and
    - (ii) questioned by the Appeal Committee;
  - (c) the other party may make submissions in response to those made by the person making the appeal; and
  - (d) the person making the appeal may make closing submissions.
- 3.2 The Appeal Committee may appoint its own legal advisers. In the case of an Act of Misconduct, the legal advisers appointed may not be the same legal advisers appointed by the Disciplinary Committee.
- 3.3 If any party fails to attend an appeal hearing, the hearing may proceed in its absence.
- 3.4 A record shall be made of an appeal hearing, electronically or otherwise. The Applicant or Member shall be entitled to a transcription or copy of the record on payment of the applicable costs.
- 3.5 The burden of proof shall be on LME Clear. The Appeal Committee shall not find an allegation proved unless it is satisfied on the balance of probability.
- 3.6 The Appeal Committee may admit any evidence whether oral or written, whether direct or hearsay and whether or not the same would be admissible in a court of law.

### 4. THE DETERMINATION

- 4.1 The Appeal Committee shall announce its decision to the parties as soon as practicable.
- 4.2 The Appeal Committee may dismiss or allow the appeal and may change the penalty imposed as it considers appropriate.
- 4.3 Within twenty (20) Business Days of the conclusion of the appeal hearing, the Appeal Committee shall serve on the parties a written decision setting out its reasons.
- 4.4 The decision of the Appeals Committee shall be final and binding and there shall be no further appeal.

### 5. COSTS

The Appeal Committee may make costs orders at its discretion. It may order any party to pay such costs as it reasonably considers to be appropriate in the circumstances, including, but not limited to, administration costs and costs incurred in the investigation, preparation and presentation of the case.

## CLEARING PROCEDURES

## Clearing Procedure Part A

### PART A – INTRODUCTION AND GENERAL MATTERS

#### 1. INTERPRETATION AND INTRODUCTION

1.1 These Clearing Procedures form part of, and shall be read in conjunction with, the Rules and are legally binding on Members. Terms defined in the Rules have the same meaning in these Clearing Procedures. In the event of any conflict or inconsistency between the Rules and these Clearing Procedures, the Rules shall prevail.

1.2 These Clearing Procedures are arranged into the following Parts:

- (a) Part A: Introduction and General Matters;
- (b) Part B: Transaction and Position Management;
- (c) Part C: Valuation, Margining and Risk Management;
- (d) Part D: Treasury and Collateral Management;
- (e) Part E: the Secure Payment System and Cash Settlements;
- (f) Part F: Physical Delivery; and
- (g) Part G: Interest, Fees and Charges.

1.3 The Clearing Procedures should be read in conjunction with the following Annexes, which support and supplement the Clearing Procedures:

- (a) Annex 1 (*Eligible Products*);
- (b) Annex 2 (*Eligible Currencies, Collateral and Haircuts*);
- (c) Annex 3 (*Fees and Charges*);
- (d) Annex 4 (*List of Available Reports*);
- (e) Annex 5 (*Margin Parameters*); and
- (f) Annex 7 (*Delivery Timetables*).

#### 2. INTRODUCTION TO PART A OF THE CLEARING PROCEDURES

2.1 This Part A of the Clearing Procedures specifies the Clearing Procedures applicable to:

- (a) the time zone applicable to these Clearing Procedures (**Clearing Procedure A3**);
- (b) the specification of the products that are eligible to be cleared via the Clearing System (**Clearing Procedure A4**), which shall be read in conjunction with Annex 1 (*Eligible Products*);
- (c) the definition of an Instrument (**Clearing Procedure A5**);
- (d) the basis on which LME Clear will determine prices applicable to the processes set out in these Clearing Procedures (**Clearing Procedure A6**);

## Clearing Procedure Part A

- (e) the basis on which LME Clear will issue various Reports to Members (**Clearing Procedure A7**), which shall be read in conjunction with Annex 4 (*List of Available Reports*);
- (f) certain interpretative provisions regarding payment-related terminology (**Clearing Procedure A8**).

### 3. LONDON TIME

All times specified in these Procedures shall be construed as local London time unless explicitly stated otherwise.

### 4. ELIGIBLE PRODUCTS

- 4.1 Annex 1 (*Eligible Products*) specifies the list of financial instruments that constitute Eligible Products and the Product Specifications in respect of each such Eligible Product. The only contracts that are eligible at any given time to be submitted to be cleared via the Clearing System are those meeting the requirements specified in Annex 1 (*Eligible Products*).
- 4.2 Annex 1 (*Eligible Products*) describes the attributes of each Eligible Product and, where relevant, provides a cross reference to the relevant Clearing Procedure that describes the processes of the Clearing System that relate to that attribute.
- 4.3 Annex 1 (*Eligible Products*) may be updated from time to time by LME Clear in accordance with Rule 2 (*General Provisions*).

Where any individual Eligible Product is referred to in these Clearing Procedures, it shall be defined in accordance with Annex 1. Such individual Eligible Products shall not be specifically defined in Rule 1 (*Definitions and Interpretation*).

### 5. INSTRUMENTS

- 5.1 For the purposes of the Rules, an "**Instrument**" shall be defined, by reference to one or more Open Contracts in respect of the same Eligible Product and having the same Product Specifications, as the maximum number of common parameters for which it is possible to identify a market price, and which shall in each case exclude the following parameters:
  - (a) the Execution Price;
  - (b) the volume of Underlying Assets to be delivered; and
  - (c) the direction (that is, buy or sell) held by LME Clear.

For the avoidance of doubt, the Open Contracts relating to any single Instrument may each contain characteristics that are not reflected in the Instrument. However such characteristics will be those that are not capable of assisting the identification of a market price.

- 5.2 LME Clear identifies Instruments in order to identify a market price for the Open Contracts relating to each such Instrument. The market price will always be determined as the mid-market price for the Open Contracts relating to that Instrument. This is intended to facilitate the application of netting and settlement to market processes in respect of those Eligible Products that settle on a daily basis.



## Clearing Procedure Part A

5.3 The following are set out as examples of Instruments:

- (a) In respect of an LME Exchange Traded Forward, the Instrument will comprise the following characteristics of the Open Contracts for such Eligible Product where such characteristics are identical:
  - (i) type of Eligible Product (i.e. LME Exchange Traded Forward);
  - (ii) Underlying Asset (e.g. copper);
  - (iii) Settlement Currency (e.g. USD); and
  - (iv) Prompt Date.
- (b) In respect of an LME Exchange Traded American Option, the Instrument will comprise the following characteristics of the Open Contracts for such Eligible Product where such characteristics are identical:
  - (i) type of Eligible Product (i.e. LME Exchange Traded American Option);
  - (ii) Underlying Asset (e.g. copper);
  - (iii) nature of option (e.g. either a call or a put);
  - (iv) the Strike Price Currency (e.g. USD);
  - (v) the Strike Price;
  - (vi) the Premium Currency (e.g. USD); and
  - (vii) the Final Expiry Date.

For the avoidance of doubt, the capitalised terms specified in the examples above refer to components of the Product Specifications of the relevant Eligible Products, and are to be interpreted in accordance with Annex 1 (*Eligible Products*).

## 6. CLOSING PRICES, SETTLEMENT PRICES, MARKET DATA AND PRICE SETS

### Price-related terms defined

6.1 This Clearing Procedure A6 defines:

- (a) the LME Closing Prices and the LBMA Closing Prices (each a sub-category of Closing Price);
- (b) the LME Settlement Prices, the Gold Settlement Price and the Silver Settlement Price (each a sub-category of Settlement Price);
- (c) the Price Sources for such prices; and
- (d) the Price Sets.

### LME Clear Prices

6.2 LME Clear will use such pricing data provided by third parties in order to:

- (a) create intra-day Price Sets;

## Clearing Procedure Part A

- (b) create End of Day Price Sets (or Closing Prices); and
- (c) create Settlement Prices.

6.3 LME Clear will, wherever reasonably practicable, use published prices for such purposes, typically at the End of Day on each Business Day (with the exception of the creation of intra-day Price Sets).

### Closing Prices

6.4 The following shall constitute "**Closing Prices**":

#### (a) Closing Prices for LME Exchange Traded Products

- (i) The Closing Prices for LME Exchange Traded Products other than ~~Ferrous~~Cash-Settled Futures or LMEprecious Products shall be the "Closing Prices" in the "Major Currency", as each such term is defined under the LME Rules.
- (ii) The Closing Prices for LME Exchange Traded Products that are "~~Ferrous~~Cash-Settled Futures" (as defined in the LME Rules) shall be the "~~Ferrous~~relevant "Cash-Settled Future Daily Settlement Price";" for the specific Product, as such term is defined under the LME Rules.
- (iii) The Closing Prices for LMEprecious Futures shall be the "LMEprecious Daily Settlement Price", as such term is defined in the LME Rules.

(each of (i), (ii) and (iii) being the "**LME Closing Prices**")

#### (b) [Closing Prices for OTC Bullion Products

*[left intentionally blank].]*

### Settlement Prices

6.5 The following shall constitute "**Settlement Prices**":

#### (a) Settlement Prices for LME Exchange Traded Products

The Settlement Prices for LME Exchange Traded Products ("**LME Settlement Prices**") shall be the "Settlement Prices", as defined under the LME Rules.

#### (b) Settlement Prices for OTC Bullion Products

The Settlement Prices for OTC Bullion Products shall be as follows:

- (i) *[left intentionally blank]* (the "**Gold Settlement Price**"); and
- (ii) *[left intentionally blank]* -(the "**Silver Settlement Price**").

### Price Sources

6.6 The LME- shall therefore be a "**Price Source**" for the purpose of these Procedures.

6.7 In the event that any Price Source fails to publish any Closing Price or Settlement Price that LME Clear needs to use in order to perform any process, LME Clear will determine the relevant price to be used for such process. Such determination will be at LME Clear's

## Clearing Procedure Part A

discretion and shall be conclusive. This Clearing Procedure A6.7 is subject to, and without prejudice to, any Rule that provides for an alternative means of determining a Closing Price or Settlement Price in the specific circumstances contemplated by such Rule.

### Price Sets

6.8 In these Clearing Procedures a "**Price Set**" means a complete array of Market Prices and Volatility Metrics that includes:

- (a) a Market Price for every Instrument; and
- (b) all foreign exchange rates, interest rates and Collateral Valuation rates that shall be used by LME Clear in order to perform its calculations of the risks relating to any Member, Position, Account or Instrument.

LME Clear shall, on a continuous basis, during each Business Day, determine the Price Sets that it shall use for the purposes of its operation of the Clearing System.

6.9 For the avoidance of doubt, LME Clear shall use:

- (a) an "**End of Day Price Set**" for the purpose of its End of Day risk management and Margin Requirement calculations and processes. This Price Set shall include the LME's "Closing Prices" (as defined in the LME Rules unless the LME fails to determine such Closing Prices, in which case LME Clear shall use such prices as it considers to be appropriate); and
- (b) the Price Set most recently defined and adopted by LME Clear shall be used for the purpose of LME Clear's Intra-Day Margin Requirement calculations.

6.10 LME Clear reserves the right to amend any prices that it considers do not accurately reflect the current market price.

6.11 LME Clear shall make available to the Members the Price Set that it uses for End of Day calculations of Margin Requirements.

## 7. REPORTING

7.1 LME Clear will make available to Members the Reports specified in Annex 4 (*List of Available Reports*) in such formats and at such frequencies as are specified in Annex 4 (*List of Available Reports*).

7.2 The Reports will be made available to Members through the Member-specific section of the Website.

7.3 In addition to the Reports, LME Clear will make available to Members via the Website certain data relating to the Member's use of the Clearing System, including information regarding:

- (a) the Transactions submitted to LME Clear by Approved Transaction Platforms; and
- (b) the Member's current Positions in respect of Open Contracts.

7.4 Members will also be able to access margin calculation files and market data files from the Website.

## Clearing Procedure Part A

- 7.5 All Reports, transmissions and other documents (other than Notices issued by LME Clear pursuant to Rule 2.9) in electronic format shall be deemed delivered to and received by each Member when made available for retrieval by LME Clear. Each Member shall be obligated to retrieve and review all Reports, transmissions and documents, and to notify LME Clear promptly of any error or discrepancies contained therein. To the extent necessary or appropriate, LME Clear may cause an adjustment to be made to the data within such time as LME Clear determines to be necessary.
- 7.6 The contents of all Reports, transmissions and other documents delivered or deemed to be delivered to a Participant shall be conclusive and binding on the Member if the Member does not notify LME Clear of any error or discrepancy with thirty (30) days of such delivery or deemed delivery.
- 7.7 It is the responsibility of each Member to access and preserve a copy of any Reports or data that such Member may require for any purpose or reason (whether operational, audit-related, legal, regulatory or otherwise).
8. **INTERPRETATION OF "POSTING" AND "FOR VALUE" (CASH SETTLEMENT TERMS)**
- 8.1 In these Clearing Procedures, reference to any cash payment being "posted" or "for value" on any particular Business Day shall be interpreted as follows:
- (a) **"posted"** shall mean notified to the relevant Approved Settlement Bank and recorded on the Accounts maintained by LME Clear in the Clearing System, in relation to a Member, as a payment due from, or to, the Member; and
  - (b) reference to a payment being **"for value"** on a particular Business Day shall mean that the relevant payment shall be received into the receiving person's Settlement Account at the relevant Approved Settlement Bank on that particular Business Day.

## Clearing Procedure Part B

**PART B – TRANSACTION AND POSITION MANAGEMENT****1. INTRODUCTION**

This Part B of the Clearing Procedures specifies the Clearing Procedures applicable to:

- (a) the arrangements by which Transactions shall be submitted to LME Clear (**Clearing Procedure B2**);
- (b) the arrangements that LME Clear will apply to determine whether and when Transactions will be Accepted (**Clearing Procedure B3**);
- (c) the basis on which LME Clear will establish and monitor Positions in Open Contracts, including a specification of the Eligible Products that will be subject to netting of Positions and those that will be subject to a maintenance of Positions on a gross basis (**Clearing Procedure B4**);
- ~~(d)~~ the basis on which certain Eligible Products will settle to market (**Clearing Procedure B5**)
- (e) the arrangements for the exercise and assignment of options under Option Contracts of different types (**Clearing Procedure B5B6**); and
- (~~e~~f) the specification of which Eligible Products are Physically Settling Products and the identification of the provisions relevant to the determination of the Delivery Positions under Contracts for such Physically Settling Products (**Clearing Procedure B6 and B7**).

**2. SUBMISSION OF TRANSACTIONS TO LME CLEAR****2.1 Transaction Capture and Matching**

2.2 Transactions may only be submitted to LME Clear by or through an Approved Transaction Platform.

2.3 The Approved Transaction Platform shall be responsible for all trade capture and matching functions and will submit to LME Clear matched trade pairs as a single Transaction for clearing via the Clearing System.

2.4 Each Member shall ensure that it has executed all relevant documentation and contracts specified by the Approved Transaction Platforms that it will use to submit Transactions to LME Clear and comply with all eligibility requirements, rules and operating procedures of such Approved Transaction Platforms.

2.5 The platforms are currently approved as Approved Transaction Platforms by LME Clear for Transactions in specific Eligible Products are specified in the Product Specification set out in Annex 1 (*Eligible Products*).

**2.6 Transaction Submission Deadlines**

2.7 The operating times during which the Clearing System is open to receive Transaction Data shall be as specified in Circulars issued by LME Clear from time to time (each being an "Opening Hours Circular").

## Clearing Procedure Part B

- 2.8 Any Transaction Data received following the relevant deadline specified for the Transaction by LME Clear in the relevant Opening Hours Circular will, unless LME Clear determines otherwise, be rejected by LME Clear.

### 3. TRANSACTION ACCEPTANCE

#### 3.1 Acceptance Criteria

All Transactions submitted to LME Clear must satisfy the following "**Acceptance Criteria**" in order to be Accepted:

- (a) the Transaction must:
  - (i) relate to an Eligible Product;
  - (ii) be executed in accordance with the rules of an Approved Transaction Platform that is approved by LME Clear for such Eligible Product;
  - (iii) be executed pursuant to an Approved Execution Arrangement;
  - (iv) have as each party to the Transaction either:
    - (1) a Member; or
    - (2) a Client or Indirect Client authorised by a General Clearing Member to enter into a Transaction that will be subject to clearing by LME Clear in accordance with the Rules;
  - (v) satisfy the transaction data checks identified in Clearing Procedure B3.8, where and to the extent that such checks are required to be performed prior to the Acceptance Time pursuant to Clearing Procedure B 3.9;
- (b) each Member that is to accept responsibility for the Transaction shall:
  - (i) have been admitted to participate in the Service to which the Eligible Product relates;
  - (ii) have executed such other agreements or documents as may be required by LME Clear from time to time in connection ~~wih~~with the relevant Service to which the Transaction relates;
  - (iii) have a Settlement Account at an Approved Settlement Bank in the relevant Eligible Currency for the Transaction; and
  - (iv) (where the Transaction will give rise to a Physically Settled Contract) have in place appropriate arrangements with an Approved Delivery Facility in accordance with Clearing Procedure F (*Physical Delivery*);
- (c) LME Clear has not, prior to Acceptance, notified the Approved Transaction Platform that it will not accept trades:
  - (i) from a Member or Non-Clearing Firm that is a party to, or responsible for, the Transaction; and/or
  - (ii) in relation to the Eligible Product that is the subject of the Transaction; and

## Clearing Procedure Part B

- (d) a Default Event must not have arisen in respect of any Member that is responsible for the Transaction at any time prior to, Acceptance, subject that LME Clear shall have the discretion to waive this requirement in respect of any Transaction and, notwithstanding Rule 2.11.1, such waiver may be applied and effective without any requirement for LME Clear to issue a written notification of such waiver.

### 3.2 Execution by an Approved Execution Arrangement

The following paragraphs define the "**Approved Execution Arrangements**" and their respective requirements for execution.

#### (a) LME Ring

- (i) The Ring shall be an Approved Execution Arrangement for Transactions in LME Base Products.
- (ii) Subject to the satisfaction of all other Acceptance Criteria, Acceptance shall be deemed to have occurred at the time at which the Transaction is agreed between the Members in the Ring.
- (iii) Promptly following Acceptance, and in accordance with such timescales and requirements as are specified in the LME Rules, each Member responsible for a Transaction agreed in the Ring shall submit to LMEsmart the relevant information regarding the details of the Transaction in order to enable LMEsmart to perform such checks as LME Clear shall specify and agree with the Approved Transaction Platform. Any failure by a Member to comply with such requirements shall be dealt with under the LME Rules.

#### (b) LMEselect

- (i) LMEselect shall be an Approved Execution Arrangement for Transactions in:
  - (1) LME Base Products; and
  - (2) LMEprecious Products.
- (ii) Transactions agreed via LMEselect shall be subject to the application of such pre-execution checks as LME Clear shall specify and agree with the Approved Transaction Platform. The Approved Transaction Platform will not permit a Transaction to be executed via LMEselect unless such pre-execution checks are satisfied.
- (iii) Subject to the satisfaction of all other Acceptance Criteria, Transactions agreed via LMEselect shall be deemed to be Accepted at the time at which the Transaction is confirmed in the LMEselect system as being matched, in accordance with the LME Rules.

#### (c) LME Inter-Office Market

- (i) The LME Inter-Office Market, in conjunction with a Contingent Agreement to Trade and LMEsmart, shall be an Approved Execution Arrangement for Transactions in:
  - (1) LME Base Products; and

## Clearing Procedure Part B

- (2) LMEprecious Products.
- (ii) The LME Inter-Office Market, in conjunction with LMEsmart, shall be an Approved Execution Arrangement for Transactions arranged by a RIB in:
  - (1) LME Base Products; and
  - (2) LMEprecious Products.
- (iii) Transactions agreed via the LME Inter-Office Market shall, except where the Transaction is arranged by a RIB, give rise to a Contingent Agreement to Trade between the counterparties to the Transaction, in accordance with the LME Rules.
- (iv) ~~(iii)~~—The Contingent Agreement to Trade has no effect or status under these Rules, and shall be governed solely by the LME Rules.
- (v) ~~(iv)~~—The counterparties to a Contingent Agreement to Trade are responsible, under the LME Rules for the submission of the relevant Transaction Data to LMEsmart.
- (vi) ~~(v)~~—The counterparties to a Transaction arranged by a RIB are responsible, together with such RIB, under the LME Rules, for the submission of the relevant Transaction Data to LMEsmart.
- ~~(vi)~~(vii) LMEsmart shall apply such pre-execution checks as LME Clear shall specify and agree with the Approved Transaction Platform. The Approved Transaction ~~Platform~~ Platform shall not permit a Transaction in respect of a Contingent Agreement to Trade, or any Transaction arranged by a RIB, to be executed via LMEsmart unless such pre-execution checks are satisfied.
- ~~(vii)~~(viii) ~~(vi)~~—When the pre-execution checks are satisfied, LMEsmart shall confirm that the Transaction ~~in respect of the Contingent Agreement to Trade~~ may be executed.
- ~~(viii)~~(ix) ~~(vii)~~—Subject to the satisfaction of all other Acceptance Criteria, Transactions agreed via the LME Inter-Office Market, and which have been subject to the process set out in ~~(iii)~~ to ~~(viii)~~ above shall be deemed to be Accepted at the time at which the Transaction is confirmed in LMEsmart as being capable of execution, in accordance with the LME Rules.
- ~~(ix)~~(x) ~~(viii)~~—For the avoidance of doubt, neither the LME nor LME Clear regards a Contingent Agreement to Trade as constituting any form of derivative contract.

### 3.3 Contracts formed under Give-Ups

In the event that, in accordance with the relevant LME Rules governing Give-Ups:

- (a) a Member agrees a Transaction via LMEselect or the LME Inter-Office Market, and (as a Give-Up Executor) submits a Give-Up Executor Instruction into the Approved Transaction Platform; and



## Clearing Procedure Part B

- (b) a Contract is allocated to the Give-Up Executor's House Account upon Acceptance of the original Transaction (such Contract being the "**Original House Contract**"); and
- (c) at the Acceptance Time for the Give-Up Executor Instruction, the Accepting Member has not been identified, and a valid and complete Give-Up Acceptance has not been accepted and confirmed within LMEsmart,

then the following Contracts shall automatically and immediately come into effect between LME Clear and the Give-Up Executor:

- (i) a Contract allocated to the Give-Up Executor's House Account, having the opposite direction to that of the Original House Contract (the "**Offsetting House Contract**"); and
- (ii) a Contract allocated to an Administrative Account of the Give-Up Executor, having the same direction as that of the Original House Contract (the "**Give-Up Contract**").

3.4 In the event that, in accordance with the relevant LME Rules governing Give-Ups:

- (a) the Give-Up Executor submits to the Approved Transaction Platform the appropriate information (in accordance with the LME Rules) identifying the Accepting Member that is to clear for the Client that initiated the Transaction; and
- (b) LMEsmart confirms:
  - (i) the acceptance by such Accepting Member of the Give-Up arrangement pursuant to a Give-Up Acceptance; and
  - (ii) the satisfaction of the Acceptance Criteria in respect of the Transaction represented by the Give-Up Acceptance,

then

- (c) upon Acceptance of such Give-Up Acceptance, LME Clear shall cancel- the Give-Up Contract, which shall from the time of such cancellation cease to have effect between LME Clear and the Give-Up Executor.

3.5 In the event that the steps in Clearing Procedure B 3.4(a) or (b) are not completed, the step in (c) shall not take effect and the Give-Up Contract shall continue to be cleared in accordance with these Rules, unless and until LME and LME Clear agree with the Give-Up Executor to take any further action in respect of such Give-Up Contract.

### 3.6 Transaction Data Capture

For the avoidance of doubt, LMEselect (in respect of Transactions agreed via LMEselect) and LMEsmart (in respect of Transactions agreed via the LME Inter-Office Market) shall capture the Transaction Data in respect of each Transaction to:

- (a) enable such systems to verify that the Transaction and the Member(s) responsible for such Transaction satisfy the static data, risk and credit checks applied by LME Clear to the Transaction;

## Clearing Procedure Part B

- (b) identify the Member or Members responsible for clearing the Transaction, and whether such Member or Members are acting in a proprietary capacity or on behalf of a Client;
- (c) specify all relevant details required by LME Clear in order to identify the rights and obligations of each party under the Transaction; and
- (d) specify, in respect of each Member that is to accept responsibility for the Transaction, the Account designated by the Member to which the Contracts, Positions, Collateral and other the rights and obligations relating to such Transaction should be allocated.

### 3.7 Transaction Data Checks

3.8 The Approved Transaction Platform will perform checks in respect of Transactions agreed pursuant to the LME Rules, on behalf of LME Clear. Such checks shall include:

- (a) a check that the Transaction Data is complete and readable (the "**syntax validation**"); and
- (b) a check that the Transaction Data content is valid, including whether the relevant Acceptance Criteria are satisfied (the "**static data validation**");
- (c) a risk review (the "**Credit Check**") in order to determine whether:
  - (i) the Acceptance of the Transaction would cause the Member's Risk Threshold to be reached or exceeded; or
  - (ii) the Member has deposited with LME Clear insufficient Collateral to enable LME Clear to accept the risk of the new Transaction; and
- (d) such other checks as LME Clear may require the Approved Transaction Platform to perform on its behalf in order to confirm that the Transaction Data is operationally capable of being processed within LME Clear's systems, and the Transaction is not inconsistent with any requirements specified in these Rules.

3.9 Such checks will be performed:

- (a) prior to Acceptance Time where the Transaction is agreed via the LME Inter-Office Market; and
- (b) following the Acceptance Time where the Transaction is agreed in LMEselect or the Ring.

3.10 The LME Rules shall set out and govern:

- (a) the obligations of each Member with respect to the submission of appropriate information to ensure that such checks can be performed;
- (b) the consequences of any check not being satisfied, and the obligations of the relevant Members in such circumstances; and
- (c) the basis on which such checks will be confirmed as satisfied.

### 3.11 Notification

## Clearing Procedure Part B

- 3.12 On each Business Day, LME Clear shall notify the Member of all Transactions in respect of such Member that have been Accepted or rejected by the Approved Transaction Platform or LME Clear on that Business Day, by the issue of a Report.
- 3.13 During each Business Day, Members may access information regarding:
- (a) the status of Transactions submitted to the Clearing System; and
  - (b) the status of Open Contracts via the LMEmercury GUI or the Member Interface.
- 3.14 **OTC Backloading**
- 3.15 LME Clear may offer services to enable Members to identify the relevant Transaction Data to be input into LMEsmart pursuant to a Contingent Agreement to Trade, in order to clear through the Clearing System Contracts representing previously executed over-the-counter contracts in Eligible Products (such services being "**OTC Backloading Services**"). Such OTC Backloading Services may include the provision of netting or compression data.
- 3.16 LME Clear may offer OTC Backloading Services in respect of one or more Services.
- 3.17 Where LME Clear makes OTC Backloading Services available:
- (a) LME Clear shall specify a form of agreement to be executed between LME Clear and each Member that participates in such the OTC Backloading Service;
  - (b) the terms on which the OTC Backloading Service shall be provided, and the respective rights and obligations of LME Clear and a Member participating in the service, shall be as set out in such agreement; and
  - (c) the operational processes relating to the provision of, and use of, the OTC Backloading Service shall be as specified in the DSS.
4. **POSITION UPDATE AND MAINTENANCE AND SETTLEMENT TO MARKET**
- 4.1 Upon registration of a Transaction within the Clearing System, LME Clear shall determine the Member's Positions in the Eligible Products to which the Transaction relates. Such Positions shall be reflected in the relevant Account to which the Contracts relating to such Transaction have been designated (the "**Designated Account**"). (Rule 4 (*Accounts*) specifies the Rules applicable to the establishment and operation of Accounts opened by the Member).
- 4.2 Positions in Designated Accounts shall be created and updated following Acceptance in accordance with the following criteria:
- (a) where the Designated Account does not currently record any other Open Contract for that Instrument a new Position shall be created within the Designated Account to reflect the Member's rights and obligations in respect of the Open Contract; and
  - (b) where the Designated Account contains existing Positions in respect of multiple Open Contracts for that Instrument, then each additional Open Contract in such Instrument shall be added to the volume of such existing Positions in that Designated Account.

## Clearing Procedure Part B

- 4.3 Positions in an Account therefore represent the consolidated rights and obligations arising from all Open Contracts within the same Instrument that have been allocated to that Account.
- 4.4 All new Open Contracts in each Business Day are maintained on a gross basis intra-day, such that LME Clear records to each Account the total Open Contracts with Purchase Positions and total Open Contracts with Sale Positions allocated to that Account on that Business Day.
- 4.5 Following the completion of LME Clear's netting and reconciliation processes at End of Day:
- (a) Positions in Gross Position Products allocated to an Account shall be maintained on a gross basis; and
  - (b) Positions in Net Position Products allocated to an Account shall be maintained in accordance with Clearing Procedure B5, either:
    - (i) on a net basis, such that the Purchase Positions and the Sale Positions in respect of each Open Contract for the same Instrument are netted to the smallest number of obligations; or
    - (ii) on an aggregated basis, such that the Purchase Positions and the Sale Positions in respect of each Open Contract for the same Instrument are added together to result in a single aggregated Purchase Position and a single aggregated Sale Position; and
  - (c) the application of Clearing Procedure B:4.4 and B4.5 (a) and (b) above to Positions allocated to a Gross Omnibus Segregated Account shall be applied separately to each Allocation ID in such Account, such that each gross calculation, net calculation or aggregation calculation shall be applied separately in respect of each Allocation ID and their corresponding Positions as if such Allocation IDs represented separate Accounts.
- 4.6 The following table identifies those Eligible Products that are Gross Position Products and Net Position Products respectively, and the basis on which position keeping may be applied to such Eligible Products.

| Type of Product         | Eligible Products   | Basis of Netting |
|-------------------------|---|------------------|
| Gross Position Products | Exchange Traded Forwards  | Gross            |
|                         | Exchange Traded Monthly Average Futures                                     | Gross            |
|                         | OTC Bullion Forwards  | Gross            |
| Net Position Products   | Exchange Traded Futures <del>(Minis, Ferrous Futures &amp; LME Index)</del> | Net or Aggregate |
|                         | LMEprecious Futures   | Net or Aggregate |
|                         | <del>Exchange Traded American Options</del> <u>All</u>                      | Net or Aggregate |

## Clearing Procedure Part B

|  |  |                             |
|--|--|-----------------------------|
|  | <a href="#">Option Contracts</a>                         |                             |
|  | <del>Exchange Traded Average Price Options (TAPOS)</del> | <del>Net or Aggregate</del> |

#### 4.7 Responsibilities of Members in respect of mis-allocated Contracts

4.8 In the event that a Contract is allocated to an Administrative Account due to any determination by LME Clear that the Transaction Data in respect of a Transaction has incorrectly identified the Account to which such Contract should be allocated, the Member must submit corrected instructions to LME Clear, specifying the correct Account to which the Contract should be allocated, in accordance with the requirements of the LME Rules and in any event prior to the Close of Business on the next following Business Day after the Acceptance of the Contract.

4.9 In the event that a Default Event arises prior to the receipt by LME Clear of the instructions specifying the correct Account, the Contract shall remain within the Administrative Account, and shall be subject to the application of the Default Rules to that Account.

4.10 Notwithstanding paragraph 4.9 above, LME Clear may transfer a Contract from an Administrative Account to another Account of the Member where LME Clear considers it appropriate to do so.

#### 4.11 Aggregated Contracts Close Out Netting Process

(a) Where a Member holds Aggregated Contracts in an Omnibus Segregated Client Account, the Member may utilise LME Clear's close-out process in order to:

- (i) identify the open interest recorded in an Aggregated Contract which represents the open interest of a single Client; and
- (ii) net any such open interest in an Aggregated Contract with a Purchase Position against any open interest in an Aggregated Contract with a Sale Position which is identical except in respect of its direction,

so that, following the application of such process:

- (1) the relevant Aggregated Contracts shall remain in the Account and in force between LME Clear and the Member but with an amended Purchase Position or Sale Position, as the case may be; or
  - (2) where the netting reduces a Purchase Position or Sale Position to zero, the Aggregated Contract represented by that zero Position is automatically terminated.
- (b) The time at which such netting shall take effect shall be the time at which the same is recorded in the Clearing System.
- (c) The DSS sets out the requirements to be applied in order to carry out the close-out process set out in this paragraph 4.11 (including the cancellation of such close-out process).

## Clearing Procedure Part B

- (d) LME Clear may require a Member to close-out open interest in certain circumstances. Any such circumstances shall be set out in the DSS.

#### 4.12 Operational Requirements in support of gross Accounts

- 4.13 Where a Member maintains Contracts allocated to a Gross Omnibus Segregated Client Account, the Member must provide to LME Clear a file, in such format and at such times each Business Day as shall be specified in the DSS, identifying the Allocation IDs for each such Contract.

- 4.14 Any Contracts allocated to a Gross Omnibus Segregated Client Account shall be subject to the following requirements:

- (a) during the Business Day on which such Contracts are Accepted:

- (i) Positions in respect of such Contracts shall be maintained by LME Clear on a gross basis in accordance with Clearing Procedure B:4.4; and
- (ii) such Positions shall be subject to Margin Requirements calculated in accordance with Clearing Procedure C,

in each case until LME Clear has received the Allocation IDs in respect of such Contracts and the subsequent completion of LME Clear's netting and reconciliation processes at End of Day for such Business Day in accordance with Clearing Procedure B:4.5(c) above; and

- (b) in the event that a Member fails to provide an Allocation ID in respect of any such Contracts, LME Clear shall:

- (i) apply its End of Day netting and reconciliation process to the Positions in respect of such Contracts, in accordance with Clearing Procedure B:4.5(c) on the basis of the table set out below; and
- (ii) such Positions shall be subject to Margin Requirements calculated in accordance with Clearing Procedure C,

in each case until the End of Day on the Business Day on which LME Clear has received the Allocation IDs in respect of such Contracts and the subsequent completion of LME Clear's netting and reconciliation processes at End of Day for such Business Day in accordance with Clearing Procedure B:4.5(c) above.

**Table referable to Clearing Procedure B:4.14(b)(i):**

| Type of Product         | Eligible Products                       | Basis of Netting –for Unallocated Contracts |
|-------------------------|---|---|
| Gross Position Products | Exchange Traded Forwards                | Gross                                       |
|                         | Exchange Traded Monthly Average Futures | Gross                                       |
|                         | OTC Bullion Forwards                    | Gross                                       |

## Clearing Procedure Part B

|                       |   |           |
|-----------------------|---|-----------|
| Net Position Products | Exchange Traded Futures— <del>(Minis, Ferrous Futures &amp; LME Index)</del>        | Aggregate |
|                       | LMEprecious Futures   | Aggregate |
|                       | <del>Exchange Traded American Options</del><br><a href="#">All Option Contracts</a> | Aggregate |
|                       | <del>Exchange Traded Average Price Options (TAPOS)</del>                            | Aggregate |

4.15 In the event that a Member identifies that any Allocation ID notified to LME Clear in respect of any Contract is incorrect, the Member must promptly submit to LME Clear an updated file specifying the correct Allocation ID, in accordance with the requirements specified in the DSS. For the avoidance of doubt, the Member must not submit to LME Clear any file or any additional Transactions, in order to correct any such mis-allocated Contract that would, or which would purport to, have the effect of creating a new Contract that has not been executed pursuant to an Approved Execution Arrangement.

4.16 LME Clear reserves the right not to allocate any Contract to an Allocation ID, either intra-day or in accordance with its End of Day netting and reconciliation process, where LME Clear so determines on the grounds of prudent risk management, including in the event that the Member has become a Defaulting Member.

## 5. SETTLEMENT TO MARKET PROCESS

### 5.1 Application of Netting or Aggregation

5.2 The netting processes set out in this Clearing Procedure B5 shall be applied as follows:

- (a) for any House Account (including any Administrative Account treated as a House Account), LME Clear shall maintain the Positions in Net Position Products in the Account on a net basis, and shall be subject to daily settlement to market in accordance with Clearing Procedure B 5.8 and 5.9 below;
- (b) for any Direct Individual Segregated Client Account or Indirect Individual Segregated Client Account LME Clear shall maintain the Positions in Net Position Products in the Account on a net basis, and shall be subject to daily settlement to market in accordance with Clearing Procedure B 5.8 and 5.9 below;
- (c) for any Direct Net Omnibus Segregated Client Account or Indirect Net Omnibus Segregated Account, LME Clear shall maintain Positions in Net Position Products in the Account either:
  - (i) (in relation to certain designated Administrative Accounts), on a net basis; and
  - (ii) (in relation to all other Net Position Products in a Direct Net Omnibus Segregated Client Account or an Indirect Net Omnibus Segregated Client Account) on an aggregated basis (except where LME Clear agrees with the Member that they may be held on a net basis);



## Clearing Procedure Part B

- (d) for any Gross Omnibus Segregated Client Account, LME Clear shall maintain Positions in Net Position Products in the Account on a net basis per Allocation ID, except in the case of Contracts that have not been allocated to an Allocation ID, which shall be held on an aggregated basis with other unallocated Contracts,

subject that (in the case of (c) and (d) above:

- (1) the Member may not maintain Positions on a net or aggregate basis where such Positions are allocable to more than one Client (or, in respect of any Indirect Net Omnibus Segregated Client Account or Indirect Gross Omnibus Segregated Client Account, to more than one Indirect Client) unless and except to the extent that the Member has the legal authority and power to do so, in accordance with Applicable Law and the Member's contractual terms with such Clients;
- (2) Rule 6.11.4 shall apply;
- (3) the Positions to be netted shall be subject to settlement to market in accordance with Clearing Procedure B 5.8 and 5.9 below; and
- (4) the Positions to be aggregated shall be subject to settlement to market in accordance with Clearing Procedure B 5.11 and 5.12 below.

### 5.3 Calculations

5.4 LME Clear shall, at the End of Day, determine:

- (a) in respect of each Instrument in a Net Position Product for each Account: the Position for all Open Contracts as at the End of Day, comprising the Brought Forward Position, as adjusted by any New Contract Positions (the "**End of Day Position**") (subject that, in respect of a Gross Omnibus Segregated Client Account, references to "each Account" in this provision shall instead be construed as references to "each Allocation ID allocated to each Account"); and
- (b) in respect of each Instrument in a Net Position Product to which Realised Variation Margin applies pursuant to the Product Specifications (a "**relevant Net Position Product**"), for each Account: the Realised Variation Margin in respect of the Instrument for that Business Day.

5.5 The determination made pursuant to Clearing Procedure B 5.4 above shall be applied:

- (a) where (b) does not apply:
  - (i) to those Positions in an Account that are to be netted, in accordance with Clearing Procedure B 5.8, 5.9 and 5.14 below; and
  - (ii) to those Positions in an Account that are to be aggregated, in accordance with Clearing Procedure B 5.11, 5.12 and 5.14 below;
- (b) in respect of a Gross Omnibus Segregated Client Account:
  - (i) to those Positions in an Allocation ID allocated to the Account that are to be netted, in accordance with Clearing Procedure B 5.8 and 5.9; and



## Clearing Procedure Part B

- (ii) to those Positions in an Allocation ID allocated to an Account that are to be aggregated, in accordance with Clearing Procedure B 5.11 and 5.12; and
  - (iii) Realised Variation Margin shall be calculated, in accordance with Clearing Procedure B 5.14, on a per-Account basis and not on a per-Allocation ID basis.
- 5.6 LME Clear's calculations of the respective Positions and Realised Variation Margin for the purpose of this Settlement to Market Process shall be definitive.
- 5.7 **Establishment of End of Day Positions per Instrument and Account (or Allocation ID allocated to an Account): Netted Positions**
- 5.8 For Positions that are to be netted, the End of Day Position shall represent a single net Position in respect of the Instrument at the relevant Closing Price for that Business Day, identifying:
  - (a) a single Purchase Position for the Buyer under the Instrument; and
  - (b) a single Sale Position for the Seller under the Instrument.
- 5.9 Upon the establishment by LME Clear of the End of Day Position, all Open Contracts represented by:
  - (a) the Brought Forward Position; and
  - (b) each New Contract Position,
 shall be treated as being discharged and replaced by a single Open Contract at that Business Day's Closing Price. Such Open Contract shall be deemed to come into effect pursuant to the Rules.
- 5.10 **Establishment of End of Day Positions per Instrument and Account (or Allocation ID allocated to an Account): Aggregated Positions**
- 5.11 For Positions that are to be aggregated, separate End of Day Positions for Purchase Positions and Sale Positions shall be identified in respect of the Instrument at the relevant Closing Price for that Business Day, identifying:
  - (a) a single Purchase Position for the Buyer under the Instrument; and
  - (b) a single Sale Position for the Seller under the Instrument.
- 5.12 Upon the establishment by LME Clear of the End of Day Position:
  - (a) all Open Contracts represented by:
    - (i) the Brought Forward Position in respect of Purchase Positions; and
    - (ii) each New Contract Position comprising Purchase Positions,
 shall be treated as being discharged and replaced by a single Open Contract comprising the aggregated Purchase Positions identified in (i) and (ii) at that Business Day's Closing Price;
  - (b) all Open Contracts represented by:

## Clearing Procedure Part B

- (i) the Brought Forward Position in respect of Sale Positions; and
  - (ii) each New Contract Position comprising Sale Positions,
- shall be treated as being discharged and replaced by a single Open Contract comprising the aggregated Sale Positions identified in (i) and (ii) at that Business Day's Closing Price,

and such Open Contracts shall be deemed to come into effect pursuant to the Rules.

### 5.13 Calculation of Realised Variation Margin

5.14 For each Account, LME Clear shall determine, in respect of each Instrument in a relevant Net Position Product for which End of Day Positions have been calculated in accordance with Clearing Procedure B5.8 and 5.9 or B5.11 and 5.12 ~~above~~, the Realised Variation Margin resulting as a consequence of such calculations. In order to do so, LME Clear shall calculate, separately in respect of Purchase Positions and Sale Positions for each Instrument:

- (a) the difference between:
  - (i) the value of the Brought Forward Position at the previous Business Day's Closing Price; and
  - (ii) the value of the Brought Forward Position at that Business Day's Closing Price;
- (b) in respect of each New Contract Position, the difference between:
  - (i) the value of such New Contract Position at the Execution Price of the Contract; and
  - (ii) the value of the Contract at that Business Day's Closing Price,

(and for the avoidance of doubt, this calculation in (b) shall be performed in respect of each New Contract Position arising in that Business Day); and
- (c) the sum of the calculations in (a) and (b), which shall represent the Realised Variation Margin.

For the avoidance of doubt, the Realised Variation Margin may be a positive or a negative figure, representing a profit or a loss to either LME Clear or the Member.

5.15 The Realised Variation Margin calculated in respect of an Account pursuant to Clearing Procedure B 5.14 above shall represent a Payment Obligation to be made by the party that is at loss (whether this is LME Clear or the Member) to the party that is in profit. Such Payment Obligation shall be discharged as a Cash Settlement in accordance with Clearing Procedure E.

## 6. OPTION EXERCISE AND ASSIGNMENT

6.1 The rules applying to the exercise and assignment of rights under Option Contracts (the "**Option Exercise Rules**") are specific to each Eligible Product. The types of exercise and the basis on which such exercise is settled, for each type of Eligible Product that comprises an Option Contract, is summarised in the table below.

## Clearing Procedure Part B

| Option Contracts                              | Exercise Type                      |
|---|------------------------------------|
| Exchange Traded Average Price Options (TAPOS) | Automatic Exercise                 |
| <a href="#">LMEprecious Options</a>           | <a href="#">Automatic Exercise</a> |
| Exchange Traded American Options              | Manual Exercise                    |

- 6.2 The Option Exercise Rules comprise the [relevant](#) "Option Regulations" set out in the LME Rules from time to time, together with the provisions of this Clearing Procedure B6. The Option Regulations determine:
- (a) the processes to be applied in relation to the automatic exercise of rights under Automatic Exercise Option Contracts; and
  - (b) the timings applying to any manual exercise by an Option Holder of its rights under Manual Exercise Option Contracts.
- 6.3 LME Clear and each Member will therefore comply with the Option Regulations and this Clearing Procedure B6 in the exercise and discharge of their respective rights and obligations under Option Contracts.
- 6.4 The remaining provisions of this Clearing Procedure B6 define, for each type of Eligible Product that may result in a cleared Option Contract:
- (a) the last time on a Business Day on which a Transaction in such Eligible Product may be effected on the Exchange (the "**Last Traded Time**");
  - (b) the time on the Expiry Date on which the option on an Automatic Exercise Option Contract will be exercised (the "**Expiry Time**");
  - (c) the times on Business Days on which instructions may be submitted by Members to LME Clear in order to exercise options under a Manual Exercise Option Contract (the "**Exercise Time**");
  - (d) the final time on the Expiry Date by which the option under a Manual Exercise Option Contract may be exercised (the "**Final Exercise Time**");
  - (e) the basis on which option-exercise instructions under a Manual Exercise Option Contract may be cancelled ("**Exercise Instruction Cancellation**");
  - (f) the basis on which the option under the Option Contract shall be exercised (the "**Exercise Type**", that is, either automatically or manually);
  - (g) the "**Option Exercise Reference Price**" or "**Preliminary Reference Price**" (as applicable), which shall be interpreted in accordance with the relevant Official Price determined under the LME Rules specified in the table;
  - (h) how the exercise of the option shall take effect (the "**Exercise Result**"); and
  - (i) the manner in which the Option Holder will be notified by LME Clear of the exercise of the option.

## Clearing Procedure Part B

## 6.5 Exchange Traded Average Price Options (TAPOS)

The table below summarises the Option Exercise Rules for Option Contracts in Exchange Traded Average Price Options (TAPOs):

| Product                         | Exchange Traded Average Price Options (TAPOs)  |
|---------------------------------|--|
| Last Traded Time                | 18:00hrs on the Business Day prior to the Expiry Date.   |
| Expiry Time                     | 15:00hrs on the Expiry Date.   |
| Exercise Type                   | Automatic.<br><br>All positions that are USD0.01 or greater in the money when compared to the Option Exercise Reference Price will be exercised automatically by LME Clear at the Expiry Time.   |
| Option Exercise Reference Price | Monthly Average Settlement Price, (" <b>MASP</b> "), as specified by the Exchange on the date and time of exercise.  |
| Exercise Result                 | Exercise creates between the Member and LME Clear two Contracts representing open LME Exchange Traded Forwards for Prompt Date the second Business Day of the month following the month of the Expiry Date.<br><br>These LME Exchange Traded Forwards are equal and opposite in all respects except that: <ul style="list-style-type: none"> <li>• one is created at the MASP; and</li> <li>• the other is created at the Strike Price of the original Transaction.</li> </ul> |
| Notification via                | LMEMercury GUI.  |

## 6.6 Exchange Traded American Options

The table below summarises the Option Exercise Rules for Option Contracts in Exchange Traded American Options:

| Product                           | Exchange Traded American Options   |
|-----------------------------------|--|
| Last Traded Time                  | 18:00hrs on the Business Day prior to the Expiry Date.   |
| Exercise Type                     | Manual, via the LME Clear Options Exercise Screen.   |
| Exercise Times                    | Exercise instructions can be input between 07:30hrs and 11:15hrs on any LME Business Day up to, and including, the Expiry Date.  |
| Exercise Instruction Cancellation | Exercise instructions can be cancelled via the LME Clear Options Exercise Screen before 11:15 hours on the day the exercise instruction is input to the Clearing System. |

## Clearing Procedure Part B

|                             |   |
|-----------------------------|---|
| Final Exercise Time         | 11:15hrs on the Expiry Date.  |
| Preliminary Reference Price | Closing Price for the Underlying Forward (as defined below), as determined by the LME in accordance with the LME Rules, for the third Wednesday of the month in which the Prompt Date falls, as calculated on the Business Day prior to the Expiry Date.  |
| Exercise Result             | <p>Exercise creates between the Member and LME Clear an Open Contract representing an LME Exchange Traded Forward at the Strike Price for Prompt Date on the third Wednesday of the month of the Expiry Date of the original Option Contract.</p> <p>The direction of LME Exchange Traded Forward (the "<b>Underlying Forward</b>") shall be determined as follows:</p> <ul style="list-style-type: none"> <li>• Buyer of exercised call – Buys Underlying Forward</li> <li>• Seller of exercised call – Sells Underlying Forward</li> <li>• Buyer of exercised put – Sells Underlying Forward</li> <li>• Seller of exercised put – Buys Underlying Forward.</li> </ul> |
| Notification via            | LMEmercury GUI.   |

## 6.7 Expiry Date Process for Exchange Traded American Options

The following provisions apply to the manual exercise of Exchange Traded American Options:

- (a) In accordance with the Option Regulations under the LME Rules, prior to the opening of the Clearing System on the Expiry Date, LME Clear shall flag for exercise all Exchange Traded American Options that, by reference to the previous day's Closing Price for the third Wednesday prompt date, it calculates are in the money by more than two Strike Price Gradations.
- (b) Members who are Option Holders may, in accordance with the LME Rules, reverse LME Clear's exercise flag. Members that wish to enter such flag reversals shall have done so by the 11:15 hours Final Exercise Time.
- (c) Members who are Option Holders may, in accordance with the LME Rules, manually exercise additional options that have not been flagged for exercise by LME Clear. Members that wish to exercise additional options shall have done so by the 11:15 hours Final Exercise Time.
- (d) Only those options:
  - (i) flagged for exercise by LME Clear under (a) and which have not been reversed by the Member in accordance with (b); or
  - (ii) flagged for exercise by the Member under (c) above and which have not subsequently been reversed by the Member by the Final Exercise Time,

shall be treated as being exercised at the Final Exercise Time.

## Clearing Procedure Part B

**6.8 Exchange Traded American Options – Assignment to Option Granters by LME Clear**

6.9 Where LME Clear has Positions in Exchange Traded American Options in respect of which:

- (a) under certain Open Contracts, LME Clear is the Option Holder; and
- (b) under other Open Contracts, one or more Members are the Option Holders,

and a Member that is an Option Holder (an "**Exerciser**") exercises an option against LME Clear, then LME Clear shall exercise such options under the Open Contracts for which it is the Option Holder in order to ensure that it is able to satisfy its obligations to the Exerciser.

6.10 LME Clear shall exercise its options in the circumstances described in Clearing Procedure B6.9 above by selecting one or more Members who are Option Granters under Open Contracts against whom to exercise its options. LME Clear shall make such selection:

- (a) based on the open Positions in such Open Contracts at Close of Business on the Business Day prior to the Business Day on which the Exerciser exercised its option; and
- (b) on the basis of a random scatter allocation, under which LME Clear shall randomly determine each lot to be assigned to an Option Granter in such a way that its selection is independent of either the preceding lot or the subsequent lot allocated via the selection process.

**6.11 LMEprecious Options**

The table below summarises the Option Exercise Rules for LMEprecious Options:

| <u>Product</u>          | <u>LMEprecious Option</u>   |
|-------------------------|---|
| <u>Last Traded Time</u> | <u>20:00hrs on the Business Day prior to the Expiry Date.</u>   |
| <u>Expiry Time</u>      | <u>15:02hrs on the Expiry Date or, in the case of a postponement by the LME in accordance with the LME Rules, such other time specified by the LME.</u>   |
| <u>Exercise Type</u>    | <u>Automatic.</u><br><br><u>An LMEprecious Option shall be automatically exercised by LME Clear at the Expiry Time if at that time it is:</u><br><br>(a) <u>"In the Money", as defined in the LME Rules (in summary, such that the strike price is, in the case of a put option, above or, in the case of a call option, below the Option Exercise Reference Price); or</u><br><br>(b) <u>a call option that is "At the Money", as defined in the LME Rules (in summary, such that the Option Exercise Reference Price is equal to the strike price).</u> |
| <u>Option Exercise</u>  | <u>The Settlement Price for the LMEprecious Option identified as the</u>  |

## Clearing Procedure Part B

|                                  |  |
|----------------------------------|--|
| <a href="#">Reference Price</a>  | <a href="#">"Exercise Reference Price", in accordance with the LME Rules.</a>  |
| <a href="#">Exercise Result</a>  | <p><a href="#">Exercise creates between the Member and LME Clear an Open Contract representing an LMEprecious Future at the Strike Price for Prompt Date on the third Wednesday of the month of the Expiry Date of the original Option Contract.</a></p> <p><a href="#">The direction of LMEprecious Future (the "<b>Underlying Future</b>") shall be determined as follows:</a></p> <ul style="list-style-type: none"> <li>• <a href="#">Buyer of exercised call – Buys Underlying Future</a></li> <li>• <a href="#">Seller of exercised call – Sells Underlying Future</a></li> <li>• <a href="#">Buyer of exercised put – Sells Underlying Future</a></li> <li>• <a href="#">Seller of exercised put – Buys Underlying Future.</a></li> </ul> |
| <a href="#">Notification via</a> | <a href="#">LMEmercury GUI.</a>  |

## 7. DELIVERY POSITIONS

7.1 The following table specifies:

- (a) those Eligible Products that are Physically Settling Products; and
- (b) the Underlying Asset that is to be delivered on settlement of Contracts for each such Physically Settling Product.

| Physically Settling Product  | Delivery Commodity – the Underlying Asset |
|------------------------------|---|
| LME Exchange Traded Forwards | LME Warrants                              |
| LMEprecious Futures          | Unallocated Precious Metal                |
| OTC Bullion Forwards         | Unallocated [Bullion]                     |

7.2 Contracts for Physically Settling Products are defined as Physical Delivery Contracts pursuant to Rule 1 (*Definitions and Interpretations*).

7.3 LME Clear shall determine, in respect of each Account maintained by the Member, a net Delivery Position in respect of all Positions under Instruments comprised of Physical Delivery Contracts remaining open at the time of their expiry. Such net Delivery Position shall be determined by reference to the Settlement Price for the Underlying Asset on the Prompt Date, and shall comprise:

- (a) a single Payment Obligation in respect of each Settlement Currency under which the Instruments are to be settled;
- (b) (where applicable) a single Payment Obligation comprised by the LME Premium Warrant Payment Obligations in respect of the LME Aluminium Premium Contracts under which the Member is a Buyer;

## Clearing Procedure Part B

- (c) a single Delivery Obligation in respect of all obligations to deliver LME Warrants that are not LME Premium Warrants;
- (d) (where applicable) a single Delivery Obligation in respect of each Premium Warrant Jurisdiction relating to LME Aluminium Premium Contracts under which the Member is a Seller; and
- (e) a single Delivery Obligation in respect of all obligations to deliver unallocated Precious Metal in respect of LME Precious ~~Contracts~~ Futures,

and such Payment Obligations and Delivery Obligations shall represent a **"Final Delivery Position"** at the Account level.

7.4 For the discharge of Delivery Obligations in respect of Contracts for which the Underlying Asset is LME Warrants, LME Clear shall determine in respect of each Member, the Warrant Movements required to settle the Final Delivery Positions between LME Clear and the Member, on the following basis:

- (a) separate net and total Warrant Movements shall be established under (b) and (c) below in respect of:
  - (i) Delivery Obligations in respect of LME Premium Warrants for each Premium Warrant Jurisdiction; and
  - (ii) Delivery Obligations in respect of LME Warrants other than LME Premium Warrants;
- (b) in respect of the Member's House Account(s), the Final Delivery Positions of each account shall be netted together to produce a single net Warrant Movement;
- (c) in respect of the Member's Client Accounts:
  - (i) the Final Delivery Positions for all Client Accounts where the member is the Buyer under the relevant Contracts will be summed to produce a single total "buying" Warrant Movement;
  - (ii) the Final Delivery Positions for all Client Accounts where the Member is the Seller under the relevant Contracts will be summed to produce a single total "selling" Warrant Movement.

Consequently, a Member may have a maximum of three (3) Warrant Movements (in respect of LME Warrants other than LME Premium Warrants) with LME Clear in a single Underlying Asset on a single Business Day.

7.5 For the discharge of Delivery Obligations in respect of Contracts for which the Underlying Asset is unallocated Precious Metal, LME Clear shall determine, separately in respect of Gold and Silver, in respect of each Account of each Member:

- (a) the Delivery Obligations of LME Clear as the Seller; and
- (b) the Delivery Obligations of the Member as the Seller,

in order to determine a net movement of Precious Metal between LME Clear and the Member that is required to settle the Final Delivery Positions between LME Clear and the Member for that Account.



## Clearing Procedure Part B

- 7.6 Delivery Positions (including Warrant Movements) are settled through:
- (a) physical delivery of Underlying Assets by the Seller in discharge of the Delivery Obligation;
  - (b) against the discharge of the Payment Obligation by:
    - (i) payment of cash by the Buyer; and
    - (ii) (in respect of LME Aluminium Premium Contracts) the physical delivery by the Buyer of LME Warrants.
- 7.7 The Settlement Price for Underlying Assets applicable to each relevant Eligible Product is set out in the Product Specifications for the Eligible Product in Annex 1 (*Eligible Products*).
- 7.8 The delivery process for Underlying Assets under Contracts in respect of:
- (a) LME Exchange Traded Forwards is defined by the LME Rules (including the Rules and procedures applicable to the operation of LMEsword) and is summarised in Clearing Procedure F2 (*LME Warrant Delivery Procedures*); and
  - (b) LMEprecious Futures is defined by the LME Rules and is summarised in Clearing Procedure F3 (*LMEprecious Future Delivery Procedures*); and
  - (c) OTC Bullion Forwards is set out in Clearing Procedure F4 (*OTC Bullion Delivery Procedures*).

## Clearing Procedure Part C

### PART C – VALUATION, MARGINING AND RISK MANAGEMENT

#### 1. INTRODUCTION

This Part C specifies the Clearing Procedures applicable to:

- (a) the composition of Margin Requirements (**Clearing Procedure C2**);
- (b) the calculation of Initial Margin Requirement (**Clearing Procedure C3**);
- (c) the calculation of the Variation Margin Requirement (**Clearing Procedure C4**);
- (d) the calculation of additional margin (**Clearing Procedure C5**); and
- (e) the calculation of Margin Requirements (**Clearing Procedure C6**).

#### 2. COMPOSITION OF MARGIN REQUIREMENTS

- 2.1 When determining its End of Day Margin Requirement and its Intra-Day Margin Requirement(s) for a Member under Rule 8 (*Margin Requirements and Collateral*), LME Clear may have taken into account the Initial Margin Requirement and/or the Variation Margin Requirement then applicable to such Member (as calculated in accordance with this Clearing Procedure C).
- 2.2 Members shall maintain sufficient Collateral with LME Clear at all times to cover their Margin Requirement as calculated by LME Clear.
- 2.3 LME Clear shall calculate Margin Requirements:
  - (a) on a per-Account basis;
  - (b) subject that in relation to Gross Omnibus Segregated Client Accounts, Margin Requirements shall be calculated:
    - (i) separately in respect of Positions having Allocation IDs, on per-Allocation ID basis; and
    - (ii) in respect of all Positions without Allocation IDs in each Account,

(such that each Margin Requirement for the Account shall be the aggregated sum of the corresponding Margin Requirements determined pursuant to (i) and (ii) above for such Account and any other margin requirements imposed in respect of the Account and/or Allocation IDs by LME Clear pursuant to the Rules and Procedures).

#### 3. INITIAL MARGIN REQUIREMENT

- 3.1 “**Initial Margin Requirement**” is the amount of Collateral required by LME Clear in order to protect itself against potential fluctuations in the market value of a Defaulting Member's open Positions until those Positions are discharged or are closed out, fully hedged, or transferred by LME Clear under Rule 10 (*Default*) following the occurrence of a Default Event.
- 3.2 The calculation of the Initial Margin Requirements will be based on assumed close-out periods, confidence levels and historical look-back periods in line with the LME Clear margin policy from time to time in force.

## Clearing Procedure Part C

- 3.3 The calculation of the Initial Margin Requirement will be made by reference to the most up-to-date novated Positions and LME Clear Price Sets.

**Account-Level Initial Margin Requirement**

- 3.4 The Initial Margin Requirement will be calculated for each Member in respect of the net Positions on each Account both intra-day and at the end of every Business Day for the following types of Account:

- (a) House Account;
- (b) Direct Individual Segregated Client Account;
- (c) Indirect Individual Segregated Client Account;
- (d) Direct Net Omnibus Segregated Client Account; and
- (e) Indirect Net Omnibus Segregated Client Account.

- 3.5 For the types of Accounts identified in Clearing Procedure C:3.4, margin limits will be set by LME Clear for all Members on all Accounts and payment of margin will be called from a Member in respect of its net Positions on its Accounts on an intra-day basis in the event that margin limits or any applicable Risk Thresholds have been exceeded. For the avoidance of doubt, a reduction in value of the Collateral provided by the Member to LME Clear may cause such limits or Risk Thresholds to be exceeded, resulting in a requirement to for payment of additional margin.

**Initial Margin Requirement for Accounts with Allocation IDs**

- 3.6 For Gross Omnibus Segregated Client Accounts:

- (a) the Initial Margin Requirement will be calculated for each Member in respect of the net Positions for each Allocation ID allocated to each Account intra-day and at the end of every Business Day;
- (b) in respect of Positions that have not been allocated to an Allocation ID, the Initial Margin Requirement will be calculated for each Member in respect of:
  - (i) the net Positions on each Account intra-day; and
  - (ii) the gross Positions on each Account at the end of every Business Day; and
- (c) the Initial Margin Requirement for each Account, both intra-day and at the end of every Business Day, shall be the respective aggregates of the Initial Margin Requirements calculated pursuant to (a) (in respect of all Allocation IDs in the Account) and (b).

- 3.7 For the types of Accounts identified in Clearing Procedure C:3.6, margin limits will be set by LME Clear for all Members on all Accounts (at an Account-level) and, in the event that any applicable margin limits or Risk Thresholds are exceeded, payment of margin will be called from a Member. For the avoidance of doubt, a reduction in value of the Collateral provided by the Member to LME Clear may cause such limits or Risk Thresholds to be exceeded, resulting in a requirement for payment of additional margin.

## Clearing Procedure Part C

**Initial Margin Methodology**

- 3.8 The Initial Margin Requirement will be calculated using the SPAN methodology. Details of the SPAN methodology are available on the Website.
- 3.9 The SPAN parameters are set by LME Clear in accordance with LME Clear's "Risk Policy", as amended by LME Clear from time to time. The level of the parameters is actively monitored and subject to regular review by LME Clear. Members will be informed of any changes to SPAN parameters by a Member circular published by LME Clear on its Website and through an email to each Member's designated email address.

**4. VARIATION MARGIN REQUIREMENT**

- 4.1 "**Variation Margin Requirement**" is the amount of Collateral required by LME Clear in order to protect itself against losses that have accumulated on any open Positions of a Member prior to a Default Notice being issued by LME Clear in relation to such Member.

- 4.2 The Variation Margin Requirement will be calculated by reference to each type of Contract as follows:

- (a) ~~futures~~ Exchange Traded Futures and ~~future-style options~~ LME precious Futures will be margined as realised profits and losses using the "**Realised Variation Margin**" ("**RVM**") approach, which is calculated as the difference between:

- (i) the contract value of today's trades and the value of any carried forward Positions; and
- (ii) the Position value as at the time of calculation of the Variation Margin Requirement,

in accordance with the more detailed Settlement to Market Process set out in Clearing Procedure B4.

- (b) ~~forwards~~ Exchange Traded Forwards are margined as liabilities or contingent credits using the "**Discounted Contingent Variation Margin**" ("**DCVM**") approach, which is calculated as the difference between:

- (i) the contract value of the original transaction; and
- (ii) the contract value as at the time of calculation of the Variation Margin Requirement.

- (c) OTC derivatives are margined as a cash amount using the "**Cash Contingent Variation Margin**" ("**CCVM**") approach, which is calculated as the daily change in the difference between:

- (i) the contract value of the original transaction; and
- (ii) the contract value as at the time of calculation of the Variation Margin Requirement,

inclusive of an adjustment for Price Alignment Interest.

- (d) options are margined as liabilities or contingent credits using the "**Net Liquidation Value**" ("**NLV**") approach, which is calculated as the current value of the option Position.

## Clearing Procedure Part C

- 4.3 The calculation of the Variation Margin Requirement will be based on the most up-to-date Accepted Positions and LME Clear Price Sets.
- 4.4 Variation Margin Requirements will be calculated and payment shall be called at least once every Business Day as:
- (a) part of the End of Day Margin Requirement (in respect of the DCVM and NLV); or
  - (b) a Payment Obligation (in respect of the RVM or CCVM),
- the Cash Settlements in respect of which shall be determined in accordance with the Cover Distribution Process set out in Clearing Procedure D5.
- 4.5 LME Clear reserves the right to call for payment of an Intra-Day Margin Requirement at any point during the Business Day.
- 4.6 All contingent variation margin credits may be used to offset all Margin Requirements and other contingent variation margin debits, but contingent credits may not be realised as cash. Notwithstanding the foregoing, in a Gross Omnibus Segregated Client Account, such offset shall be applied on a per-Allocation ID basis, such that no offset shall be applied between Allocation IDs.
- 4.7 All payment balances due to or from a Member pursuant to the calculation of the Member's Variation Margin Requirement shall be discharged by Cash Settlements that are determined pursuant to the Cover Distribution Process set out in Clearing Procedure D5.
5. **ADDITIONAL MARGIN**
- 5.1 LME Clear may, in accordance with Rule 8 (*Margin Requirement and Collateral*), require a Member to provide additional Collateral if it determines that further amounts of Collateral are necessary to satisfy the Member's Margin Requirement. For example (but without limitation), LME Clear may request additional Collateral where it believes that the risk of a Position is not sufficiently covered by the existing Collateral provided by the Member in respect of the Initial Margin Requirement and the Variation Margin Requirement (as included in the then current Margin Requirement for the Member). Risks that may be covered by additional Collateral include (but are not limited to):
- (a) delivery risk (that is, the risk that the Member will not fulfil a Delivery Obligation in respect of one or more Contracts);
  - (b) concentration risk (the risk that the Member's Account(s) cannot be liquidated within the close out period assumed by the Initial Margin Requirement);
  - (c) wrong-way risk (the risk that the Member or the Member's Positions has excessive negatively correlated exposure to collateral assets provided as Collateral);
  - (d) credit risk (the increased risk of a Member defaulting in the performance of its obligations to LME Clear as determined by the LME Clear internal credit ratings).

## Clearing Procedure Part C

6. **CALCULATION OF MARGIN REQUIREMENTS**6.1 **End of Day Margin Requirement**

End of Day Margin Requirements are calculated net of cash settlements. Calculated risk is compared with any remaining Cash Collateral balance and non-cash Collateral, after the appropriate Haircut and any other applicable parameters or limits set by the Rules (including the applicable Collateral Limits), have been applied, and any shortfall requested in cash.

6.2 **Intra-Day Margin Requirement**

(a) Intra-day risk is continuously compared with the post-Haircut valuation applicable to Collateral and the applicable Collateral Limits to ensure that sufficient Collateral is available to LME Clear. LME Clear will set risk thresholds ("**Risk Thresholds**") to determine:

- (i) when additional Collateral will be required; and/or
- (ii) whether a Transaction may become Accepted, where such Transaction is agreed via the LME Inter-Office Market.

and LME Clear shall determine any additional amount of Collateral that may be required to cover such intra-day risk and such calculation shall comprise the Intra-Day Margin Requirement.

(b) Additional Collateral will be requested from a Member whenever its Risk Threshold has been exceeded or where LME Clear believes that the value of available Collateral has been significantly eroded or otherwise as maybe required under Clearing Procedure C7 below. Members shall provide additional Collateral which is requested intra-day in the form of Eligible Cash unless LME Clear instructs otherwise. Members shall provide such additional Collateral promptly, and in any event not later than sixty (60) minutes after receipt from LME Clear of its request for such Additional Collateral.

6.3 **Regular Intra-day Margin Call**

Without prejudice to LME Clear's right under Rule 8 (*Margin Requirement and Collateral*) to require Members to satisfy Margin Requirements at any time during a Business Day, LME Clear may specify a regular margin call to meet an Intra-Day Margin Requirement at 14:00 hours (or at such other time as it may specify) on each Business Day.

7. **MEMBER'S OBLIGATION TO ENSURE TRANSACTIONS ARE COLLATERALISED**

7.1 It is the responsibility of each Member to monitor the Transactions it enters into, is likely to enter into, or is otherwise responsible for clearing, and to post additional Collateral if the Member anticipates that such Collateral may be required.

7.2 In the event that any Member fails, on multiple occasions, to post sufficient Collateral to cover the additional risk arising from Transactions entered into on LMEselect outside the opening hours of LME Clear (as specified in the Opening Hours Circular), LME Clear may require such Member to provide additional Collateral (including in advance of the Member entering into, or permitting any Client to enter into, any such Transactions).

## Clearing Procedure Part D

**PART D – TREASURY AND COLLATERAL MANAGEMENT****1. INTRODUCTION**

This Part D of the Clearing Procedures specifies the Clearing Procedures applicable to:

- (a) the treasury management arrangements to be applied by LME Clear (**Clearing Procedure D2**);
- (b) approved forms of Collateral to be provided to LME Clear (**Clearing Procedure D3**);
- (c) LME Clear's arrangements for the management of Collateral (**Clearing Procedure D4**); and
- (d) LME Clear's process for cover distribution (**Clearing Procedure D5**).

**2. LME CLEAR TREASURY ARRANGEMENTS**

- 2.1 At any time, relevant details of LME Clear's investment policy in force at that time will be published on its Website.
- 2.2 LME Clear's Treasury function will on a daily basis re-invest Cash Cover, in accordance with its investment policy. Investment decisions will be taken within the context of LME Clear's Risk Appetite and any proceeds of such investment activity will be solely for the account of LME Clear.
- 2.3 LME Clear may pay interest on (or, if the rate of interest is negative, deduct interest) Cash Cover deposited by Members with LME Clear, pursuant to Rule 8.3.3 and 9.1.4. The amount of interest paid is at the discretion of LME Clear and is not required to be linked to, or dependent upon, the earnings made by LME Clear from the investments.

**3. ACCEPTABLE FORMS OF COLLATERAL****3.1 Approved types of Collateral**

- 3.2 The following assets and instruments may be provided by a Member to satisfy its Margin Requirement:

- (a) Eligible Cash;
- (b) Eligible Securities;
- (c) Eligible Gold;
- (d) Eligible LME Warrants; and
- (e) such other assets and instruments with such eligibility criteria as LME Clear may from time to time specify,

provided that in each case it is made available in such manner and on such terms as LME Clear considers necessary to comply with the applicable requirements of EMIR. In particular, Eligible LME Warrants shall only constitute Eligible Collateral in relation to any liabilities under one or more Open Contracts between LME Clear and the Member relating to the same metal as the metal underlying such Eligible LME Warrants.



## Clearing Procedure Part D

- 3.3 To manage its concentration risk, LME Clear requires that each Member maintains a minimum proportion and/or minimum amount of its Collateral in Eligible Cash. This minimum proportion and/or minimum amount is set out in the Collateral Specifications. LME Clear may alter this minimum proportion and/or minimum amount at any time. LME Clear may specify in the Collateral Specifications the Eligible Currency in which this minimum proportion and/or minimum amount must be paid to LME Clear.
- 3.4 Any Collateral or Default Fund Contributions which is not, or ceases to be, immediately accessible or otherwise available to LME Clear to use or liquidate (whether pursuant to enforcement, set-off or otherwise) shall not be eligible including the following: (a) Collateral or Default Fund Contribution which ceases to be immediately accessible by LME Clear due to the insolvency or default of any Custodian, Securities Systems Operator, central securities depository, bank (including any Approved Settlement Bank), Warehouse, the LMEsword Depository or other person holding or processing Collateral or Default Fund Contributions or any sanctions or embargo impacting any of the foregoing parties shall not be eligible for the duration of the period during which it is not immediately accessible by LME Clear; (b) the currency in which any Cash Cover is held is not, or ceases to be, fully liquid, exchangeable and transferable or is otherwise the subject to currency controls, as a result of which LME Clear determines that Cash Cover in such currency is not appropriate; and (c) in the case of LME Warrant Collateral, the relevant LME Warrants are cancelled or expire, or the Warehouse or the relevant Member fails to perform its obligations under the related Warehouse Contract and/or contract of storage (including, without limitation, in relation to the maintenance of insurance and the payment of rent and weight adjustments). In the event that any Collateral or Default Fund Contributions provided by a Member ceases to be eligible, the Member shall immediately provide such additional Collateral or Default Fund Contributions as may be required to ensure that the Member is in compliance with the Rules (including in the case of Collateral Rule 8.1).
- 3.5 Any Collateral that does not conform to the requirements of this Clearing Procedure D will be ineligible at LME Clear. If any is received, it will be subject to a one hundred per cent (100%) Haircut and returned as soon as is practicable but subject to the provisos in Rule 8.7.2.
- 3.6 Collateral may be denominated in any Eligible Currency in accordance with the criteria specified in the Rules, including the Procedures and Annexes. Haircuts will be applied to Eligible Collateral on the basis determined by LME Clear from time to time (and as set out in Annex 2). In the event that Collateral is denominated in an Eligible Currency other than that of the liability which it secures a further Haircut will be applied in order to address the additional foreign exchange exposure.
- 3.7 **Cash Collateral**
- 3.8 The part of a Member's Cash Collateral held in a particular Eligible Currency may not at any time exceed the Collateral Limits, if any, set out in Annex 2 (*Eligible Currencies, Collateral and Haircuts*).
- 3.9 Cash Collateral will be collected through the Secure Payment System.
- 3.10 Members will be requested to satisfy all margin calls in cash in the currency required by LME Clear. Only an Eligible Currency set out in the Collateral Specifications may be used as Collateral for this purpose. Where LME Clear requires all Cash Collateral to be



## Clearing Procedure Part D

provided in a single Eligible Currency, it will specify the relevant currency in the Collateral Specifications.

- 3.11 LME Clear reserves the right to add or remove a currency as an Eligible Currency at any time and otherwise to amend or replace the Collateral Specifications at any time.
- 3.12 The exchange of Cash Collateral from one Eligible Currency to another Eligible Currency or from cash to non-cash Collateral (or vice versa) may be carried out only in accordance with the substitution procedure set out in Clearing Procedure D4.5 to 4.13 below.
- 3.13 **Securities Collateral**
- 3.14 All a Member's right, title and interest in and to any Securities Collateral (together with any accrued interest) provided by that Member shall be charged to LME Clear under the Security Documents.
- 3.15 Securities Collateral will be delivered by the Member either to LME Clear or to a depository institution approved by LME Clear (as listed in Annex 2 (*Eligible Currencies, Collateral and Haircuts*)) which will hold such Securities Collateral to the order of LME Clear. If such Securities Collateral consist of securities, the title to which is evidenced by entries in a register or account maintained by or on behalf of an intermediary, the Member will cause those securities to be credited to a securities account in the name of LME Clear (or the Custodian, Securities System Operator or nominee acting for LME Clear) at such intermediary and on such terms as LME Clear may require (consistent with the procedures applicable to securities accounts held with the relevant intermediary).
- 3.16 Securities Collateral will be valued, for collateral valuation purposes, on such basis and subject to such Haircuts or other adjustments, as may be determined by LME Clear from time to time. Securities Collateral may be denominated in an Eligible Currency other than that of the liability which it secures (in which case an appropriate Haircut will be applied).
- 3.17 Any dividend, interest or other income earned or paid on Securities Collateral which is received by LME Clear will be added to the Member's Collateral once received (and, where the Member maintains multiple accounts with LME Clear, will be allocated by LME Clear amongst the Account or Accounts in respect of which the relevant securities were delivered), unless the Member has defaulted in payment of any of its obligations to LME Clear, in which case LME Clear may first liquidate such securities and apply all or part of them, including any interest earned on them, as provided for in Rule 10 (*Default*).
- 3.18 **Gold Collateral**
- 3.19 All a Member's right, title and interest in and to any Gold Collateral provided by that Member shall be ~~charged~~[transferred](#) to LME Clear ~~under the Security Documents~~[in accordance with paragraph 3.20 below](#).
- 3.20 Gold Collateral may be provided only by means of credit to an Unallocated Gold Account in the name of LME Clear (or as it may direct) with the Gold Custodian in accordance with Annex 2 (*Eligible Currencies, Collateral and Haircuts*). [The Member shall have no proprietary interest in Precious Metal Collateral provided by it to LME Clear and agrees that such Precious Metal Collateral shall be repayable or returnable to the Member only at the times and in the amounts applicable under the Rules. Where Precious Metal is provided by the Member to LME Clear as an entitlement \(including unallocated Precious Metal on an Unallocated Account\), LME Clear may freely use and apply the amount so provided to it in acquiring actual Precious Metal \(including allocated Precious Metal\)](#)

## Clearing Procedure Part D

which LME Clear shall hold as legal and beneficial owner (free of any rights or interest of the Member or any third party). LME Clear may convert all or part of the credit balance on such account into allocated Gold to be held on such terms and for such period as it may direct. Only allocated Gold shall be Eligible Collateral and so unless and until LME Clear has converted such unallocated Gold into allocated Gold, and only for so long as LME Clear holds allocated Gold, shall such Gold count against the Member's Margin Requirement. When Gold Collateral becomes returnable in whole or part to the Member, the relevant amount will be credited to the Member's Unallocated Gold Account with such member of LPMCL as the Member shall direct. The crediting of the relevant amount to such account will be a good discharge of LME Clear's obligations for the return of such amount.

### 3.21 LME Warrant Collateral

- 3.22 A Member shall create security by way of pledge over all LME Warrant Collateral in favour of LME Clear in accordance with the terms of the Security Documents.
- 3.23 LME Warrant Collateral will be delivered by the Member to the LME Clear Pledged Account in LMEsword notified to it by LME Clear from time to time.
- 3.24 LME Warrant Collateral will be valued, for collateral valuation purposes, on such basis and subject to such Haircuts or other adjustments as may be determined by LME Clear from time to time. LME Warrants may only be accepted by LME Clear as Eligible Collateral if there are no outstanding rent payments at the time of the eligibility assessment and no Rent Date will occur in relation to such Warrants within five (5) Business Days of the eligibility assessment.

### 3.25 Security Documents

- 3.26 In order to secure all its obligations, liabilities and debt of any kind (present or future, actual or contingent) to LME Clear under the Rules or in relation to the operation of the Clearing System, each Applicant will, ~~prior to its admission as a Member and~~ where required by LME Clear, deliver to LME Clear (or as it may otherwise direct) one or more duly executed Security Documents in such terms as LME Clear may require. The Security Document(s) will include a perfected, first-ranking, fixed security interest (or the equivalent under the law of any jurisdiction outside England and Wales) over all Asset Cover (other than cash and Gold) provided by it to LME Clear (or its agents, Custodians or Securities System Operator) pursuant to the Rules.
- 3.27 The Security Documents (where required by LME Clear) will secure all obligations, liabilities and debt of the Member to LME Clear whether (in LME Clear's books of account) such transactions are recorded in a Client Account or House Account of the Member or otherwise.
- 3.28 Money received or realised by LME Clear on any enforcement of the Security Documents will, where LME Clear maintains in its books of account one or more Client Accounts and House Accounts for the relevant Member, be applied in the proportions and subject to the restrictions on the use of Client Collateral applicable under the Rules.
- 3.29 LME Clear may require a Member to grant a subordinated or other Security Interest (pursuant to documentation in a form specified by LME Clear) to its Clients over any rights of the Member in, and/or any rights of the Member to the return of, any Collateral provided by the Member which is recorded on a Client Account to facilitate LME Clear's

## Clearing Procedure Part D

observance of (i) Article 48(5) or (6) of the EMIR Level 1 Regulation and Rule 10.7 and (ii) Article 48(7) of the EMIR Level 1 Regulation and Rule 10.5.1(c).

#### 4. COLLATERAL MANAGEMENT

##### 4.1 General Information

Without prejudice to LME Clear's rights under Clearing Procedure C (*Valuation, Margining and Risk Management*):

- (a) LME Clear may determine what will be acceptable to it as Eligible Collateral and will also determine when any form of collateral will cease to be acceptable as Eligible Collateral;
- (b) LME Clear may determine the Haircuts to be applied to the valuations of Eligible Collateral and will also determine when such Haircuts will be subject to change (the list of Eligible Collateral and Haircuts is set out in Annex 2 (*Eligible Currencies, Collateral and Haircuts*));
- (c) LME Clear will only accept delivery of non-cash Collateral in accordance with these Clearing Procedures; and
- (d) LME Clear reserves the right to change the information required on instructions received via the LMEmercury GUI whenever LME Clear considers that it would be appropriate to do so.

##### 4.2 Collateral Settlement

- (a) All non-cash Collateral deposited with LME Clear will be subject to the application of fees and charges levied at the discretion of LME Clear.
- (b) It will only be possible for a Member to deposit with LME Clear non-cash Collateral after its acceptability has been agreed or verified through the LMEmercury GUI.
- (c) Non-cash Collateral transfers initiated through the LMEmercury GUI generate the appropriate straight-through processing ("**STP**") messages for the relevant LME Clear collateral agents. Members will need to instruct their own agents directly to avoid unmatched transactions; alternatively, Members may provide LME Clear with a Power of Attorney to address this requirement.
- (d) All transactions to lodge or withdraw securities from LME Clear will be executed as "free of payment".
- (e) All transactions to transfer LME Warrants in LMEsword to or from the LME Clear Pledged Account will be executed via an Ex-cleared Transfer Instruction.

##### 4.3 Additional Collateral Management Charge

- (a) Where a Member has deposited Eligible Collateral with LME Clear that exceeds the required Margin Requirement, or Excess Collateral has otherwise arisen as a consequence of changes to the Market Value of the deposited Eligible Collateral, LME Clear may request a Member to withdraw the Excess Collateral. (By way of example, but without limitation, this may occur where LME Clear may incur financial exposure or charges as a consequence of holding such Excess

## Clearing Procedure Part D

Collateral). If the Member is unable to comply with the request to remove the Excess Collateral, LME Clear may either:

- (i) in the case of cash, return an appropriate amount to the Member; or
- (ii) where it is able to do so, return the securities, Gold or LME Warrants to the Member; or
- (iii) levy an "Additional Collateral Management Charge" (or "**ACMC**") on the Member.

Where LME Clear attempts to return securities, Gold or LME Warrants to the Member pursuant to this Clearing Procedure D 4.3(a), the Member shall take any and all such actions as may be necessary to facilitate the relevant transfers including, in the case of LME Warrant Collateral, by executing any necessary Ex-Cleared Accept Instructions (as such term is defined in the LMEsword Regulations).

- (b) An ACMC will be charged from the date the Member was requested to remove the Excess Collateral until the date of its removal, and will be collected monthly in arrears by deduction from the Member's House Account.

#### 4.4 Insurance

It is the responsibility of a Member to maintain adequate insurance against such risks as it deems appropriate (or as may be required by LME Clear) in respect of all non-cash assets lodged as Collateral with LME Clear.

#### 4.5 Collateral Substitutions and Transfers

- 4.6 A substitution or transfer of Collateral is permitted only in accordance with Clearing Procedure D4.7(a) or D4.7(b) or with the prior written consent of LME Clear in each specific instance, provided that in each case the Member has given prior notice via the LMEmercury GUI (such notice being for the minimum period specified in Annex 2 (*Eligible Currencies, Collateral and Haircuts*)) to LME Clear of its request for such substitution or transfer and LME Clear is able to carry out such substitution or transfer. If a Member requests a substitution or transfer without giving such minimum prior notice, LME Clear may decline to effect such substitution or transfer until the end of the required notice period. LME Clear may impose such limits (either generally or in respect of a particular Member) as it may choose on the minimum and maximum amounts of any substitutions and transfers which may be carried out by a Member and on their frequency and may alter such limits from time to time.

- 4.7 A Member may from time to time request LME Clear to release Collateral provided by it:

- (a) after payment to LME Clear of Eligible Cash in substitution for the Collateral to be released (a "**Substitution of Cash**"); or
- (b) after transfer to LME Clear of Eligible Collateral (other than cash) in substitution for the Collateral to be released (a "**Substitution of Non-cash Assets**"); or
- (c) where the Collateral Value of such Collateral at the relevant time represents an excess in the Margin Requirement then applicable to the Member (an "**Excess Release**"),

## Clearing Procedure Part D

provided that in each case the amount to be substituted or withdrawn exceeds the *de minimis* levels specified in Annex 2 (*Eligible Currencies, Collateral and Haircuts*) for such purpose.

4.8 Each request for a Substitution of Cash, Substitution of Non-cash Assets or Excess Release will be acted upon only upon LME Clear being satisfied that:

- (a) the Collateral Value of the Eligible Collateral provided by the Member (both immediately prior to, and immediately after, giving effect to that release and applying the appropriate Haircut to the new Eligible Collateral) would be more than the Margin Requirement then applicable to the Member and such Eligible Collateral is not of a type which would breach any Collateral Limits (such as concentration limits) or any requirement for a minimum proportion and/or a minimum amount from time to time specified by LME Clear or, in the opinion of LME Clear, would create any additional risks (such as wrong way risk);
- (b) no Default Event has occurred and is continuing in relation to the Member; and
- (c) no circumstance referred to in Rule 2.4.1 or 2.4.4 has occurred and is continuing which may adversely affect the execution or pricing of such substitution.

4.9 If a Default Event has occurred and is continuing in relation to the Member, LME Clear will not release such Collateral unless and until otherwise expressly agreed by it.

4.10 In the case of a request to release Collateral in return for a Substitution of Cash, then where:

- (a) the Collateral transferred to LME Clear on that substitution is Eligible Cash;
- (b) the amount of Eligible Cash so transferred to LME Clear is such that its Market Value (less the appropriate Haircut) is not less than the Market Value (less the appropriate Haircut) of the Eligible Collateral being released on that substitution;
- (c) the requirements set out in Clearing Procedure D4.8 above are fulfilled;
- (d) LME Clear has consented to the Substitution of Cash (which may be conditional on the above requirements being fulfilled); and
- (e) the Substitution of Cash would not result in the breach of any applicable Collateral Limits,

LME Clear will promptly arrange for the release of that Eligible Collateral in accordance with its usual practice as specified in Clearing Procedure D4.16 below.

4.11 In the case of a request to release Collateral in return for a Substitution of Non-cash Assets, then where:

- (a) the Collateral transferred to LME Clear on that substitution is Eligible Collateral;
- (b) the amount of Eligible Collateral so transferred to LME Clear is such that its Market Value (less the appropriate Haircut) is not less than the Market Value (less the appropriate Haircut) of the Eligible Collateral being released on that substitution;
- (c) the requirements set out in Clearing Procedure D4.8 above are fulfilled; and

## Clearing Procedure Part D

- (d) LME Clear has consented to the Substitution of Non-cash Assets (which may be conditional on the above requirements being fulfilled); and
- (e) the Substitution of Non-cash Assets would not result in the breach of any applicable Collateral Limits,

LME Clear will promptly arrange for the release of that Eligible Collateral in accordance with its usual practice as specified in Clearing Procedure D4.16 below.

4.12 In the case of a request to release Collateral as part of an Excess Release, then where:

- (a) the requirements set out in Clearing Procedure D4.8 above have been fulfilled;
- (b) LME Clear has consented to the release (which may be conditional on the above requirements being fulfilled); and
- (c) the release of Collateral would not result in the breach of any applicable Collateral Limits,

LME Clear shall promptly arrange for the release of that Eligible Collateral in accordance with its usual practice as specified in Clearing Procedure D4.16 below.

4.13 Notwithstanding the foregoing provisions of this Clearing Procedure D, LME Clear shall have discretion whether to give or refuse its consent under Clearing Procedure D4.10 to 4.12 and, for this purpose, will run such series of limit and availability checks as it deems appropriate before deciding whether or not to release any Collateral.

#### 4.14 Collateral Timetable

4.15 The following Table specifies the timescales within which Members shall ensure that Collateral called by LME Clear is deposited with LME Clear. All times are London times.

| Placement   |   |  |
|---|---|--|
|   | Lodged by   | Member given value on  |
| Cash – o/n Call   | 09:00   | Day of receipt   |
| <a href="#">Cash lodge (EUR and GBP)</a>                      | <a href="#">09:00</a>   | <a href="#">Day of receipt</a>   |
| <a href="#">Cash lodge (USD)</a>                              | <a href="#">17:00</a>   | <a href="#">Day of receipt</a>   |
| Cash – intra-day Call   | Within one (1) hour of call   | Day of receipt   |
| Cash <a href="#">(EUR and GBP)</a> – substitution, post 09:00 | <del>The cut-off time for the relevant Central Securities Depository for the Financial Instrument that is to be substituted, as set out below</del> <a href="#">20:00</a> | <del>Day of receipt</del> <a href="#">One (1) Business Day after the request (exclusive of the day of the request)</a> |
| Financial Instruments   | Central Securities Depository cut-off time:   | Settlement   |

## Clearing Procedure Part D

|              |  |   |
|--------------|--|---|
|              | <ul style="list-style-type: none"> <li>- Euroclear Bank: 15:00</li> <li>- Euroclear UK &amp; Ireland: 12:00</li> <li>- Federal Reserve: 19:00</li> </ul> |   |
| Gold         | 14:00  | Upon allocation                             |
| LME Warrants | LMEsword: 12:30  | Day of receipt in LME Clear Pledged Account |

A Member must notify LME Clear in advance of its intention to deposit Cash Collateral in the form of Yen or renminbi not later than the following deadlines:

- (a) for Cash Collateral in the form of Yen, 09:12:00 hours London time on the Business Day prior to the day on which the Cash Collateral is to be lodged;
- (b) for Cash Collateral in the form of renminbi, 09:00 hours London time on the US Business Day that falls not less than two (2) US Business Days prior to the day (which must be a US Business Day) on which the Cash Collateral is to be lodged,

and such notification shall specify the amount of Yen or renminbi (as applicable) that the Member will deposit with LME Clear. Such notification shall be made in writing and delivered through such means as detailed in the Operations GUI User Guide, as amended from time to time.

- 4.16 The following Table specifies the timescales within which LME Clear will endeavour to release to a Member Collateral that the Member has requested (where LME Clear has agreed to release such Collateral in accordance with these Clearing Procedures). These timescales are indicative only and are not contractually binding on LME Clear, and are subject to the Collateral Limits specified in Annex 2 (Eligible Currencies, Collateral and Haircuts) (see Collateral Management / Acceptable Collateral / Documents). The withdrawal timelines also assume that sufficient Collateral is in place with LME Clear to meet the Member's Margin Requirement prior to release of the requested Collateral, and will remain sufficient following the release of the requested Collateral:

| Withdrawal   |           |  |
|--|-----------|--|
|  | Notice by | Assets released to member on   |
| Cash ( <del>other than CNH</del> EUR and GBP) – o/n                      | 09:00     | Day of the request   |
| Cash (USD)   | 14:30     | Day of the request   |
| Cash ( <del>other than CNH</del> EUR and GBP) – substitution, post 09:00 | 20:00     | One (1) Business Day after the request (exclusive of the day of the request) |



## Clearing Procedure Part D

|                       |  |   |
|-----------------------|--|---|
| CNH Cash -            | 09:30  | The US Business Day which is two (2) US Business Days after the request (exclusive of the day of the request) |
| Financial Instruments | Central Securities Depository cut-off time:<br>- Euroclear Bank:<br>14:00<br>- Euroclear UK & Ireland:<br>12:00<br>- Federal Reserve:<br>18:00 | Upon settlement   |
| Gold                  | 14:10:00   | Upon settlement   |
| LME Warrants          | LMEsword: 09:00  | Day of receipt of notice  |

## 4.17 Expiry, Payment of Rent and Withdrawals

- (a) Members will be required to withdraw non-cash Collateral prior to its expiry date.
- (b) In the case of LME Warrants, LME Clear will notify Members of the forthcoming occurrence of a Rent Date on the day falling five Business Days prior to such Rent Date. Members may be required to withdraw LME Warrants immediately upon request from LME Clear either at any time where such LME Warrants have unpaid rent outstanding or at any time on or after the day falling five (5) Business Days before the Rent Date.
- (c) The Haircut applied to non-cash Collateral will be amended to one hundred per cent (100%) within such period prior to its expiry as is specified in Annex 2 (*Eligible Currencies, Collateral and Haircuts*) or, in the case of LME Warrant Collateral, from and including the day falling three (3) Business Days prior to the due date for payment of rent.
- (d) In the case of a request to substitute, transfer or release LME Warrant Collateral the Haircut applied to the LME Warrants which are the subject of such substitution, transfer or release will be amended to one hundred per cent (100%) from the time that such request is received by LME Clear.

## 4.18 Interpretation of "take", "release" and "return" of Collateral

4.19 Where in the Rules LME Clear is stated to "take" any Collateral it shall mean the following:

- (a) in the case of any Cash Collateral, exercising a right of set-off against or deduction from that cash;
- (b) in the case of any Gold Collateral, disposing or otherwise liquidating that Gold;



## Clearing Procedure Part D

- (c) in the case of any Securities Collateral, disposing or otherwise liquidating those securities; and
- (d) in the case of any LME Warrant Collateral, disposing of or otherwise liquidating those LME Warrants,

and depending on the context, "take" shall also mean enforcing any security interest in the relevant Collateral or exercising any right or remedy provided for in any Security Document in relation to the relevant Collateral.

4.20 Where in the Rules LME Clear is stated to "return" or "release" any Collateral to the relevant Member it shall be taken to mean the following:

- (a) in the case of any Cash Collateral, paying a sum to that Member equal to that cash;
- (b) in the case of any Gold Collateral, transferring it into the name of that Member or otherwise returning it to that Member as contemplated by Clearing Procedure D 3.20;
- (c) in the case of any Securities Collateral, delivering to that Member securities equivalent to those securities; and
- (d) in the case of any LME Warrant Collateral, instructing an ex-cleared transfer from the relevant LME Clear Pledged Account to such account of the Member in LMEsword as is notified to LME Clear by the Member for such purposes.

#### 4.21 Return of Renminbi Collateral

- (a) Notwithstanding any other provision of Rule 8 (*Margin Requirement and Collateral*) or this Clearing Procedure D, LME Clear may postpone any return that is due to a Member of Cash Collateral denominated in renminbi if and to the extent that LME Clear has not received, or cannot deliver, the same into or from:
  - (i) its Settlement Account at its Approved Settlement Bank; or
  - (ii) its concentration bank account at its relevant Concentration Bank,
 due to renminbi not being, or ceasing to be, sufficiently liquid, exchangeable or transferable or otherwise being the subject of currency controls.
- (b) All payments in respect of Cash Collateral denominated in renminbi will be made solely by transfer to a renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. LME Clear cannot be required to make a payment by any other means (including in bank notes, by cheque or draft or by transfer to a bank account in the People's Republic of China).

#### 4.22 Renminbi Collateral Delivery

Once a Member has notified LME Clear of its intention to lodge or withdraw renminbi Cash Collateral, the Member has an obligation to make such lodgement or withdrawal and will be liable for the reasonable costs and expenses of LME Clear in making arrangements for such lodgement or withdrawal should the Member wish to cancel, with LME Clear's agreement, such lodgement or withdrawal for any reason.

## Clearing Procedure Part D

### 5. COVER DISTRIBUTION

5.1 **"Cover Distribution Process"** is the name given to the process operated by LME Clear at End of Day on each Business Day in order to calculate the amount of any net Cash Settlements between LME Clear and Members to be processed on the following Business Day. This includes both the Payment Obligations in respect of settled Contracts and the payment of Collateral in satisfaction of Margin Requirements.

5.2 The Cover Distribution Process involves the following steps, which shall be taken separately in relation to each Account:

- (a) Step 1: determine Payment Obligations and calculate Available Cash;
- (b) Step 2: calculate End of Day Margin Requirement;
- (c) Step 3: calculate Available Non-cash Collateral;
- (d) Step 4: calculate Available Cash Collateral;
- (e) Step 5: calculate Minimum Cash Requirement;
- (f) Step 6: determine Cash Settlement payable to or from Member (the Cover Distribution Process calculation).

5.3 These steps are explained in the following paragraphs below.

#### 5.4 **Step 1: Determine Payment Obligations and calculate Available Cash**

5.5 LME Clear shall calculate:

- (a) the amount of cash it holds at End of Day;
- (b) the Payment Obligations, in each currency, and other Cash Settlements that are known to LME Clear to be due to be made on the following Business Day; and
- (c) (for payments in a Forward Dated Currency) the Payment Obligations and other Cash Settlements that are known to LME Clear to be due to be made on the Business Day following the next Business Day,

in order to determine the balance of cash remaining, in each relevant currency, net of such Payment Obligations and other known Cash Settlements (such net balance being the **"Available Cash"**).

5.6 For the avoidance of doubt, Payment Obligations include any Fees and other charges payable by the Member, together with those Payment Obligations specified in the table of Cash Settlements set out in Clearing Procedure E 3.3. For the avoidance of doubt, cash held as Default Fund Contributions and any Cash Settlements relating to Default Fund Contributions shall not be included in the calculation in Clearing Procedure D 5.5 above and shall be dealt with as separate Cash Settlements.

#### 5.7 **Separate Process: Delivery Position Settlements for Sellers**

5.8 In order to manage physical delivery risk, LME Clear will only pay Sellers for their physical delivery of any Underlying Assets after the relevant Underlying Asset has been received by LME Clear. Consequently, LME Clear shall effect a Cash Settlement in satisfaction of LME Clear's Payment Obligation separately from any other Cash Settlements calculated

## Clearing Procedure Part D

and settled under the Cover Distribution Process described under this Clearing Procedure D5.

### 5.9 Step 2: Calculation of End of Day Margin Requirement

5.10 LME Clear shall calculate, in respect of each Account, the following values:

- (a) the Initial Margin Requirement (IM) (*which shall always be a negative value*);
- (b) the Discounted Contingent Variation Margin (DCVM) (*which may be a positive or a negative value*);
- (c) the Net Liquidation Value (NLV) (*which may be a positive or a negative value*); and
- (d) any additional margin determined in accordance with Clearing Procedure C5 (AM) (*which shall always be a negative value*).

For the avoidance of doubt, when making such calculations for a Gross Omnibus Segregated Client Account, the values to be applied in (a) to (d) above shall be the aggregated values for each such Account (comprising the values for all Allocation IDs, together with any values applicable to any Positions without Allocation IDs), as specified by Clearing Procedure C:2.3(b).

5.11 The sum of IM + DCVM + NLV + AM shall be the total End of Day Margin Requirement for the Account. Such End of Day Margin Requirement shall be determined in the Base Currency (USD), unless otherwise specified by LME Clear.

5.12 In the event that the End of Day Margin Requirement is a positive number, there shall be no liability to be offset and, due to the contingent nature of DCVM and NLV, the End of Day Margin Requirement to be included in the Cover Distribution Process shall be zero.

### 5.13 Step 3: Calculation of Available Non-cash Collateral

5.14 The "Available Non-cash Collateral" shall be calculated in respect of each Account on the basis that:

- (a) non-cash Collateral held in respect of the Account shall be valued using the End of Day Price Set in order to identify a current value (after any applicable Haircut) for each asset comprised within such Collateral;
- (b) any non-cash Collateral that is still held by LME Clear but which has been flagged by the Member for withdrawal or substitution on the following Business Day or on the Business Day thereafter (in accordance with Clearing Procedure D4) and any expired non-cash Collateral or Collateral to be withdrawn in accordance with the Clearing Procedure D4.17 shall not be considered to be Available Non-cash Collateral and shall be excluded from the Cover Distribution Process;
- (c) LME Clear shall treat as available only the non-cash Collateral that is within any applicable Collateral Limits;
- (d) LME Warrants will only be considered to be Available Non-cash Collateral if, at least three (3) Business Days prior to any Rent Date in respect of such LME Warrants, all amounts in respect of rent relating to such LME Warrants (including

## Clearing Procedure Part D

any amounts due on the applicable Rent Date) have been unconditionally paid in full;

- (e) LME Warrants will only be considered to be Available Non-cash Collateral in respect of liabilities under Open Contracts outstanding between a Member and LME Clear which relate to the same metal as that underlying such LME Warrants; and
- (f) Rule 10.7.11 and Default Procedure Part D 2.12 shall apply.

### 5.15 **Step 4: Calculation of Available Cash Collateral**

5.16 LME Clear shall then determine what proportion and/or amount of the Available Cash can be treated as Cash Collateral.

5.17 When making such determination, LME Clear shall have regard to the fact that:

- (a) a Member may have specified, in respect of any Account, that Cash Collateral will only be provided in US Dollars in which case, LME Clear will exclude any other currency credit balances from the Cash Collateral calculation;
- (b) any Cash Settlement in respect of such 'excluded' currencies shall be settled through the Secure Payment System independently of the Cover Distribution Process. For the avoidance of doubt, Members will be called for, and must settle, all Payment Obligations in the relevant currency and are not permitted to have any debit balances with LME Clear; and
- (c) LME Clear shall treat as available only the Cash Collateral that is within any applicable Collateral Limits.

(In the event of a currency holiday for the currency in which the debit balance occurs or which settlement in that currency on the following Business Day is not possible, LME Clear may request cover in an alternative currency.)

5.18 The Available Cash in each currency (as calculated under Step 1 and after any applicable Haircut) shall then be validated against the account criteria set by the Member to determine what should be included within the Cover Distribution Process calculation. Available Cash that is included in the Cover Distribution Process calculation is considered to be "**Available Cash Collateral**".

### 5.19 **Step 5: Calculate Minimum Cash Requirement**

5.20 For liquidity management purposes LME Clear imposes a "**Minimum Cash Requirement**" that is applicable to each Account maintained by the Member with LME Clear. This requires that for every Account a minimum proportion and/or minimum amount of the End of Day Margin Requirement shall be covered by cash.

5.21 The Minimum Cash Requirement is expressed as a percentage and/or an amount which is defined in Annex 2 (*Eligible Currencies, Collateral and Haircuts*).

### 5.22 **Step 6: Cover Distribution Calculation**

5.23 Available Cash Collateral and Available Non-cash Collateral are then applied against the End of Day Margin Requirement according to the following rules:

## Clearing Procedure Part D

- (a) Subject to Clearing Procedure Part D5.24 below, Available Non-cash Collateral shall be used before Available Cash Collateral, regardless of Haircut or currency.
- (b) Within Available Non-cash Collateral, apply LME Warrant Collateral in priority to other Available Non-cash Collateral in respect of liabilities under Open Contracts relating to metal of the same type as that underlying the applicable LME Warrant Collateral, and otherwise apply assets (other than LME Warrant Collateral) with the lowest combined Haircut in priority to those with higher Haircuts. LME Warrant Collateral shall not be applied other than as set out in this paragraph (b).
- (c) Where any Gold Collateral and any instruments comprising Securities Collateral have the same Haircut, LME Clear shall use the Gold Collateral in priority to the Securities Collateral.
- (d) Where different instruments comprising Securities Collateral have the same Haircut, LME Clear shall:
  - (i) use same-currency assets before cross-currency assets; and
  - (ii) use assets with the shortest tenor first (for example, a five (5) year bond before a 10 year bond).
- (e) Within Available Cash Collateral, where the option to use other currencies in addition to the Base Currency (USD) for cover purposes has been taken, LME Clear shall apply any RMB first, then apply assets with the lowest combined Haircut in priority to those with higher Haircuts, then apply Base Currency (USD) cash.
- (f) The cash balance for each currency on the Account shall not be permitted to be in debit. The Cover Distribution Process therefore calculates three amounts in respect of each Account:
  - (i) the cash amount for each currency required to bring the cash balance on the Account back into credit or to a zero balance;
  - (ii) the cash amount required to ensure that sufficient Collateral is available and within applicable Collateral Limits (including bringing the cash balance on the Account back into credit or to a zero balance); and
  - (iii) the cash amount required to ensure that the Minimum Cash Requirement is available and within applicable Collateral Limits.
- (g) If the Cover Distribution Process calculates that a cash amount shall be payable by the Member under (f) above, for each currency, the cash call made for the Account through the Secure Payment System shall be determined as the largest of these three numbers and shall be discharged as a Cash Settlement.
- (h) If the Cover Distribution Process calculates that the Margin Requirements are covered and the cash balance on the Account is in credit and is greater than the Minimum Cash Requirement and within applicable Collateral Limits, the Member may:
  - (i) leave the excess cash with LME Clear, or
  - (ii) make an individual request for the return of any excess cash, or

## Clearing Procedure Part D

- (iii) have such excess cash, to the extent that it is in excess of any applicable balance agreed between the Member and LME Clear from time to time, auto-repaid by LME Clear (where such option has been selected by the Member as part of the set-up profile for that Account),

subject in each case to LME Clear's rights under the Rules, including in particular but without limitation any rights to limit or delay repayment of any Excess Collateral under Rule 8 (*Margin Requirement and Collateral*) or Clearing Procedure D4, and provided that any withdrawal would not result in a breach of the Rules including in relation to Collateral Limits.

- 5.24 Where LME Clear imposes a Minimum Cash Requirement applicable to each Account maintained by a Member with LME Clear, then Available Cash Collateral shall be used before Available Non-Cash Collateral for the purposes of the Cover Distribution Calculation, but only up to the amount of the Minimum Cash Requirement.

**5.25 Excess Cash Auto-repay**

A Member may nominate, in respect of an Account, that any cash balance calculated as being held by LME Clear in excess of its Cash Settlement obligations and Margin Requirements, after application of the Cover Distribution Process and above a level that can be specified by the Member, should be automatically returned to the Member's Settlement Account at the relevant Approved Settlement Bank on the next Business Day or (where the cash balance on the relevant Account is in a Forward Dated Currency) on the Business Day following the next Business Day. Notwithstanding that such option may have been selected by the Member in respect of any Account, LME Clear shall still be entitled to exercise its rights under Clearing Procedure D4 to refuse, delay or impose conditions on any such Excess Release.

**5.26 De minimis Limit for Cash Movements**

LME Clear may apply a *de minimis* limit to cash movements and will not call for or make Cash Settlements for amounts that are below this limit. This limit is defined in Annex 2 (*Eligible Currencies, Collateral and Haircuts*).

**5.27 Currency Centre Opening and Bank Holidays**

- (a) Cash Settlement in any currency shall be made on those Business Days that are days on which cash payments may be facilitated in the country of issue of that currency, unless LME Clear determines that such payments can be made by alternative means on any day on which such country of issue is not capable of facilitating such payments.
- (b) In the event that a Member is due to make a Cash Settlement in a currency on a Business Day which is a bank holiday or a public holiday in the country of issue of that currency, LME Clear may require that the Cash Settlement be made in an alternative currency (in accordance with Rule 2.17 (*Currency Conversion*)) and shall apply the Cover Distribution Process on the basis that the relevant Cash Settlement is to be made in that alternative currency.
- (c) Cash Settlement in renminbi (CNH) shall be made on a US Business Day, in accordance with the timescales for settlements of Cash Collateral (CNH) set out in Clearing Procedures D4.15 and D4.16, as applicable.

## Clearing Procedure Part D

### 5.28 Intra-Day Cover Distribution Process

An intra-day cover distribution run will also take place each Business Day at 14:00 hours which, where relevant, will follow the processes as described in Steps 1 to 6 above, with the exception that any excess cash balances will not be available for repayment. Non-cash Collateral that is held in excess of the Member's Margin Requirement subsequent to this process will be available for same day withdrawal, provided that the cut-off times set out at Clearing Procedure D 4.16 shall continue to be observed.



## Clearing Procedure Part E

**PART E – SECURE PAYMENT SYSTEM AND CASH SETTLEMENTS****1. INTRODUCTION**

This Part E of the Clearing Procedures specifies the Clearing Procedures applicable to:

- (a) the operation of the Secure Payment System (**Clearing Procedure E2**); and
- (b) Cash Settlements (**Clearing Procedure E3**).

**2. SECURE PAYMENT SYSTEM**

2.1 LME Clear operates a direct debit system for the transfer of cash to and from the Settlement Accounts of Members held at Approved Settlement Banks. This system is called the Secure Payment System.

2.2 Each Member shall establish and maintain with one or more Approved Settlement Banks one or more Settlement Accounts capable of holding and making to LME Clear Cash Settlements in:

- (a) the Eligible Currencies for any Asset Cover payable by the Member to LME Clear;
- (b) the Settlement Currencies for any Eligible Product for which the Member effects or clears Transactions; and
- (c) any other Currency in which the Member may be required to make (or receive) Cash Payments to (or from) LME Clear.

Different Approved Settlement Banks may be used for different currencies. A Member may not maintain more than one Approved Settlement Bank in respect of payments to be made in respect of any single Account in a single currency.

2.3 Members shall maintain their Settlement Accounts with institutions that are able to meet the payment deadlines determined by LME Clear from time to time. Failure of an Approved Settlement Bank to confirm a payment within the relevant payment deadlines specified by LME Clear may result in the Member being declared in Default.

2.4 LME Clear may issue Settlement Instructions in respect of Cash Settlements or in respect of a Member to the Member's Approved Settlement Bank in accordance with the operation of the Secure Payment System. Each Member shall ensure that its Approved Settlement Bank shall act on:

- (a) Settlement Instructions calling for payment to LME Clear by debiting from the Member's Settlement Account the required cash amount and irrevocably crediting such cash amount to LME Clear's Settlement Account at the Approved Settlement Bank; or
- (b) Settlement Instructions calling for receipt of payment from LME Clear by irrevocably crediting the Member's Settlement Account with the required cash amount.

2.5 A Member's obligation to make any Cash Settlement shall not be treated as discharged until the full amount of the cash payment, in the correct currency, is received and credited to LME Clear's concentration bank account at the Concentration Bank nominated by LME



## Clearing Procedure Part E

Clear to receive the payment. LME Clear's obligation to make any Cash Settlement shall be treated as discharged when the full amount of the cash payment, in the correct currency, is debited from LME Clear's concentration bank account at the relevant Concentration Bank.

- 2.6 LME Clear shall be responsible for issuing instructions to each Approved Settlement Bank to transfer cash amounts in the discharge of Cash Settlements from LME Clear's Settlement Account at the Approved Settlement Bank. Notwithstanding the foregoing, LME Clear shall have no liability to any member for any failure by an Approved Settlement Bank to act on LME Clear's instructions.
- 2.7 In the event that one or more Members do not receive a payment due to it as a consequence of the insolvency of its Approved Settlement Bank, LME Clear shall, if LME Clear makes a recovery from the estate of the Approved Settlement Bank, credit such recovery, net of LME Clear's costs, to the Members affected by such insolvency, in proportion to the respective amounts of the payments that such Members did not receive.
- 2.8 It is the responsibility of the Member to have sufficient funds or other arrangements in place with their Approved Settlement Bank(s) to ensure that calls by LME Clear for funds are met promptly.
- 2.9 Members shall complete and maintain in effect at all times SPS Mandate Forms for each Approved Settlement Bank at which they wish to operate a Settlement Account. These forms shall either be in the form available on the Website or (where no such form is available) in the form provided by each Approved Settlement Bank. Each Member shall ensure that copies of the completed SPS Mandate Forms, put in place with each Approved Settlement Bank, shall also be provided to LME Clear prior to the Member's commencing settlement operations using that Approved Settlement Bank. The Member shall notify LME Clear immediately if any SPS Mandate Form ceases to apply in respect of any Settlement Account maintained by the Member with an Approved Settlement Bank.
- 2.10 **SPS Payment Deadlines**
- 2.11 Members shall, and shall ensure that their Approved Settlement Banks, comply with the deadlines set out below. All times are London times.

| Deadline  | Required Action  |
|---|--|
| <b><i>End of Day Margin Requirement – margin call</i></b> |  |
| 09:00hrs  | Final confirmation required from Member's Approved Settlement Bank that any cash Collateral in respect of the End of Day Margin Requirement has been paid.   |
| <b><i>Intra-Day Margin Requirement – margin call</i></b>  |  |
| Between: 07:30hrs & <del>24</del> 20:00hrs                | Member's Approved Settlement Bank is required to confirm within sixty (60) minutes of LME Clear issuing an instruction to pay cash Collateral in respect of an Intra-Day Margin Requirement that such cash has been paid for value on the same Business Day. |

## Clearing Procedure Part E

- 2.12 The times by which Cash Settlement in different currencies shall be completed shall be as specified in the file ~~set out~~[that can be accessed by logging in](#) at the following link:

<http://lme.com/-/media/Files/LME%20Clear/LME%20Clear%20DSS%20BAU%20v1%209.pdf>

<https://www.lme.com/LME-Clear/Technology#tabIndex=1>

### 2.13 Non-UK Bank Holidays

The Member's payments to or from its Approved Settlement Bank shall be received within the deadlines set out in Clearing Procedure E2.11 (*SPS Payment Deadlines*). The Member's payments to or from its Approved Settlement Bank shall be issued:

- (a) for a valid value date for the corresponding currency only; and
- (b) for execution on said value date only.

LME Clear shall require payments to be made, for value, on Business Days that are also days on which the relevant institutions in the country of issue of the relevant currency are able to facilitate such payment. Where a call for a currency is issued for a value date that is or subsequently becomes a bank holiday or public holiday in the country of issue of that currency and such payment cannot consequently be made on that value date (for example, in the event of the declaration of a bank holiday at short notice), LME Clear reserves the right to require such payment to be made in an alternative currency (in accordance with Rule 2.17 (*Currency Conversion*) and Clearing Procedure D).

### 2.14 Contingency Payment Arrangements

Each Member shall maintain appropriate contingency arrangements for the payment to LME Clear of Cash Settlements in the event that the Approved Settlement Bank appointed by the Member is unable for any reason to facilitate Cash Settlements in accordance with LME Clear's Settlement Instructions. Each Member shall notify LME Clear in writing of the contingency arrangements it maintains in accordance with this provision and shall ensure that LME Clear is notified of any change to such arrangements. The Member is responsible for ensuring that all Cash Settlements are discharged by or on its behalf by the times specified in the Clearing Procedures.

## 3. CASH SETTLEMENTS

- 3.1 All Cash Settlements in respect of Payment Obligations shall be calculated and settled in the currency of the relevant Contract, with the exception of LME Warrant Delivery Adjustments for Rent and Weight. LME Warrant Delivery Adjustments for Rent and Weight shall be settled in the Base Currency (USD).
- 3.2 There shall be no cross-currency netting of Cash Settlements.
- 3.3 **Cash Settlement Summary**
- 3.4 Each Cash Settlement specified in the table below shall be recorded against the relevant Account of the Member maintained in the books and records of LME Clear in accordance with Rule 4 (*Accounts*).

| Cash Settlement Type | Description |
|----------------------|-------------|
|----------------------|-------------|

## Clearing Procedure Part E

|  |   |
|--|---|
| Cash Contingent Variation Margin – Settlement to Market (inclusive Price Alignment Interest)                       | Debited from or credited to the relevant Account in the Settlement Currency on a daily basis.   |
| Realised Variation Margin – Settlement to Market   | Debited from or credited to the relevant Account in the Settlement Currency on a daily basis.   |
| Option Premium   | <p>Either:</p> <p>(a) debited from the relevant Account (where the Member is the Buyer); or</p> <p>(b) credited to the relevant Account (where the Member is the Seller),</p> <p>in each case on the due date (as defined for the Eligible Product).</p>  |
| Position Expiry – Exchange Traded Futures (LMEminis & LME Index)   | On expiry of the Instrument a final Settlement to Market net cash posting is calculated for each Account as the difference between the Settlement Price and the Closing Price for the open Position.  |
| Position Expiry – Exchange Traded Monthly Average Futures  | On expiry of the Instrument a net profit or loss Cash Settlement for the Prompt Date is calculated for each Account as the difference between the Monthly Average Settlement Price (MASP), and the traded price of the Open Contract.   |
| Position Expiry – Exchange Traded Forwards, LMEprecious Futures & OTC Bullion Forwards                             | On expiry of the Instrument a net profit or loss Cash Settlement for the Prompt Date is calculated for each Account as the difference between the Settlement Price and the traded price of the Open Contracts.  |
| Cash Settlement for Final Delivery Position - Exchange Traded Forwards, LMEprecious Futures & OTC Bullion Forwards | <p>The procedures for Cash Settlements arising from Delivery Positions are documented in either:</p> <p>(a) The LME Warrant Delivery Procedure for LME Exchange Traded Forwards (See Clearing Procedure F2); or</p> <p>(b) The LMEprecious Future Delivery Procedure for LMEprecious Futures (See Clearing Procedure F3); or</p> <p>(c) The OTC Bullion Delivery Procedure for OTC Bullion Forwards. (See Clearing Procedure F4).</p> |

## Clearing Procedure Part E

|   |  |
|---|--|
| Delivery Adjustments for Rent and Weight<br>Cash - Exchange Traded Forwards | The procedures for Cash Settlements arising from Delivery Adjustments for Rent and Weight Differences are documented in:<br><br>The LME Warrant Delivery Procedure for LME Exchange Traded Forwards. <b>(See Clearing Procedure F2).</b> |
|---|--|

- 3.5 Each Business Day, the net Cash Settlements calculated as falling due on the next Business Day in respect of each Account, pursuant to the table above shall be calculated by LME Clear.
- 3.6 The total net Cash Settlement amounts for each currency due to LME Clear from the Member are debited in the relevant currency to each Member's Settlement Account via the Secure Payment System on the due date subject to, and in accordance with, the daily Cover Distribution Process.
- 3.7 The total net Cash Settlement amounts for each currency arising as due to the Member from LME Clear are credited in the relevant currency to each Member's Settlement Account via the Secure Payment System on the due date subject to, and in accordance with, of the daily Cover Distribution Process.

## Clearing Procedure Part F

### PART F – PHYSICAL DELIVERY

#### 1. INTRODUCTION

This Part F of the Clearing Procedures specifies the Clearing Procedures applicable to:

- (a) the procedures for the discharge of Delivery Obligations in respect of Contracts for LME Warrants (**Clearing Procedure F2**); and
- (b) the procedures for the discharge of Delivery Obligations in respect of Contracts for LMEprecious Futures (**Clearing Procedure F3**).
- (c) the procedures for the discharge of Delivery Obligations in respect of Contracts for OTC Bullion Products (**Clearing Procedure F4**).

#### 2. LME WARRANT DELIVERY PROCEDURES

##### 2.1 Interaction with LME Rules for LMEsword

- (a) LMEsword is the Approved Delivery Facility for Contracts in LME Warrants.
- (b) A Member may not submit to LME Clear any Transaction in respect of LME Warrants unless it has first set-up the appropriate number and type of "Member Accounts" in LMEsword (referred to in this Clearing Procedure F2 as the "**Member LMEsword Clearing Account**"). This shall include establishing such number of Member LMEsword Clearing Accounts designated as "house" or "client" as shall be necessary to ensure that the LME Warrants can be delivered appropriately. As a minimum, each Member must establish a Member House LMEsword Clearing Account. Each Member that is a General Clearing Member must establish a Member Client LMEsword Clearing Account.
- (c) LME Clear maintains one or more accounts for the collection and delivery of LME Warrants at LMEsword (referred to in this Clearing Procedure F2 as the "**LME Clear LMEsword Clearing Account**").
- (d) LME Warrant deliveries are effected through LMEsword in accordance with the LME Rules. The LME Rules contain specific procedures applicable to the operation of LMEsword.
- (e) For the purpose of this Clearing Procedure F:
  - (i) "**LMEsword**" means the system defined under the LME Rules as the "LMEsword System";
  - (ii) "**LMEsword Regulations**" and "**LMEsword Operating Procedures**" shall have the definitions set out in the LME Rules;
  - (iii) "**LME Warrants**" are "Warrants" within the meaning of the LME Rules; and
  - (iv) "**LME Premium Warrants**" are LME Warrants that are allocable to a specific geographical region, as further described in the LME Rules.
- (f) Consequently, this Clearing Procedure F2 shall be read in conjunction with the LME Rules and the LMEsword Regulations and Operating Procedures. LME Clear and the Member shall therefore comply with the LME Rules and the LMEsword

## Clearing Procedure Part F

Regulations and Operating Procedures in relation to the performance of their respective Delivery Obligations under Contracts in LME Warrants.

- (g) In the event of any conflict between this Clearing Procedure F2 and the LME Rules, the LME Rules shall prevail.

### 2.2 Instructions for Settlement of Delivery Positions

The Delivery Positions established in respect of each Account maintained by the Member with LME Clear shall be settled on the Prompt Date. This means that, on the Prompt Date:

- (a) the Payment Obligation and the Delivery Obligation comprising the Delivery Position in respect of Contracts to be settled on that date, shall be fulfilled by LME Clear and the Member respectively;
- (b) Members who are Sellers under Contracts for LME Warrants (and who therefore have the Delivery Obligation) shall issue a Warrant Transfer Instruction to LME Clear via LMEsword on which the Delivery Position for LME Warrants indicates that the Member is to perform the Delivery Obligation;
- (c) Members who are Buyers under Contracts for LME Warrants (and who therefore have the Payment Obligation) shall receive from LME Clear a Warrant Transfer Instruction via LMEsword on which the Delivery Position for LME Warrants indicates that LME Clear is to perform the Delivery Obligation; and
- (d) in respect of LME Aluminium Premium Contracts:
  - (i) Members who are Buyers (and who therefore have an LME Premium Warrant Payment Obligation) shall issue a Warrant Transfer Instruction to LME Clear via LMEsword which indicates that the Member is to perform the LME Premium Warrant Payment Obligation; and
  - (ii) Members who are Sellers shall receive from LME Clear a Warrant Transfer Instruction via LMEsword which indicates that LME Clear is to perform the LME Premium Warrant Payment Obligation.

### 2.3 Final Delivery Position and Warrant Movements

Where:

- (a) Delivery Positions for the same Prompt Date exist on an Account in respect of the same Underlying Asset, but for different Settlement Currencies;  
then
- (b) a Final Delivery Position in respect of that Underlying Asset on the Account shall be calculated by LME Clear by applying the calculation set out in Clearing Procedure B7.3 in order to determine the net of the Purchase Positions and Sale Positions for the Underlying Asset across currencies on that Account;  
then
- (c) the Warrant Movements for the Member in respect of that Underlying Asset shall be calculated by LME Clear by applying the calculation set out in Clearing Procedure B7.4 in order to determine the Warrant Movements required to settle

## Clearing Procedure Part F

the Final Delivery Positions through LMEsword between LME Clear and the Member.

The Warrant Movements shall be the number of LME Warrants deliverable through LMEsword by whichever of LME Clear or the Member has the Delivery Obligation.

For the avoidance of doubt, LME Clear and the Member shall also be subject to additional obligations to deliver LME Warrants pursuant to LME Premium Warrant Payment Obligations in respect of any LME Aluminium Premium Contracts for which they are, respectively, the Buyer.

For the further avoidance of doubt, Delivery Positions, Final Delivery Positions and Warrant Movements in respect of Gross Omnibus Segregated Client Accounts shall be determined on an Account-level basis, and shall not be determined separately for each Allocation ID. It shall be the sole responsibility of the Member to manage the allocation of Warrant Movements to each entity identified by an Allocation ID.

### 2.4 LME Clear LMEsword Clearing Account

LME Warrants transferred:

- (a) from a Member (as Seller) to LME Clear; and
- (b) from LME Clear to a Member (as Buyer),

will be made to or from (as applicable) the LME Clear LMEsword Clearing Account. The allocation of LME Warrants to Members (as Buyers) will be performed whilst the LME Warrants are held in this account.

### 2.5 Member LMEsword Clearing Account

#### 2.6 LME Warrants allocated to:

- (a) a Member (as Buyer) in fulfilment of Delivery Obligations of LME Clear; or
- (b) a Member (as Seller) in fulfilment of LME Premium Warrant Payment Obligations of LME,

will be transferred:

- (i) from the LME Clear LMEsword Clearing Account; and
- (ii) to the Member LMEsword Clearing Account to which the Warrant Movement or LME Premium Warrant Payment Obligation (as applicable) relates. For the avoidance of doubt:
  - (1) the LME Warrants that discharge a net Purchase Position on the Member's House Accounts will be transferred to the Member House LMEsword Clearing Account; and
  - (2) the LME Warrants that discharge a gross Purchase Position on the Member Client Accounts will be transferred to the Member Client LMEsword Clearing Account.

## Clearing Procedure Part F

### 2.7 LMEsword - Notification of Delivery Commitments and Entitlements

- (a) Members with Delivery Positions will be notified of the Warrant Movements required to settle their Delivery Obligations, via LMEsword, for the relevant Prompt Date.
- (b) Members with LME Premium Warrant Payment Obligations will be notified of such, via LMEsword, for the relevant Prompt Date.

### 2.8 LME Warrant Collection

- (a) LME Clear will, via LMEsword, automatically initiate a LME Warrant collection process at the delivery deadline (11:00 hours). All LME Warrants nominated in a Warrant Transfer Instruction issued by the Member (as Seller) will be transferred from the relevant Member LMEsword Clearing Account to the LME Clear LMEsword Clearing Account.
- (b) The Member (as Seller) will receive a separate notification, via LMEsword, in respect of each Underlying Asset, informing them that the LME Warrant collection process has been executed. This shall also apply where the Member is a Buyer with an LME Premium Warrant Payment Obligation.

### 2.9 LME Warrant Allocation and Delivery

- (a) LME Clear will initiate the LME Warrant allocation and delivery process.
- (b) The LME Warrants held in the LME Clear LMEsword Clearing Account will be sorted and allocated in accordance with the "LMEsword Warrant Allocation Method" (as documented in the LMEsword Operating Procedures).
- (c) The LME Warrants allocated to a Member (as Buyer) will be transferred from the LME Clear LMEsword Clearing Account to the relevant Member LMEsword Clearing Account as described in Clearing Procedure F2.6(b).
- (d) The Member (as Buyer) will receive a separate notification, via LMEsword, in respect of each Underlying Asset, informing them that the transfer of LME Warrants has been executed.
- (e) Clearing Procedures F2.2.9(c) and (d) above shall also apply to a Member (as Seller) in respect of any LME Premium Warrant Payment Obligation under which the Member is due to receive LME Warrants.

### 2.10 Clearing System Reports

- (a) LME Clear shall make available certain Reports relating to deliveries of LME Warrants via the Website.
- (b) Details regarding the nature and content of these Reports are set out in Annex 4 (*List of Available Reports*).

### 2.11 LMEsword Reports

The following reports can be accessed by Members via LMEsword:

- (a) Warrant Collection Adjustment Invoice



## Clearing Procedure Part F

This report lists the LME Warrants collected by LME Clear from the Member (as Seller) and displays to the Member the rent and weight adjustment due on those LME Warrants. A separate report is produced for each Warrant Movement and for each LME Premium Warrant Payment Obligation.

## (b) Warrants Allocation Adjustment Invoice

This report lists the LME Warrants allocated by LME Clear to the Member (as Buyer) and displays to the Member the rent and weight adjustment due on those LME Warrants. A separate report is produced for each Warrant Movement and for each LME Premium Warrant Payment Obligation.

## 2.12 Invoice and Account Sales Calculation

LME Clear calculates the amounts due to the Member (as Seller) or payable by the Member (as Buyer) against the net Open Contracts in the relevant Eligible Product and Settlement Currency. The calculation is as follows:

$$\text{Amount} = \text{Contract weight} \times \text{Settlement Price} \times \text{lots.}$$

where:

- (i) the Settlement Price is in the Settlement Currency of the open Position (JPY, EUR, USD, GBP) and is set in accordance with LME Rules (specifically the "Trading Regulations");
- (ii) the Contract weight is determined in accordance with the LME Rules (specifically the "Special Contract Rules for Metals").

**Invoice and Account Sales Calculation – Example:**

Using the above formula where:

|                            |   |                 |
|----------------------------|---|-----------------|
| Contract weight            | = | 25 Tonnes       |
| Settlement Price           | = | USD 1,500.00    |
| Delivery Position in Lots  | = | 10              |
| Total Invoice/Account Sale | = | 25 x 1,500 x 10 |
| Value                      | = | USD 375,000.00  |

The total invoicing amount is shown on relevant Reports made available by LME Clear each of which may be accessed via the Website.

## 2.13 Payment of Invoice and Account Sales

- (a) The Payments Obligations of each Member (as Buyer) on each Business Day are posted to the debit of the relevant Account of the Member as part of the previous Business Day's End of Day Cover Distribution process (in accordance with Clearing Procedure D5). Notwithstanding the foregoing, Payment Obligations that are to be discharged by payments in Japanese Yen shall be posted to the debit of

## Clearing Procedure Part F

the relevant Account in accordance with the End of Day Cover Distribution process applicable to Japanese Yen.

- (b) Following the receipt of LME Warrants from Members (as Sellers), LME Clear makes the Settlement Payment to the Member's Settlement Account at an Approved Settlement Bank, via the Secure Payment System (or by any other method specified by LME Clear).
- (c) **Japanese Yen**
  - (i) Payments are made to, or called from, LME Clear's Settlement Account at the Approved Settlement Bank.
  - (ii) Where the Member has the Payment Obligation, the invoice value is a debit posted to the Member's Settlement Account at the Approved Settlement Bank and called by 09:00 hours on the morning of the Business Day prior to the day on which delivery is due, but for value on the delivery day.
  - (iii) Where LME Clear has the Payment Obligation, the Settlement Payment value is a credit posted to the LME Clear's Settlement Account at the Approved Settlement Bank prior to the delivery day. Payment will be made against the delivery of LME Warrants, on the delivery day, for same day value to the Members' Settlement Account via the Secure Payment System (by approximately 12:30 hours).
  - (iv) Members may access the "Member Japanese Yen Settlement Advice Listing Report" via the Website.
- (d) **US Dollar/Sterling and Euro**
  - (i) Payments are made to or called from LME Clear's Settlement Account at the Approved Settlement Bank.
  - (ii) All Payment Obligations of the Member and all Settlement Payments due from LME Clear are debited and credited on the delivery day for same day value.
  - (iii) Where the Member has the Payment Obligation, the invoice value is a debit posted to the Member's Settlement Account at the Approved Settlement Bank and paid by 09:00 hours.
  - (iv) Where LME Clear has the Payment Obligation, the Settlement Payment value is a credit posted to the Members' Settlement Account via the Secure Payment System after the delivery of LME Warrants (by approximately 12:30 hours).
  - (v) On the Settlement Date, sold lots, for the same Underlying Asset, in USD, GBP or EUR are netted against bought lots in other Settlement Currencies. The Settlement Payment for the netted lots shall be credited or debited to the appropriate LME Clear Settlement Account for the Settlement Currency. Remaining sold lots are delivered under normal procedures.

**Example:**

## Clearing Procedure Part F

|          |       |        |      | Invoice Value   | Account Sale     | Confirmation |
|----------|-------|--------|------|-----------------|------------------|--------------|
| Currency | Metal | Bought | Sold | DR              | Value CR         | Time         |
|          |       |        |      |                 |                  |              |
| USD      | AHD   |        | 25   |                 | USD 1,250,000.00 | 12:30hrs     |
| EUR      | AHE   | 20     |      | EUR1,300,000.00 |                  | 09:00hrs     |

In the above example, the "Account Sale" value of USD 1,250,000 (that is, the Settlement Payment value due from LME Clear) in respect of the remaining sold five (5) lots will be credited to the Member's Settlement Account at its Approved Settlement Bank at approximately 12:30 hours following delivery by the Member of the appropriate LME Warrants.

**Note: for the purpose of this example approximate Invoice and Account Sale values are used.**

#### 2.14 Settlement Adjustment – Rent and Weight Differences

- (a) The Payment Obligations under each Contract for LME Warrants shall be subject to adjustments to reflect the accrued rent and any difference between LME Warrant weight and Contract tonnage weight ("**Rent and Weight Adjustments**").
- (b) Rent and Weight Adjustments due to or from a Member are detailed on the Warrant Collection Adjustment Invoice and Warrant Allocation Adjustment Invoice produced by LMEsword.
- (c) The rent and weight values in respect of each Warrant Movement and LME Premium Warrant Payment Obligation settling on any Business Day, calculated in the Base Currency (USD), are netted against each other to create an overall debit or credit amount in respect of all Delivery Positions and LME Premium Warrant Payment Obligations settling with the Member on that Business Day. This overall debit or credit amount shall be the "**Rent and Weight Debit or Credit**".
- (d) This Rent and Weight Debit or Credit is posted to the Member's USD Settlement Account at the Approved Settlement Bank on the Business Day on which delivery of the LME Warrant takes place, for value and settlement on the next Business Day.
- (e) The rent and weight accounting entries are posted separately to the Member's primary House Account in respect of each type of Underlying Asset (metal) and can be reconciled against either the Warrant Collection Adjustment Invoice or the Warrant Allocation Adjustment Invoice.
- (f) In the event that a Member allocates any LME Warrant delivered by LME Clear to a Client, it is the sole responsibility of the Member to ensure that any right or obligation of the Member in respect of Rent and Weight Adjustments associated

## Clearing Procedure Part F

with that LME Warrant are recorded in an appropriate Account, in order to enable the Member to satisfy any obligations it has under Applicable Law to segregate client monies from monies due to or from the Member for its own account. In the event that the Member requires any Rent and Weight Debit or Credit to be allocated to a Client Account, it must promptly notify LME Clear and in any event must make such notification prior to the Close of Business on the day on which the relevant LME Warrant was delivered by LME Clear to the Member.

## 2.15 Delivery Timetable

LME Warrants shall be delivered in accordance with the delivery timetable set out in Annex 7 (*Delivery Timetables*), as amended by LME Clear from time to time. LME Clear may temporarily extend any timescales or deadlines set out below where LME Clear considers it necessary or appropriate to do so. In the event that LME Clear extends any deadline or timetable, LME Clear shall notify the affected Members.

## 2.16 Delivery Procedures

### (a) Cessation of Trading

#### (i) Japanese Yen

Transactions shall be input to the LMEsmart Matching System by 20:00 hours, two (2) Business Days prior to the delivery day (i.e. "cash" Prompt Date).

#### (ii) US Dollar, Sterling and Euro

Contracts shall be entered into by 12:30 hours and input to the LMEsmart Matching System by 13:30 hours on the Business Day prior to the delivery day (i.e. "TOM" Prompt Date).

### (b) On the Day Prior to Delivery Date

#### (i) By 09:00 Hours

For JPY (only)

LME Clear will:

(1) debit Members (as Buyers) their Payment Obligation as specified on the invoice; and

(2) credit Members (as Sellers) the Settlement Payment,

for value on the Prompt Date.

#### (ii) By 16:00 Hours

The netted Final Delivery Position, for each Account of the Member is calculated by netting the uncovered lots across Settlement Currencies for each Underlying Asset (metal). The Warrant Movements and LME Premium Warrant Payment Obligations are then calculated for the Member as described in Clearing Procedure B7.

## Clearing Procedure Part F

The *Invoice and Account Sales* report is made available via an enquiry screen in the Clearing System.

The Warrant Movements and relevant Settlement Prices (including LME Premium Warrant Payment Obligations) are notified by the Clearing system to the LMEsword system.

(iii) **By 16:30 Hours**

Each Member (i) (as Seller) with a Delivery Obligation or (ii) (as Buyer) with an LME Premium Warrant Payment Obligation, receives, in respect of its Member LMEsword Clearing Account an "*Unauthorised*" *Warrant Transfer Instruction* from LMEsword for each Underlying Asset (metal).

This instruction may be discarded by the Member (as Seller) and a new instruction created.

Members (as Sellers) shall deliver to LME Clear the number of LME Warrants equal to their selling Warrant Movements.

Members (as Buyers) shall deliver to LME Clear the number of LME Warrants equal to their LME Premium Warrant Payment Obligations.

The Member (as Seller or, in the case of LME Premium Warrant Payment Obligations, as Buyer) may nominate LME Warrants as soon as the "*Unauthorised*" *Warrant Transfer Instruction* is received by making an "*Authorised*" *Warrant Transfer Instruction* to LME Clear. The nomination can take place at any time up to 11:00 hours on the Prompt Date.

(c) **Delivery Date**

(i) **By 07:30 Hours**

LME Clear will make the following Reports available in the Clearing System, via the Website:

- (1) Invoice and Account Sales; and
- (2) Prompt Date Settlement Report.

(ii) **By 09:00 Hours**

LME Clear will debit Members (as Buyers) their Payment Obligations in respect of their Receive Entitlements for the amount specified in the *Invoice and Account Sales* Report.

(iii) **By 10:30 Hours**

Members (as Sellers) who anticipate that their Delivery Obligation will be made after the 11:00 hours delivery deadline or who are unable to fulfil their Delivery Obligation shall inform LME Clear.

Members (as Buyers) who anticipate that their LME Premium Warrant Payment Obligation will be made after the 11:00 hours delivery deadline or who are unable to fulfil their LME Premium Warrant Payment Obligation shall inform LME Clear.

## Clearing Procedure Part F

**Any delivery failure of LME Warrants, absent the declaration of a Default Event, will be resolved in accordance with the LME Rules. For the avoidance of doubt, in the event that LME Clear determines that the delivery failure shall constitute a Default Event, it shall be entitled to take any action or exercise any right permitted under the Rules. This paragraph is without prejudice to any other rights that LME Clear may have under the Rules in relation to any breach by a Member of its obligations under the Rules, including any right to effect a Buy-In and/or to Invoice Back.**

**(iv) By 11:00 Hours**

The Member (as Seller) shall nominate LME Warrants in fulfilment of their advised selling Warrant Movements by issuing to LME Clear an *"Authorised" Warrant Transfer Instruction*.

Where applicable, the Member (as Buyer) shall nominate LME Warrants in fulfilment of their advised LME Premium Warrant Payment Obligations by issuing to LME Clear an *"Authorised" Warrant Transfer Instruction*.

**(v) At 11:00 Hours - Delivery Deadline**

The LMEsword system will initiate the LME Warrant collection process. All LME Warrants specified in a Member's (as Seller) *Authorised Cleared Transfer Instruction* will be transferred to the LME Clear LME Sword Clearing Account.

**(vi) Approximately 11:30 Hours**

The Member (as Seller or, in the case of LME Premium Warrant Payment Obligations, as Buyer) will receive notification, via LMEsword, that the LME Warrants specified in their *"Authorised" Warrant Transfer Instruction* have been collected.

LME Clear will initiate the *Warrant Allocation and Delivery* process. All LME Warrants collected will be ordered in accordance with the LMEsword warrant allocation method.

LME Clear will transfer the allocated LME Warrants to the Member's (as Buyer or, in the case of LME Premium Warrant Payment Obligations, as Seller) relevant Member LMEsword Clearing Account. The Member will receive notification via the LMEsword system of the LME Warrants transferred from LME Clear.

**(vii) Approximately 12:30 Hours**

Following receipt of all LME Warrant Delivery Obligations from the Member (as Seller) LME Clear will credit the Settlement Payment amount to the Member's Settlement Accounts at its Approved Settlement Banks via the Secure Payment System, for value on the Prompt Date.

**(viii) By 13:00 Hours**

## Clearing Procedure Part F

Following the completion of the *Warrant Collection* and *Warrant Allocation Delivery* process the LME will make the following reports available via LMEsword:

- (1) Warrant Collection Adjustment Invoice; and
- (2) Warrant Allocation Adjustment Invoice.

The Rent and Weight Credit and Debit amounts are posted to Members' USD Settlement Accounts for value and settlement on the next Business Day after the Prompt Date.

**Members are advised to print these reports and retain them as a record of their LME Warrant deliveries.**

- (ix) **At 15:00 Hours - End of LMEsword cleared transfer day**

### 2.17 Post-Default Delivery at the Request of LME Clear

Where LME Clear exercises its powers under Rule 10.4.1(u) to require LMEsword to deliver to LME Clear an LME Warrant that is the subject of an "Authorised Warrant Transfer Instruction" issued by a Member prior to its becoming a Defaulting Member, the procedures for delivery of such LME Warrant in this Clearing Procedure F2 shall be applied to the transfer of such LME Warrant subject to, and in accordance with, the following:

- (a) LME Clear shall record any Rent and Weight Debit or Credit arising from such settlement as a debit or credit against the relevant Account of the Defaulting Member; and
- (b) where and to the extent that the Settlement Payment, in respect of the LME Warrant, is not received or accepted by the Defaulting Member's Approved Settlement Bank, the amount of such Settlement Payment shall be recorded as a credit against the relevant Account of the Defaulting Member.

## 3. LMEPRECIOUS FUTURE DELIVERY PROCEDURE

### 3.1 Introduction

- (a) Physical metal settlement of Contracts in respect LMEprecious Futures is discharged by the transfer of unallocated Precious Metal between metal accounts held with Precious Metal Clearers.
- (b) Therefore, prior to clearing LMEprecious Futures, Members shall open and maintain appropriate "**Unallocated Metal Accounts**" with a Precious Metal Clearer that LME Clear has confirmed can act as an Approved Delivery Facility for the purpose of this Clearing Procedure F3. Members shall advise LME Clear of their Unallocated Metal Accounts as part of their application to LME Clear to commence clearing of LMEprecious Futures.
- (c) Members shall at all times comply with any applicable rules and operating procedures of the Precious Metal Clearer.
- (d) Delivery Positions are settled separately in respect of each Account of the Member on the Prompt Date.



## Clearing Procedure Part F

- (e) Separate Delivery Positions in respect of different Precious Metals shall be established in respect of each Account.
- (f) All unallocated Precious Metal shall be delivered free and clear of all encumbrances.
- (g) This Clearing Procedure F3 shall be read in conjunction with the LME Rules. LME Clear and the Member shall therefore comply with the LME Rules in relation to the performance of their respective Delivery Obligations under LMEprecious Contracts. In the event of any conflict between this Clearing Procedure F3 and the LME Rules, the LME Rules shall prevail.
- (h) In this Clearing Procedure F3, Precious Metal shall be considered to have been "received" by a party when its Precious Metal Clearer records the receipt of such unallocated Precious Metal in its books and records as being credited to the Unallocated Precious Metal Account maintained for such party.

### 3.2 Standing Settlement Instructions for LME Clear

All unallocated Precious Metal deliveries to LME Clear should be made to LME Clear's nominated Precious Metal Clearer, in accordance with the Settlement Instructions issued by LME Clear.

### 3.3 Notification of Delivery Commitments and Entitlements

Members with Delivery Positions shall be notified of their Delivery Obligations and Receive Entitlements for the relevant Prompt Date.

### 3.4 Clearing System Reports

- (a) LME Clear shall make available certain Reports relating to deliveries of unallocated Precious Metal via the LMEmercury GUI.
- (b) Details regarding the nature and content of these Reports are set out in Annex 4 (*List of Available Reports*).

### 3.5 Payment of Invoice and Account Sales

- (a) Payments are made to or called from LME Clear's Settlement Account at the Approved Settlement Bank.
- (b) The Payment Obligations of each Member (as Buyer) on each Business Day are:
  - (i) posted to the debit of the relevant Account of the Member as part of the previous Business Day's Cover Distribution Process; and
  - (ii) called by 09:00 hours.
- (c) Following the receipt of unallocated Precious Metal from a Member (as Seller), the Settlement Payment value is posted to the credit of the Members' Settlement Account at its Approved Settlement Bank via the Secure Payment System (or by any other method specified by LME Clear). As this posting is dependent on performance by the Member of its Delivery Obligation, it may take place between approximately 09:05 hours and the daily delivery deadline of 16:00 hours.



## Clearing Procedure Part F

### 3.6 Delivery Timetable

LMEprecious Futures shall be settled in accordance with the timetable for deliveries set out in Annex 7 (*Delivery Timetables*), as amended by LME Clear from time to time.

### 3.7 Delivery Procedures

#### (a) Cessation of Trading

Transactions shall be executed and input into the LMEsmart matching system by 16:00 hours on the Business Day prior to the delivery day (i.e. "TOM" Prompt Date).

#### (b) On the Day Prior to Delivery Date

##### (i) During the End of Day processes

The Delivery Position, in respect of each Account of the Member is calculated for each type of Underlying Asset (metal).

The "Invoice and Account Sales" Report is made available via an enquiry screen in the Clearing System.

#### (c) Delivery Date

##### (i) By 07:30 Hours

LME Clear will make the certain Reports available in the Clearing System, as specified in Annex 4 (*List of Available Reports*).

##### (ii) By 09:00 Hours

LME Clear will debit Members (as Buyers) their Payment Obligations in respect of their Receive Entitlements for the amount specified in the "Invoice and Account Sales" Report.

##### (iii) By 15:00 Hours

Members (as Sellers) shall instruct their Precious Metal Clearer to transfer unallocated Precious Metal to LME Clear in order to fulfil their Delivery Obligations.

Members (as Buyers) shall instruct their Precious Metal Clearer to receive unallocated Precious Metal from LME Clear, which will fulfil their delivery entitlement.

##### (iv) By 9.05 Hours

Subject to Rule 7.9 (*Postponed Delivery (LMEprecious)*), LME Clear (as Seller) shall instruct its Precious Metal Clearer to transfer unallocated Precious Metal to Buyers.

##### (v) From 9.05 Hours to 16:00 Hours

LME Clear (as Buyer) will receive the unallocated Precious Metal from each Seller.

## Clearing Procedure Part F

Each Buyer will receive the unallocated Precious Metal from LME Clear.

The Sellers will receive notification from their Precious Metal Clearer that their unallocated Precious Metal transfer instruction has been executed.

Following receipt of all Delivery Obligations from the Member (as Seller) LME Clear will credit the Settlement Payment amount to the Member's Settlement Account at its Approved Settlement Bank via the Secure Payment System, for value on the Prompt Date (or, where Rule 7.9.1 applies, and LME Clear has accepted the delivery of the Underlying Asset, for value on the next following Business Day, at a time and to such of the Member's Settlement Accounts that are capable of accepting such Settlement Payment at the relevant time as LME Clear may nominate).

### (vi) **At 16:00 Hours - End of Precious Metal Transfer Day**

## 4. **OTC BULLION PRODUCT DELIVERY PROCEDURE**

**[Note that OTC Bullion Products are not Eligible Products at the moment. This section is therefore included to ensure that the Rulebook is easily adaptable to new products that may be included in the future.]**

### 4.1 **Introduction**

- (a) Physical metal settlement of Contracts in respect of OTC Bullion Products ("**OTC Bullion Contracts**") is discharged by the transfer of unallocated [Bullion] between accounts held with Precious Metal Clearers.
- (b) Therefore, prior to clearing OTC Bullion Contracts, Members shall open and maintain appropriate "**Unallocated Metal Accounts**" with Precious Metal Clearers that LME Clear has confirmed can act as an Approved Delivery Facility for the purpose of this Clearing Procedure F4. Members shall advise LME Clear of their Unallocated Metal Accounts as part of their application to LME Clear to commence clearing of OTC Bullion Contracts.
- (c) Members shall at all times comply with any applicable rules and operating procedures of the Precious Metal Clearer.
- (d) Delivery Positions are settled separately in respect of each Account of the Member on the Prompt Date.
- (e) All unallocated [Bullion] shall be delivered free and clear of all encumbrances.

### 4.2 **Standing Settlement Instructions for LME Clear**

All unallocated metal deliveries to LME Clear should be made to LME Clear's nominated Precious Metal Clearer, in accordance with the Settlement Instructions issued by LME Clear.

### 4.3 **Notification of Delivery Commitments and Entitlements**

Members with Delivery Positions will be notified of their Delivery Obligations and Receive Entitlements for the relevant Prompt Date.

## Clearing Procedure Part F

### 4.4 Clearing System Reports

- (a) LME Clear shall make available certain Reports relating to deliveries of LME Warrants via the Website.
- (b) Details regarding the nature and content of these Reports are set out in Annex 4 (*List of Available Reports*).

### 4.5 Payment of Invoice and Account Sales

- (a) Payments are made to or called from LME Clear's Settlement Account at the Approved Settlement Bank.
- (b) The Payments Obligations of each Member (as Buyer) on each Business Day are:
  - (i) posted to the debit of the relevant Account of the Member as part of the previous Business Day's Cover Distribution Process; and
  - (ii) called by 09:00 hours.
- (c) Following the receipt of unallocated [Bullion] from a Member (as Seller), the Settlement Payment value is posted to the credit of the Members' Settlement Account at its Approved Settlement Bank via the Secure Payment System (or by any other method specified by LME Clear). As this posting is dependent on performance by the Member of its Delivery Obligation, it may take place between approximately 12:30 hours and the LPMCL daily delivery deadline of 16:00 hours.

### 4.6 Delivery Timetable

OTC Bullion Contracts shall be settled in accordance with the timetable for deliveries set out in Annex 7 (*Delivery Timetables*), as amended by LME Clear from time to time.

### 4.7 Delivery Procedures

#### (a) Cessation of Trading

Transactions shall be executed by 14:30 hours and input into the LMEsmart matching system by 14:45 hours on the Business Day prior to the delivery day (i.e. "TOM" Prompt Date).

#### (b) On the Day Prior to Delivery Date

##### (i) By 16:00 Hours

The Delivery Position, in respect of each Account of the Member is calculated for each type of Underlying Asset ([Bullion]).

The "Invoice and Account Sales" Report is made available via an enquiry screen in the Clearing System.

#### (c) Delivery Date

##### (i) By 07:30 Hours

LME Clear will make the certain Reports available in the Clearing System, as specified in Annex 4 (*List of Available Reports*).

Clearing Procedure Part F

(ii) **By 09:00 Hours**

LME Clear will debit Members (as Buyers) their Payment Obligations in respect of their Receive Entitlements for the amount specified in the "Invoice and Account Sales" Report.

(iii) **By 11:00 Hours**

Members (as Sellers) shall instruct their Precious Metal Clearer to transfer unallocated [Bullion] to LME Clear in order to fulfil their delivery commitment.

(iv) **From approximately 11:30 Hours**

The seller will receive notification from their Precious Metal Clearer that their unallocated [Bullion] transfer instruction has been executed.

(v) **From approximately 12:30 Hours**

Following receipt of all Delivery Obligations from the Member (as Seller) LME Clear will credit the Settlement Payment amount to the Member's Settlement Accounts at its Approved Settlement Banks via the Secure Payment System, for value on the Prompt Date.

(vi) **At 16:00 Hours - End of Precious Metal Transfer Day**

## Clearing Procedure Part G

**PART G – INTEREST, FEES AND CHARGES****1. INTRODUCTION**

This Part G of the Clearing Procedures specifies the Clearing Procedures applicable to:

- (a) the Fees that LME Clear will levy on Members who use the Clearing System (**Clearing Procedure G2**);
- (b) the basis on which LME Clear will pay or charge interest to Members on cash balances maintained with LME Clear (**Clearing Procedure -G3**); and
- (c) the process by which LME Clear will issue invoices to Members (**Clearing Procedure G4**).

**2. FEES**

- 2.1 Members shall pay such Fees to LME Clear as shall be specified by LME Clear from time to time.
- 2.2 Annex 3 (*Fees and Charges*) sets out the current tariff that LME Clear will use to determine Fees payable by each Member.
- 2.3 In addition to the Fees set out in the tariff, LME Clear may levy the following additional charges on each Member:
  - (a) LME Clear shall be entitled to charge Members, on a pass-through basis, for any costs, charges, Taxes, levies or fees incurred by LME Clear in the clearing of any Contract with a Member.
  - (b) A Member shall be responsible for all costs which it may incur in using or accessing the Clearing System, including:
    - (i) any fees or expenses charged to the Member by any Settlement Bank, Settlement Agent or Approved Delivery Facility, with which the Member has an account, for the use of such account;
    - (ii) any fees or expenses charged to the Member by any Settlement Bank, Settlement Agent or Approved Delivery Facility for the processing of any payment or transaction for or on behalf of the Member; and
    - (iii) any Tax or government levy imposed on any transfer of any cash, securities or other instrument made in connection with the Member's use of the Clearing System.
  - (c) LME Clear shall be entitled to charge Members for any unusual expenses incurred by LME Clear that are caused directly or indirectly by the Member, including the cost of producing records pursuant to a court order or other legal process in or in relation to any legal proceeding in which such records relating to such Member are so required to be produced, whether such production is required at the instance of the Member, or of any other party other than LME Clear.
  - (d) LME Clear may charge Members for costs or charges payable by the Member to the LME, which may be charged to the Member by LME Clear on behalf of the LME.

## Clearing Procedure Part G

**3. INTEREST ON BALANCES****3.1 Interest on Default Fund Contributions and Cash Balances**

3.2 The rates that LME Clear shall apply to determine the interest payable to or from a Member from time to time shall be specified on the Member-specific, secure log-in, section of the Website. LME Clear reserves the right to alter the basis of calculating interest rates from time to time. Any such alteration will be notified to Members by Notice and shall be effective on the date of Notification.

3.3 LME Clear shall pay or charge interest to each Member in respect of the Default Fund Contributions maintained by the Member at LME Clear on the basis of LME Clear's "Daily Deposit Rate" (as published on the Website and as amended by LME Clear from time to time).

3.4 LME Clear shall pay to, or charge interest to, each Member in respect of that Member's Cash Collateral balances held with LME Clear on the basis of LME Clear's "Daily Deposit Rate" (which may provide for different rates of interest on different amounts and in different currencies).

**3.5 Accommodation Charges**

3.6 LME Clear shall levy interest and accommodation charges in respect of non-cash Collateral held with LME Clear.

3.7 Such accommodation charges shall be calculated on a daily basis in accordance with Annex 3 (*Fees and Charges*).

**3.8 VAT**

3.9 All amounts payable to LME Clear are stated exclusive of VAT which, if chargeable, shall be paid by the relevant Member to LME Clear at the rate for the time being in force, against delivery by LME Clear of an appropriate tax invoice for VAT purposes.

3.10 Where a Member is required under the Rules, the Procedures and/or the Participant Obligations to reimburse LME Clear for any costs or expenses, it shall also at the same time pay and indemnify LME Clear against all VAT incurred by LME Clear in respect of such costs or expenses, provided such VAT is not otherwise recoverable by LME Clear or the representative member of any VAT group of which LME Clear forms part, subject to LME Clear or the representative member, as the case may be, using reasonable endeavours to recover such amount of VAT as may be practicable.

3.11 On foreign currency amounts, VAT is stated in Sterling on each invoice at the converted value of any relevant charges.

**4. INVOICING**

4.1 LME Clear shall invoice each Member on a monthly basis in respect of:

- (a) Fees incurred in the previous calendar month;
- (b) interest and accommodation charges incurred in the previous calendar month; and
- (c) any other amounts payable by the Member (other than the Member's Payment Obligations in respect of Contracts).

## Clearing Procedure Part G

- 4.2 Invoices shall be issued on a monthly basis for each Service. Separate invoices shall be issued for each Service and for each Settlement Currency in which Fees have been incurred.
- 4.3 LME Clear shall be entitled to deduct the Fees owed by the Member in accordance with the invoice submitted under 4.1 from the Member's House Account(s).
- 4.4 Subject to Clearing Procedure G 4.3 above, Members shall settle all amounts specified in such invoices, as a Cash Settlement in accordance with Rule 7.4. on the next Business Day following the date of the invoice.
- 4.5 If a Member fails to pay any amount payable to LME Clear under the Rules or the Procedures on its due date, interest shall accrue on the overdue amount from (and including) the due date up to (and including) the date of actual payment the rate specified in Annex 3 (*Fees and Charges*).

## DEFAULT PROCEDURES



## Default Procedure Part A

### PART A – INTRODUCTION

#### 1. INTERPRETATION AND INTRODUCTION

- 1.1 These Default Procedures form part of, and shall be read in conjunction with, the Rules and are legally binding on each Member. Terms defined in the Rules have the same meaning in these Default Procedures. In the event of any conflict or inconsistency between the Rules and these Default Procedures, the Rules shall prevail.
- 1.2 These Default Procedures are arranged into the following Parts:
  - (a) Part A: introduction
  - (b) Part B: calculation and maintenance of the Default Fund;
  - (c) Part C: the manner in which LME Clear will manage a Default; and
  - (d) Part D: the porting of Client Accounts.
- 1.3 These Default Procedures also include Annex 6 (*Client Business Terms*), which supports and supplements Default Procedure D.

## Default Procedure Part B

### PART B – DEFAULT FUND

#### 1. CALCULATION OF DEFAULT FUND CONTRIBUTIONS

##### 1.1 General

- (a) Rule 9 (*Default Fund*) sets out the basis on which LME Clear will establish and maintain each Default Fund.
- (b) Without prejudice to LME Clear's rights under Rule 9 (*Default Fund*), the following provisions summarise how LME Clear shall calculate Default Fund Contributions of each Member and collect them from Members.
- (c) LME Clear shall maintain separate Default Funds in respect of each Service.
  - (i) The Default Fund Contributions in respect of the LME Base Service shall be calculated in accordance with the principles set out in Default Procedure B1.2 below;
  - (ii) The Default Fund Contributions in respect of the LMEprecious Service shall be calculated in accordance with the principles set out in Default Procedure B1.3 below; and
  - (iii) Default Procedures B2 to B4 shall apply separately and equally in respect of each Default Fund and the terms "**Default Fund**" and "**Default Fund Contributions**" shall be construed accordingly.

##### 1.2 Principles for calculating Default Fund Contributions for LME Base Service

- (a) With respect to Positions in LME Base Products, LME Clear shall calculate potential stress losses (to the extent not covered by existing Collateral provided to satisfy the End of Day Margin Requirement) in respect of each Account of each Member, using such historical and theoretical scenarios as LME Clear may choose in accordance with LME Clear's default fund policy. LME Clear will calculate the potential stress losses arising in respect of LME Base Products across all Accounts of each Member (including House Accounts and Client Accounts).
- (b) The amount of the Default Fund shall then be determined as:
  - (i) the sum of the two largest Member losses determined pursuant to (a) above, where such losses are assessed over a historic period comprising the previous six (6) months, as further described in the default fund policy published by LME Clear on the Website;
  - plus
  - (ii) the amount resulting from the application by LME Clear of an additional ten per cent (10%) multiplier to provide for future increases in stress testing losses in between Default Fund calculations.
- (c) Notwithstanding the calculation specified in (b) above, the Default Fund in respect of the LME Base Service shall not be permitted to fall below US\$400 million except where and to the extent that any amount of the Default Fund is applied towards any Default Loss in accordance with Rule 10 (*Default*). This minimum

## Default Procedure Part B

level will be subject to periodic review by LME Clear. Any amendment to this minimum level will be notified to Members by Circular.

- (d) Each Member's Default Fund Contribution will be calculated as a pro-rata allocation based on that Member's average Initial Margin Requirement (including their End of Day Margin Requirement and their Intra-Day Margin Requirement calculations) over a preceding one-month period, as a percentage of the total average Initial Margin Requirement of all Members over the preceding one-month period, as further described in the default fund policy published by LME Clear on the Website.
- (e) The minimum amount of a Default Fund Contribution for a Member will be US\$1,000,000, or such other amount as LME Clear may determine on assessment of the stress test results in accordance with LME Clear's default fund policy.

### 1.3 Principles for calculating Default Fund Contributions for LMEprecious Service

- (a) With respect to Positions in LMEprecious Products, LME Clear shall calculate potential stress losses (to the extent not covered by existing Collateral provided to satisfy the End of Day Margin Requirement) in respect of each Account of each Member, using such historical and theoretical scenarios as LME Clear may choose in accordance with LME Clear's default fund policy. LMEC will calculate the potential stress losses arising in respect of LMEprecious Products across all Accounts of each LMEprecious Clearing Member (including House Accounts and Client Accounts).
- (b) The amount of the Default Fund shall then be determined as:
  - (i) the sum of the two largest Member losses determined pursuant to (a) above, where such losses are assessed over a historic period comprising the previous six (6) months, as further described in the default fund policy published by LME Clear on the Website;
  - plus
  - (ii) the amount resulting from the application by LME Clear of an additional ten per cent (10%) multiplier to provide for future increases in stress testing losses in between Default Fund calculations.
- (c) Notwithstanding the calculation specified in (b) above, the Default Fund in respect of the LMEprecious Service shall not be permitted to fall below the product of:
  - (i) US\$1,000,000
  - multiplied by
  - (ii) the number of LMEprecious Clearing Members,

(the "**LMEprecious DF Floor**") except where and to the extent that any amount of the Default Fund is applied towards any Default Loss in accordance with Rule 10 (*Default*).

## Default Procedure Part B

- (d) From the date of commencement of the LMEprecious Service (the "**LMEprecious Commencement Date**") and for a period of six (6) months thereafter (the "**Initial LMEprecious Period**"):
- (i) the calculation specified in (a) above may be based on projected volumes as determined by LME Clear in its sole discretion; and
  - (ii) each LMEprecious Clearing Member's Default Fund Contribution will be calculated as follows:
    - (1) each LMEprecious Clearing Member that has been admitted to participate in the Service at the LMEprecious Commencement Date (each an "**Initial LMEprecious Member**") shall contribute an amount notified by LME Clear to each such Initial LMEprecious Member in advance of the LMEprecious Commencement Date (and the sum of such Default Fund Contributions on the Commencement Date shall constitute the "**Initial DF**") and shall maintain with LME Clear such amount, or any re-calculated amount of Default Fund Contribution that may be notified by LME Clear from time to time, on an ongoing basis;
    - (2) any new LMEprecious Clearing Member accepted to participate in the LMEprecious Service during the Initial LMEprecious Period, will contribute the greater of:
      - i. the Minimum DF Contribution (as specified in (f) below); and
      - ii. the sum of the Minimum DF Contribution and its share, based on its Initial Margin Requirement, of any incremental increase in the Default Fund over and above the Initial DF; and
    - (3) where LME Clear decides, based on its Initial Margin Requirement, that the additional risk represented by the positions of a Member are material in the context of the LMEprecious Service (such that the Member shall be designated as a "**Significant LMEprecious Member**") the Significant LMEprecious Member shall be required to contribute an amount notified by LME Clear to such Significant LMEprecious Member and shall maintain with LME Clear such amount, or any re-calculated amount of Default Fund Contribution that may be notified by LME Clear from time to time, on an ongoing basis.
- (e) Following the Initial LMEprecious Period and subject to (g) below, each Member's Default Fund Contribution will be calculated as a pro-rata allocation based on that Member's average Initial Margin Requirement (including their End of Day Margin Requirement and their Intra-Day Margin Requirement calculations) over a preceding one-month period, as a percentage of the total average Initial Margin Requirement of all Members over the preceding one-month period, as further described in the default fund policy published by LME Clear on the Website.
- (f) The minimum amount of a Default Fund Contribution for each LMEprecious Clearing Member will be US\$1,000,000 (the "**Minimum DF Contribution**"), or such other amount as LME Clear may determine on assessment of the stress test results in accordance with LME Clear's default fund policy.

## Default Procedure Part B

- (g) Prior to the expiry of the Initial LMEprecious Period, LME Clear shall review the methodology for calculating the Default Fund in respect of the LMEprecious Service, and may decide, in its sole discretion to continue to operate the methodology for the Initial LMEprecious Period described in (d) above or to cease operating in accordance with such methodology subject to, if relevant, the specification of a change to the LMEprecious DF Floor. LME Clear shall notify LMEprecious Clearing Members of such decision prior to the expiry of the Initial LMEprecious Period.

## 2. FREQUENCY AND REPORTING

### 2.1 Daily Review

- (a) At the end of each Business Day and at such other times during each Business Day as LME Clear may determine, LME Clear shall review the size of the Default Fund relative to each Member's potential stress positions (in excess of the existing Collateral provided by the Member to satisfy the End of Day Margin Requirement).
- (b) In the event that any Member's stress positions (in excess of the existing Collateral provided by the Member to satisfy the End of Day Margin Requirement) are at any time in excess of the ~~the~~ percentage of the Default Fund specified by LME Clear on its website from time to time (the "Default Fund Additional Margin Threshold"), LME Clear may require that Member immediately to provide additional Collateral in order to reduce its stress positions to a level below the Default Fund Additional Margin Threshold. The Default Fund Additional Margin Threshold shall not be changed without 30 days' prior notice to Members.

### 2.2 Monthly Review

- (a) The Default Fund will be recalculated and reset on a monthly basis or at or following the ending of a Default Period (provided that LME Clear shall exercise its discretion as to the timing of such recalculation where LME Clear considers it necessary to protect the integrity of the Clearing System or the orderliness of the markets supported by LME Clear).
- (b) LME Clear will not increase the size of the Default Fund within the period between each monthly recalculation.
- (c) In order to ensure that LME Clear will always have sufficient financial resources to cover a default by its two largest Members, no Member will be permitted to have at any time stress positions (in excess of the existing Collateral provided by the Member to satisfy the End of Day Margin Requirement) in excess ~~of~~ the Default Fund Additional Margin Threshold.
- (d) In the event that any Member's stress positions (in excess of the existing Collateral provided by the Member to satisfy the End of Day Margin Requirement) are at any time in excess of the Default Fund Additional Margin Threshold, LME Clear may require that Member immediately to provide additional Collateral in order to reduce its stress positions to a level below the Default Fund Additional Margin Threshold.
- (e) The monthly review and recalculation of the Default Fund will include a review of the relevant markets over the previous three (3) months in order to identify and consider possible new stress scenarios.

## Default Procedure Part B

### 3. COLLECTION OF DEFAULT FUND CONTRIBUTION

- 3.1 All Default Fund Contributions shall be paid in US Dollars to LME Clear via the Secure Payment System not later than 09:00 hours on the Business Day following the date of request or the date of the report identifying the need to provide such Default Fund Contribution. Payment of a Default Fund Contribution will be made separately to any payment of Collateral.

#### 3.2 Monthly Process

A report specific to each Member (a "**Default Fund Report**") will be issued after the last Business Day of each calendar month and will be made available to the relevant Member on the Website. The Default Fund Report will show the Default Fund Contribution required from the relevant Member.

#### 3.3 Interim Payments

- (a) In the event that the daily review of the Default Fund shows that:
- (i) the amount of the Default Fund is insufficient, having regard to the principles and thresholds specified in Default Procedure B1; and
  - (ii) an individual Member's Default Fund Contribution is insufficient, having regard to Default Procedure B2.1(b) or B2.2(d), as applicable,

then LME Clear will request the Member to provide additional Collateral in order to ensure both that LME Clear has sufficient Collateral in respect of the Member's positions, and that the Member's stress positions are reduced to a level below the Default Fund Additional Margin Threshold.

- (b) For the avoidance of doubt, LME Clear may also call for additional Collateral under Default Procedure B2.1(b) or B2.2(d), where such provisions are applicable.

### 4. INTEREST PAYMENTS

Interest may be payable by reference to a Default Fund Contribution on the basis set out in Rule 9.1.4. LME Clear reserves the right to use for this purpose different interest rates from those applied under Rule 8.3.3.

## Default Procedure Part C

### PART C – DEFAULT MANAGEMENT

#### 1. DEFAULT MANAGEMENT GENERALLY

- 1.1 Rule 10 (*Default*) sets out the LME Clear's rights and powers in relation to a Defaulting Member.
- 1.2 Without prejudice to LME Clear's rights under Rule 10 (*Default*), LME Clear may require Members to co-operate with LME Clear in the testing and operation of its default management process.

#### 2. DEFAULT FIRE DRILL

- 2.1 All Members shall participate in "**Default Fire Drills**", during which LME Clear, Members and other interested parties will conduct simulations of various Default Event scenarios chosen by LME Clear. These will be held at least annually and will simulate the activities resulting from the occurrence of a Default Event.
- 2.2 Each new Member shall be required to participate in "Default Fire Drill" before it will be permitted to submit Transactions to LME Clear for clearing.

#### 3. DEFAULT NOTICE

- 3.1 If LME Clear decides to issue a Default Notice, it shall:
  - (a) first notify the relevant Clearing House Regulator of its intention to do so; and
  - (b) then inform its Members of its decision in accordance with Rule 10.3.
- 3.2 The decision to issue a Default Notice shall be:
  - (a) notified to the authorised representatives of each Member; and
  - (b) published on the Website.

LME Clear may also notify its decision to issue a Default Notice to such other persons as permitted pursuant to Rule 10 (*Default*).
- 3.3 The Default Notice will include:
  - (a) the name of the Member and (where relevant) its category of Membership; and
  - (b) the time that the Default Notice comes into effect.

As soon as practicable after issuing the Default Notice (unless the Default Event has already been discharged), LME Clear will provide to the appropriate Regulator(s) a summary of the Member's open Positions, Margin Requirements, cash and Collateral balances in respect of that Member's Accounts (including, for the avoidance of doubt, Client Accounts).

#### 4. ACTIVATION OF DEFAULT MANAGEMENT PROCESS

- 4.1 Following the occurrence of a Default Event, there will be many activities that need to be conducted. These include activities that are procedural, operational, communications and systems-based. The majority of the activities outlined below will be conducted in parallel.

## Default Procedure Part C

### 4.2 Initiation of Communication tree

- 4.3 During a Default Period, LME Clear will communicate with internal stakeholders (in order to initiate its internal default management procedures) and relevant external stakeholders to inform them that LME Clear's default management process is being invoked.

### 4.4 Prevention of Defaulting Member Clearing Activity

- 4.5 LME Clear may exercise such of its powers under the Rules that arise on the occurrence of a Default Event as it thinks fit. This may include taking action to deactivate the Defaulting Member within the Clearing System, which will involve (without limitation):

- (a) curtailing the Defaulting Member's ability to submit Transactions, whether on House Account or Client Account, to the Clearing System;
- (b) instructing the LME (and any other Approved Transaction Platform) to deactivate the Defaulting Member's trading accounts;
- (c) preventing any payments from being made via SPS from LME Clear's accounts at any Approved Settlement Banks for payment to the Defaulting Member;
- (d) preventing any Asset Cover being paid or returned to the Defaulting Member (except if and to the extent expressly permitted by Rule 10 (*Default*) or these Default Procedures); and
- (e) suspending the performance of any delivery or payment obligations otherwise owing by LME Clear to the Defaulting Member.

- 4.6 The Defaulting Member (and Clients of the Defaulting Member) may not effect any further Transactions through the Defaulting Member or submit to the Clearing System any further Transactions for which the Defaulting Member would otherwise be responsible.

## 5. DEFAULT MANAGEMENT GOVERNANCE

- 5.1 The Board will delegate to a committee (the "**Default Management Committee**" or "**DMC**") responsibility for the oversight of the implementation of the default management process and all related strategic decision-making involved in the risk reduction/neutralisation strategy and the subsequent auction(s) employed by LME Clear. The DMC will consist of the following members of LME Clear's management team:

- (a) the Chief Executive Officer (CEO);
- (b) the Chief Risk Officer (CRO);
- (c) the Head of Risk;
- (d) the Chief Operating Officer (COO);
- (e) ~~the Chief~~ Head of Legal ~~and, LME Clear;~~
- (f) the Chief Compliance Officer ~~(CLCO); and~~
- (f) ~~the Chief~~ Financial Officer (CFO) ~~; and~~
- ~~(g) the Head of Business Development and Relationship Management.~~



## Default Procedure Part C

5.2 LME Clear may also seek to involve ~~in~~ the DMC representative(s) from the Approved Transaction Platform(s) in an advisory capacity.

5.3 LME Clear will consult with the Board Risk Committee and / or obtain the approval of the Board, in relation to actions that it proposes to take in relation to the management of a default, where required pursuant to any Rule or otherwise where LME Clear considers such consultation or approval to be necessary or appropriate.

## 6. RISK REDUCTION OF DEFAULTING MEMBER'S POSITIONS

6.1 Following the issue of a Default Notice, the Accounts of the Defaulting Member will be risk managed on the following basis:

- (a) all House Accounts of the Defaulting Member will be managed in the manner stated below; and
- (b) Omnibus Segregated Client Accounts and Individual Segregated Client Accounts will be managed in the manner stated below if they cannot be ported in accordance with Part D of these Default Procedures and Rule 10.7, save that LME Clear may take the steps contemplated in Default Procedure C6.2(e) below notwithstanding that the relevant Porting Period has not expired.

## 6.2 Hedging and Liquidity Management

- (a) LME Clear will assess the portfolio of the Defaulting Member and any Positions and Collateral maintained in Client Accounts in respect of Clients or Indirect Clients that are not to be transferred to another non-defaulting Member and shall take such steps as LME Clear considers are necessary or appropriate to reduce the exposure of the portfolio to minimise the risk that LME Clear may need to utilise any Member's Default Funds or LME Clear's Dedicated Own Resources.
- (b) LME Clear will utilise default brokers and collateral execution agents in order to facilitate:
  - (i) the execution of any hedge trades with non-defaulting Members or other third party counterparties; and
  - (ii) the liquidation of Collateral, if required.
- (c) LME Clear will reduce the risk associated with the Defaulting Member's Positions as far as reasonably practicable by hedging LME Clear's exposure under the Contracts to which the Defaulting Member is a party. Such hedging will be undertaken by LME Clear with non-defaulting Members and other counterparties on the basis of separate agreements between LME Clear and each such Member or other counterparty. LME Clear will consider all Accounts together for hedging purposes. Any proceeds, losses or costs resulting from the hedging process will be allocated to the relevant Defaulting Member's Account (depending on the Positions being hedged) at the discretion of LME Clear.
- (d) LME Clear may also seek to reduce the risk associated with the Defaulting Member's Positions by hedging LME Clear's exposure under the Contracts to which the Defaulting Member is a party against the Contracts of any other Member that is also, at the relevant time, a Defaulting Member.

## Default Procedure Part C

- (e) As part of the default management process, LME Clear may, wherever reasonably practicable: (i) aim to prevent Positions of a Defaulting Member on any Account going to physical delivery during the Default Period; or (ii) take such actions as LME Clear considers necessary to avoid any circumstance under which LME Clear is unable to perform any Delivery Obligation under any Contract. LME Clear may take such actions as it considers appropriate to facilitate the foregoing. LME Clear shall take such actions in accordance with Rule 10.4.2. The effect of such action would be to limit any immediate liquidity demands for delivery of LME Warrants and/or unallocated Precious Metal. In the event that LME Clear takes steps to prevent such Positions going to physical delivery, LME Clear shall notify the Members via the publication of a Circular on the Website. For the avoidance of doubt, any Transfer made pursuant to Rule 10.7 (*Portability of Client Accounts*) that takes effect in relation to a Client Account containing Positions to which the powers in this Default Procedure C6.2(e) have been applied shall apply to the Positions as created or adjusted pursuant to the exercise of such powers.
- (f) LME Clear may apply the hedging process separately in respect of LME Base Products and LMEprecious Products in a Member's Accounts.

### 6.3 Auction - LME Base Products and LMEprecious Products

- (a) The following auction process shall apply in respect of Open Contracts in LME Base Products and LMEprecious Products. However, the auction process shall be conducted separately in respect of the LME Base Service and the LMEprecious Service (and references to "**Default Fund Contribution**", "**non-defaulting Members**" and "**Open Contracts**" shall be construed accordingly). This auction process shall apply on a per-Defaulting Member basis, so that in the event that a Default Notice is issued in respect of more than one Defaulting Member during a Default Period, the auction process shall be applied separately in respect of the Default Losses of each such Defaulting Member.
- (b) After completion of the hedging and liquidity management process, LME Clear shall carry out an auction process in respect of the remaining Open Contracts (which may include Collateral, if appropriate) amongst non-defaulting Members and prescribe such procedures for the conduct of the auctions as it considers reasonably appropriate in the circumstances.
- (c) Prior to conducting an auction LME Clear shall allocate Open Contracts (and any hedging agreements made by LME Clear under Default Procedure C:6.2) to one or more Auction Portfolios. Each Auction Portfolio shall be subject to a separate auction between such non-defaulting Members as are identified in accordance with the methodology set out below.
- (d) LME Clear shall determine the composition of each Auction Portfolio, provided that an individual Auction Portfolio shall not contain Open Contracts relating to both the LME Base Service and the LMEprecious Service.
- (e) Any auctions will occur at a time judged by the DMC to be optimal to minimise the risk to the Clearing System, to achieve the best possible price, and to ensure maximum competitive participation by non-defaulting Members.

## Default Procedure Part C

### 6.4 Participation in an auction

- (a) Subject to (c) below, non-defaulting Members that satisfy the entry criteria specified in (b) below will be required to:
  - (i) evaluate the relevant Auction Portfolio(s) in accordance with Annex 8 – Auction Process; and
  - (ii) submit bids following the process described in Annex 8 – Auction Process.
- (b) A non-defaulting Member will be required to participate in the auction of an Auction Portfolio where:
  - (i) it meets LME Clear's assessment of creditworthiness against a minimum credit rating for participation in the auction specified by LME Clear in Annex 8 – Auction Process;
  - (ii) it is a participant in the individual Service to which the Open Contracts in the relevant Auction Portfolio relate; and
  - (iii) (where LME Clear considers that it has sufficient information regarding the trading history of the non-defaulting Members) it meets such criteria as LME Clear may specify in Annex 8 – Auction Process regarding the non-defaulting Member's history of Positions in the types of Open Contract included in the relevant Auction Portfolio;

(such Members being “**Mandatory Bidders**”).
- (c) A non-defaulting Member may request, prior to any Default Period, that LME Clear exclude it from being required to participate in any future auction on the grounds that it does not have the operational capability or expertise to participate in an auction. Any such non-defaulting Member shall provide a detailed explanation and, where appropriate, evidence to support its request and will inform LME Clear if its circumstances change in any way which is relevant to such explanation or evidence. Any agreement to such request shall be at LME Clear's discretion, and will be reviewed annually. LME Clear has provided guidance on the circumstances where this paragraph may apply in Annex 8 – Auction Process.
- (d) LME Clear reserves the right, at any point and in its sole discretion, to exclude a Member from the requirement to participate in an auction if it appears to LME Clear, in its reasonable opinion, that such exclusion is desirable for any reason.
- (e) A non-defaulting Member which is not a Mandatory Bidder may request that LME Clear includes it in an auction. If LME Clear agrees to such request then such non-defaulting Member will become subject to the obligations in 6.4(a) above (such Members being “**Voluntary Bidders**”).
- (f) The contents of an Auction Portfolio shall be disclosed only to non-defaulting Members participating in the auction of that Auction Portfolio.

### 6.5 Bidding

- (a) LME Clear shall not specify a minimum bid price for an Auction Portfolio.

## Default Procedure Part C

- (b) LME Clear shall assess the bids received from non-defaulting Members and the winning bid for each Auction Portfolio shall be selected by the DMC. The decision of LME Clear to accept or reject a particular bid will be conclusive and binding on all Members.
- (c) LME Clear may accept the best price for an Auction Portfolio that it believes accurately reflects the risk of that Auction Portfolio. LME Clear shall have in place an appropriate process for determining an "acceptable auction price" which will consider the risks of the portfolios set out in Annex 8 – Auction Process. For the avoidance of doubt and without affecting the generality of 6.5(c) above, LME Clear reserves the right to reject a bid if it considers that that such bid is not consistent with the acceptable auction price determined by LME Clear.
- (d) In addition, LME Clear reserves the right to reject an auction bid from a Member if it deems the overall risk presented by that Member, following the transfer of any Auction Portfolio, to be in excess of LME Clear's risk tolerance for that Member.
- (e) If two or more Members submit a bid of the same value, LME Clear may, subject to its discretion to reject certain bids, accept the bid which LME Clear considers represents the most favourable risk management solution. If LME Clear determines that bids should not be differentiated on this basis then the winning bid will be the bid which was received by LME Clear first in time. Two or more Members from the same Group may submit identical bids in accordance with Annex 8 – Auction Process.
- (f) Each auction shall have a single winner and the Open Contracts and hedging agreements contained in the relevant Auction Portfolio will then be recorded in the Account of such winner.

## 6.6 Allocation of Default Loss

- (a) Prior to commencing an auction, LME Clear shall determine the proportion of each Member's Default Fund Contribution ("DFC") that shall be attributable to each Auction Portfolio for the purposes of applying the juniorisation principles specified in 6.6(b) below (the "**Allocated DFC Amount**"). The Allocated DFC Amount shall be determined on the basis of the principles set out in Annex 8 – Auction Process.
- (b) Where LME Clear incurs a Default Loss in relation to a Service, the non-defaulting Members of such Service shall contribute towards such Default Loss on the basis that each Members' Allocated DFC Amount in relation to a particular Auction Portfolio shall be applied pursuant to Rule 10.10.1(d) in the following order of priority:
  - (i) **first**, by the Allocated DFC Amounts of the non-successful Mandatory Bidders in the auction of that Auction Portfolio on the basis of the methodology set out below;
  - (ii) **second**, if the Allocated DFC Amounts applied under 6.6(b)(i) above are not sufficient to discharge the balance of the Default Loss, by the Allocated DFC Amounts of any non-successful Voluntary Bidders in the auction of that Auction Portfolio on the basis of the methodology set out below:

### **Non-Successful Bidder Methodology (for 6.6(b)(i) and (ii)):**

## Default Procedure Part C

Default Losses shall be applied against the Allocated DFC Amounts referred to in (i) and (ii) above in accordance with the following methodology (which shall be applied only in respect of the Members falling within this (i) or (ii), as applicable):

**Step 1 - Determination of Ranking:** Each Member's ranking in the auction shall be determined at the discretion of LME Clear in accordance with the principles set out below. For these purposes:

- the ranking will begin at zero (being the ranking of the successful bidder);
- Mandatory Bidders and Voluntary Bidders shall be ranked separately amongst themselves, in each case in an ascending numerical ranking starting with that of the non-successful bidder that was closest to the successful bid, (having a ranking of 1) and ending with the non-successful bidder that was furthest from the successful bid;
- Any Mandatory Bidders or Voluntary Bidders (as applicable) who did not submit a bid will be placed joint last behind the non-successful bidder furthest from the successful bid.

**Step 2 - Calculation of Member DFC at risk:** LME Clear shall calculate the amount of each Member's Allocated DFC Amount that is initially available to LME Clear to be applied against any remaining Default Loss (such amount being the "**Member DFC at risk**"), on the following basis:

$$\frac{R}{N} \times A = \text{Member DFC at risk}$$

Where:

"R" means the non-defaulting Member's ranking in the auction;

"N" means the number of non-successful bidders in the auction;

"A" means the Allocated DFC Amount.

**Step 3 - Contribution towards Default Loss:** The amount of each Member's DFC at risk applied against any remaining Default Loss (the "**Amount Applied**") will be calculated as follows:

$$\frac{TRDL}{TDFCR} \times MDFCR = \text{Amount Applied}$$

Where:

"TRDL" means the total remaining Default Loss (up to a maximum of all Member DFCs at risk);

"TDFCR" means the total of all Member DFCs at risk;

"MDFCR" means the Member DFC at risk.

## Default Procedure Part C

**Step 4 – Allocation of remaining loss:** Any remaining Default Loss after the application of Member DFCs above shall be covered by each Member's remaining Allocated DFC Amount ("**Remaining DFC**"), on a *pro rata* basis (such that each such Member's Remaining DFC shall be applied towards the remaining Default Loss in the same proportions as such Member's Remaining DFC represents of the total amount of Remaining DFCs of all Members falling within this (i) or (ii), as applicable).

- (iii) **third**, if the Allocated DFC Amounts applied under 6.6(b)(ii) above are not sufficient to discharge the balance of the Default Loss, by the Allocated DFC Amounts of any bidders in the auction of that Auction Portfolio whose bids were rejected, on a *pro rata* basis (such that each such Member's Default Fund Contributions shall be applied towards the remaining Default Loss in the same proportions as such Member's Default Fund Contributions represent of the total amount of Default Contributions of all Members falling within this (iii));
- (iv) **fourth**, if the Allocated DFC Amounts applied under 6.6(b)(iii) above are not sufficient to discharge the balance of the Default Loss, by the Allocated DFC Amounts of the non-defaulting Members that did not participate in the auction of that Auction Portfolio, and were not required to participate in the auction by reason of 6.4(b), (c) or (d) above, on a *pro rata* basis (such that each such Member's Default Fund Contributions shall be applied towards the Default Loss in the same proportions as such Member's Default Fund Contributions represent of the total amount of Default Contributions of all Members falling within this (iv));
- (v) **fifth**, if the Allocated DFC Amounts applied under 6.6(b)(iv) above are not sufficient to discharge the balance of the Default Loss, by the Allocated DFC Amount of the successful bidder in the auction of that Auction Portfolio;
- (vi) **sixth**, if the Allocated DFC Amounts applied under 6.6(b)(v) above are not sufficient to discharge the balance of the Default Loss, by any Default Fund Contributions of the bidders in the auctions of other Auction Portfolios relating to the same Service that are remaining after the satisfaction of any Default Losses in respect of those Auction Portfolios, on the basis of the following methodology (which shall be applied only in respect of the Members falling within this (vi)):

**Other Auction Bidder Methodology (for 6.5(vi)):**

**Step 1 – Determination of Ranking:** In order to establish each Member's ranking across all other Auction Portfolios, each Member's ranking in each other Auction Portfolio shall be aggregated. The Members will then be ranked so that the first ranked Member will be the one with the lowest aggregate ranking and the last ranked Member will be the one with the highest aggregate ranking. Mandatory Bidders and Voluntary Bidders shall be ranked together and not separately provided that any Voluntary Bidders in an auction shall automatically be given a ranking of zero in respect of such auction. In addition, any bidders falling under (iii) or (iv) above shall be given a ranking of zero.



## Default Procedure Part C

**Step 2 – Calculate Member Additional DFC at risk:** The total amount of each Member's DFC allocated to such other Auction Portfolios that is initially available to LME Clear to be applied against any remaining Default Loss (such amount being the "**Member Additional DFC at risk**") will be calculated as follows:

$$\frac{RO}{NO} \times AO = \text{Member Additional DFC at risk}$$

Where:

"**RO**" means the Member's ranking across all other Auction Portfolios;

"**NO**" means the number of bidders across all other Auction Portfolios;

"**AO**" means the sum of the Member's remaining Allocated DFC Amounts for all other Auction Portfolios.

**Step 3 – Contribution towards Default Loss:** The amount of each Member's Additional DFC at risk to be applied against any remaining Default Loss (the "**Additional Amount Applied**") will be calculated as follows:

$$\frac{TRDL}{TADFCR} \times ADFCR = \text{Additional Amount Applied}$$

Where:

"**TRDL**" means the total remaining Default Loss (up to a maximum of all Member Additional DFC's at risk);

"**TADFCR**" means the total of all Member Additional DFC's at risk;

"**ADFCR**" means the Member Additional DFC at risk.

(vii) **seventh**, if the Allocated DFC Amounts applied under 6.6(b)(vi) above are not sufficient to discharge the balance of the Default Loss, by any remaining Default Fund Contributions of the non-defaulting Members, on a *pro rata* basis (such that each such Member's Default Fund Contributions shall be applied towards the Default Loss in the same proportions as such Member's Default Fund Contributions represent of the total amount of Default Contributions of all Members falling within this (vii)).

(c) For the avoidance of doubt: (i) the order or priority in paragraph 6.6(b) shall apply only to applications of Members' Default Fund Contributions pursuant to Rule 10.10.1(d) and shall not apply to Rule 10.10.1(e) or to any Stabilisation Replenishment Notice under Rule 10.10.5; and (ii) a Member that has not been admitted to participate in a Service shall have no liability to contribute towards any Default Loss arising in respect of that Service.

## 6.7 Payments and Auction Costs

(a) Payments resulting from the auction process shall be made via the Secure Payment System. LME Clear shall transfer the purchased Positions (and, where relevant, Collateral) at the appropriate price to the successful bidder and such successful bidder shall pay the amount due to LME Clear in advance of, or

## Default Procedure Part C

simultaneously with, the transfer. Such transfer may take place by way of close out and termination of the relevant Open Contracts and their re-establishment in the Account of the successful bidder or by way of novation of the relevant Open Contracts to the Account of the successful bidder. Where any amount is payable by LME Clear to the successful bidder, LME Clear will not be obliged to make such payment until after the Open Contracts (and, where relevant, Collateral) have been transferred to the successful bidder and any such payment shall be made by the end of the Business Day following such transfer.

- (b) The costs arising out the auction process will be allocated amongst the Defaulting Member's Accounts at the discretion of LME Clear.

## 6.8 Failed Auction and Close Out

- (a) Where LME Clear determines that either there is insufficient participation in an auction for Open Contracts or where the bid(s) received are not deemed by LME Clear to be reflective of the risks in the Auction Portfolio, LME Clear will deem an auction to be a **"Failed Auction"**.
- (b) In the event of a Failed Auction, LME Clear may undertake one or more further auctions. LME Clear may adjust the parameters of the new auction in order to increase the likelihood of achieving successful bids (for example, by adjusting the risk profile of the Auction Portfolios (by hedging), or their size (by splitting the portfolios by contract/maturity)).
- (c) LME Clear may conduct such further auctions with or without undertaking any of the actions specified in (b). There is no limit to the number of auctions that LME Clear may conduct.
- (d) In the event that LME Clear does not consider that a further auction would be successful, it may seek to close-out the remaining Open Contracts of the Defaulting Member, on a per-metal basis (the Unclosed Metals, as defined in Rule 10.10.2(d)(ii)), through mandatory cash settlement with non-defaulting Members and realise any potential profit or loss. In the event that LME Clear applies cash settlement, LME Clear shall obtain the approval of the Board and:
  - (i) consult with the Board Risk Committee on its proposals to do so, which shall include providing an explanation of the steps LME Clear proposes to take in relation to such cash settlement and its rationale for taking such steps; and
  - (ii) effect such cash settlement at the then prevailing market price for the Underlying Assets or, if such market price is not available, at such price as LME Clear determines is reasonably appropriate in the circumstances in consultation with the Board Risk Committee.
- (e) Where LME Clear takes the steps described in paragraphs (b) to (d) above in respect of an Auction Portfolio that has become a Failed Auction pursuant to paragraph 6.4(a) above and, following the completion of such steps, LME Clear incurs a Default Loss in respect of that Auction Portfolio, the non-defaulting Members shall contribute towards such Default Loss on the basis that each Members' Default Fund Contributions allocated to the Auction Portfolio pursuant to Default Procedure Part C:6.3(s), together with such Default Fund Contributions as are allocated to the Auction Portfolio pursuant to Default Procedure Part C:6.3(u),



## Default Procedure Part C

shall be applied to the Default Loss pursuant to Rule 10.10.1(d) on a pro rata basis. For the purposes of this paragraph (e), the expression "*pro rata*" means in, in respect of the Default Fund Contributions allocated by LME Clear to the Auction Portfolio, the proportion which the amount of the Default Fund Contributions provided to LME Clear by each individual non-defaulting Member bears to the aggregate amount of the Default Fund Contributions provided by all non-defaulting Member, immediately prior to the commencement of the Default Period.

#### 6.9 Allocation of surpluses between Auction Portfolios

The processes described in Clearing Procedure Part C:6.3 and C:6.4 shall apply on a per-Auction Portfolio basis. In the event that, for the auctions conducted in respect of a Service, the auction for any Auction Portfolio results in a profit to LME Clear, LME Clear may apply such profit against any Default Losses attributable to any other Auction Portfolio as LME Clear, in its sole discretion, deems appropriate in the interests of risk management.

#### 6.10 Liquidating Collateral

LME Clear may liquidate (sell) or otherwise generate cash liquidity or other financing from non-cash Collateral provided by the Defaulting Member if and when it thinks fit. The choice of Collateral to use for this purpose will be decided by LME Clear and LME Clear may take into account market conditions at the time.

### 7. LOSSES IN EXCESS OF DEFAULT FUND

7.1 In the event that, following the application of the amounts provided pursuant to the replenishments required under Rule 10.10.1(e), there remains an Excess Loss, LME Clear will seek to discharge such Excess Loss through an equitable allocation of such Excess Losses to non-defaulting Members, in accordance with Rule 10.10.2.

7.2 This allocation of Excess Losses will be carried out through a pre-defined mechanism that has been previously notified to the Members. The methodologies available to LME Clear are as follows:

- (a) the application of a variation margin haircut mechanism, as specified in Rule 10.10.2 (b) and (c);
- (b) in the event that the process in (a) does not result in the discharge in full of the Excess Loss, LME Clear may effect a cash settlement of all Open Contracts, as specified in Rule 10.10.2(d).

### 8. BUSINESS VIABILITY REVIEW

In the event that LME Clear has utilised any unfunded Default Fund Contributions in the management of a default, a business viability review will be conducted immediately following the conclusion of the related default management process. The Board will, in conjunction with LME Clear's Parent Undertakings, seek to determine the most appropriate way forward for the business taking into consideration of the views of non-defaulting Members.

Default Procedure Part D

**PART D – PORTING PROCEDURE**

This Porting Procedure contains:

1. (in Section 1) the documentary requirements for the establishment of arrangements in support of the Automatic Porting Process; and
2. (in Section 2) the Porting Process that applies in respect of:
  - (a) Client Accounts to which the Automatic Porting Process applies; or
  - (b) any other Client Account.

## Default Procedure Part D

### SECTION 1: MAINTENANCE DOCUMENTATION IN SUPPORT OF AUTOMATIC PORTING PROCESS

#### 1. AUTOMATIC PORTING DESIGNATION DOCUMENTS

1.1 In order for any Client Account to be eligible under the Rules for the application of the Automatic Porting Process LME Clear must, at the time of issue of a Default Notice in respect of the Member responsible for such Account, be in receipt of such documents and forms as LME Clear shall prescribe from time to time ("**Automatic Porting Designation Documents**") that:

- (a) identify the Client Account(s) to which the Automatic Porting Process is to apply;
- (b) record the agreement of the Clients allocated to such Client Account(s) to participate in the Automatic Porting Process;
- (c) identify:
  - (i) the potential Member Transferee to which all Clients allocated to an Omnibus Segregated Client Account shall agree (subject to the agreement of that Member) to have their assets and positions transferred pursuant to the Porting Process; and
  - (ii) the potential Member Transferee to which a Client allocated to an Individual Segregated Client Account shall agree (subject to the agreement of that Member) to have its assets and positions transferred pursuant to the Porting Process;

(in each case, the "**Designated Member Transferee**"); and
- (d) record the agreement of such Member(s) identified as Designated Member Transferee(s) to be treated as such.

1.2 LME Clear shall only treat any Automatic Porting Designation Document, or any amendment to it, as representing the accurate wishes of the signatories to it, from the time that it is formally accepted by LME Clear. LME Clear may refuse to accept any Automatic Porting Designation Document or any amendment to any Automatic Porting Designation Document provided by any Client, or by a Member on behalf of its Client(s), where:

- (a) the Automatic Porting Designation Document is not complete in all respects;
- (b) the Automatic Porting Designation Document has not been properly executed, to LME Clear's satisfaction, by all relevant parties;
- (c) less than one Business Day has elapsed since such Automatic Porting Designation Document, or amendment to it, was received by LME Clear; or
- (d) any Member specified in the Automatic Porting Designation Document has become subject to a Default Event prior to the expiry of the period set out in (c) above.

Notwithstanding the foregoing, LME Clear may agree to accept an Automatic Porting Designation Document notwithstanding that some or all of the circumstances described in (a), (b) or (d) has arisen, or otherwise prior to the expiry of the period set out in (c) above.

## Default Procedure Part D

- 1.3 For the avoidance of doubt, in the event that LME Clear receives an Automatic Porting Designation Document less than one Business Day prior to the Member becoming a Defaulting Member, LME Clear may treat such Automatic Porting Designation Document as constituting a valid request by the Client(s) specified in the Automatic Porting Designation Document to effect a Transfer to the Designated Member Transferee in accordance with Rule 10.7.
- 1.4 For the avoidance of doubt:
- (a) the latest Automatic Porting Designation Document received by LME Clear in respect of any Client Account shall represent an instruction by the Client or Clients allocated to that Client Account to implement the Automatic Porting Process in the event that the Member responsible for that Client Account becomes a Defaulting Member;
  - (b) it shall be the responsibility of the Client or Clients allocated to a Client Account to ensure that LME Clear is at all times in receipt of accurate, complete and up-to-date Automatic Porting Designation Documents reflecting the wishes and instructions of all the Clients that are allocated to that Account; and
  - (c) LME Clear shall have no liability whatsoever to any Member or to any Client or Indirect Client in the event that LME Clear implements the Automatic Porting Process in respect of a Client Account, in reliance upon the information contained in the latest Automatic Porting Designation Documents received by LME Clear in respect of such Client Account.

## Default Procedure Part D

### SECTION 2: PORTING PROCESS

#### 2. TRANSFER OF A CLIENT ACCOUNT PURSUANT TO RULE 10.7

##### 2.1 Where a Client has:

- (a) pursuant to its agreement to the lodgement of Automatic Porting Designation Documents, given advance consent to LME Clear under Rule 10.7 to transfer assets and positions from its Client Account with a Member Transferor to a Client Account with a Member Transferee; or
- (b) pursuant to its issue of a Porting Request Notice, requested that LME Clear transfer assets and positions from its Client Account with a Member Transferor to a Client Account with a Member Transferee,

then LME Clear may choose as it considers most appropriate in its sole opinion, either:

- (c) to exercise its powers under Rule 10.4.1(f), to close out and terminate the Open Contracts on such Client Account of the Member Transferor and re-establish them on a Client Account with the Member Transferee; or
- (d) to transfer the assets and positions on the Client Account of the Member Transferor by way of novation to a Client Account of the Member Transferee in accordance with the procedure set out in D2.2 to D2.11 below.

#### Automatic Porting Process

##### 2.2 LME Clear will effect such a transfer of assets and positions on a Client Account in respect of which Automatic Porting Designation Documents have been filed in accordance with Rule 5 where:

- (a) the Automatic Porting Designation Documents, completed and signed by the Client(s) allocated to the Client Account and the Designated Member Transferee have been delivered to LME Clear in accordance with Section 1 of this Default Procedure D at least one (1) clear Business Day before the date on which a Default Notice is issued in respect of the Defaulting Member;
- (b) a Designated Member Transferee has provided LME Clear with its written consent to its acceptance of all the assets and positions recorded to the Client Account within the Porting Election Period;
- (c) the conditions set out in Rule 10.7.5 are fulfilled;
- (d) the Transfer is capable of being effected without any breach of Applicable Clearing Regulations on the part of LME Clear or is otherwise not prevented or restricted by the application of any Applicable Law;
- (e) the Transfer requested relates to the whole of the Client Account and not to some only of the Open Contracts or Collateral recorded on the Client Account; and
- (f) the Designated Member Transferee provides to LME Clear written representations that it has established appropriate contractual arrangements with such Clients (in compliance with Rule 5.2) to enable the Member Transferee to perform clearing services for such Clients from the time of the Transfer and, where requested by LME Clear, provides to LME Clear evidence satisfactory to LME Clear that it has established such contractual arrangements.

## Default Procedure Part D

Notwithstanding the foregoing, LME Clear may, if it chooses, agree to vary or waive one or more of the above requirements if it thinks fit.

### Standard Porting Process

- 2.3 LME Clear will effect such a transfer of assets and positions on a Client Account to which the Automatic Porting Process does not apply where:
- (a) a Porting Request Notice completed and signed by each Client allocated to the Client Account and the Member Transferee has been delivered to LME Clear in accordance with Rule 10.7.5(b), pursuant to which the Member Transferee has provided LME Clear with its written consent to its acceptance of all the assets and positions recorded to the Client Account within the Porting Election Period;
  - (b) subject to (c) below, the conditions set out in Rule 10.7.5 are fulfilled;
  - (c) any Non-Identified Clients have been identified in accordance with Rule 10.7.8;
  - (d) the Transfer is capable of being effected without any breach of Applicable Clearing Regulations on the part of LME Clear or is otherwise not prevented or restricted by the application of any Applicable Law;
  - (e) the Transfer requested relates to the whole of the Client Account and not to some only of the Open Contracts or Collateral recorded on the Client Account; and
  - (f) the Member Transferee provides to LME Clear written representations that it has established appropriate contractual arrangements with such Clients (in compliance with Rule 5.2) to enable the Member Transferee to perform clearing services for such Clients from the time of the Transfer and, where requested by LME Clear, provides to LME Clear evidence satisfactory to LME Clear that it has established such contractual arrangements.

Notwithstanding the foregoing, LME Clear may, if it chooses, agree to vary or waive one or more of the above requirements if it thinks fit.

### Partial Porting

- 2.4 LME Clear will effect a transfer of the Positions relating to some but not all of the Open Contracts recorded to an Omnibus Segregated Client Account to which the Automatic Porting Process does not apply where:
- (a) Porting Request Notices completed and signed by one or more Clients allocated to the Relevant Account specifying the Positions to be Transferred and one or more Member Transferees have been delivered to LME Clear in accordance with Rule 10.7.6(d), pursuant to which such Member Transferees have provided LME Clear with their written consent to their acceptance of the Positions recorded to the Relevant Account prior to the end of the -Porting Election Period or the Porting Transfer Window (if earlier);
  - (b) subject to (c) below, the conditions set out in Rule 10.7.6 are fulfilled;
  - (c) any Requesting Clients that are Non-Identified Clients have been identified in accordance with Rule 10.7.8;

## Default Procedure Part D

- (d) the Partial Transfer is capable of being effected without any breach of Applicable Clearing Regulations on the part of LME Clear or is otherwise not prevented or restricted by the application of any Applicable Law;
- (e) the Partial Transfer relates to all the Open Contracts of the Requesting Client recorded to the Relevant Account; and
- (f) the Member Transferee provides to LME Clear written representations that it has established appropriate contractual arrangements with such Clients (in compliance with Rule 5.2) to enable the Member Transferee to perform clearing services for such Clients from the time of the Partial Transfer and, where requested by LME Clear, provides to LME Clear evidence satisfactory to LME Clear that it has established such contractual arrangements.

Notwithstanding the foregoing, LME Clear may, if it chooses, agree to vary or waive one or more of the above requirements if it thinks fit.

**General**

- 2.5 LME Clear may, when taking action under this Default Procedure D, rely (without further investigation) on the information provided by the Member Transferor (or any Relevant Office-Holder) or its relevant Clients to LME Clear pursuant to the Rules.
- 2.6 Each Member irrevocably and unconditionally agrees that, if it is or becomes a Member Transferor, a Transfer made under these provisions shall take effect (pursuant to this Procedure) and be binding on it without the necessity for any further consent from the Member Transferor.
- 2.7 LME Clear may disclose to the Member Transferee such information relating to the Member Transferor and its Client Accounts as may be relevant for the purpose of the Transfer.
- 2.8 The Transfer referred to in Default Procedure D 2.1 above will take effect at such time as LME Clear shall specify following LME Clear's receipt of consent from a Member Transferee to accept all the assets and positions recorded on the Client Account (the "**Transfer Time**").
- 2.9 The Transfer Time must be within:
  - (a) the Porting Transfer Period; or
  - (b) any Extended Porting Transfer Period specified by LME Clear in accordance with Default Procedure D 2.10 below.
- 2.10 LME Clear may specify, via a circular posted on the Website, that an Extended Porting Transfer Period shall apply, within which LME Clear may effect a Transfer.
- 2.11 At the Transfer Time:
  - (a) the Member Transferor and LME Clear (each acting as principal) shall be released from further obligations towards one another under the Contracts recorded in the Client Account and their respective rights against one another under the relevant transactions recorded in such Client Account shall be cancelled (being the "**Discharged Rights and Obligations**");

## Default Procedure Part D

- (b) the Member Transferee and LME Clear (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as the Member Transferee and LME Clear have assumed and/or acquired the same in place of the Member Transferor and LME Clear; and
  - (c) other than in respect of a Transfer of Positions only, all rights, title and interest of the Member Transferor in or to Collateral provided by it to LME Clear in respect of such Client Account shall be transferred outright to the Member Transferee and, upon such Transfer, the Member Transferor shall cease to have any interest (legal, equitable or otherwise) in such Collateral- (which shall be released from the Security Interest granted by the Member Transferor under the Security Documents executed by it in relation to such Client Account in favour of LME Clear) and, subject to Default Procedure D 2.12 below, such Collateral shall form part of the property and rights subject to the Security Interest granted by the Member Transferee in favour of LME Clear under its Security Documents to secure the obligations and liabilities of the Member Transferee to LME Clear.
- 2.12 Upon release of the charge and any pledges held by LME Clear over any LME Warrant Collateral provided to it by the Member Transferor in respect of a Client Account pursuant to Default Procedure D 2.11(c) above, LME Clear shall instruct an Ex-cleared Transfer Instruction in respect of such LME Warrant Collateral for the purposes of effecting a Transfer to a House Account (as such term is defined in the LMEsword Regulations) of the Member Transferee. Immediately following such Transfer, the Member Transferee shall instruct an Ex-cleared Transfer Instruction in respect of the same LME Warrant Collateral for the purposes of effecting a Transfer to the LME Clear Pledged Account in order to create security by way of pledge over such LME Warrant Collateral in accordance with the terms of the Security Documents of the Member Transferee creating security over LME Warrant Collateral. The Member Transferee shall take any and all such actions as may be necessary to facilitate the Transfers contemplated by this Default Procedure D 2.12 including, without limitation, executing Ex-Cleared Accept Instructions (as such term is defined in the LMEsword Regulations) in respect of the relevant LME Warrant Collateral. Any LME Warrant Collateral subject to the procedures described in this Default Procedure D 2.12 shall not constitute Available Non-cash Collateral unless and until LME Clear is satisfied that such LME Warrant Collateral has been delivered into the LME Clear Pledged Account in accordance with the terms hereof.
- 2.13 This Procedure is without prejudice to the right of LME Clear to exercise at any time (whether during the Porting Period or otherwise) all or any of its other powers in relation to a Member Transferor under the Default Rules.
- 2.14 The Member Transferee shall, on the date upon which the Transfer takes effect, pay to LME Clear (for its own account) any applicable Fee in the amount prescribed by LME Clear from time to time. For the avoidance of doubt, no Fee shall be payable to LME Clear in respect of any Transfer unless and to the extent specified in Annex 3 (*Fees and Charges*).



## Settlement Finality Procedure

**SETTLEMENT FINALITY PROCEDURE****1. APPLICATION**

- 1.1 This Settlement Finality Procedure forms part of, and shall be read in conjunction with, the Rules and are legally binding on Members. Terms defined in the Rules have the same meaning in this Settlement Finality Procedure. In the event of any conflict or inconsistency between the Rules and this Settlement Finality Procedure, the Rules shall prevail.
- 1.2 LME Clear is a designated system for the purpose of the Settlement Finality Regulations. The Settlement Finality Regulations reduce the risk that contracts and transfers made by a clearing house and its participants may be challenged in the event of the participant's insolvency. The Settlement Finality Regulations therefore minimise the disruption that can be caused to the Clearing System as a consequence of such an insolvency. In order to benefit from the protection of the Settlement Finality Regulations, LME Clear must meet the requirements of the Settlement Finality Regulations and must be designated by the Bank of England. This Settlement Finality Procedure explains how LME Clear meets such requirements.
- 1.3 As a recognised clearing house, regulated by the Bank of England under FSMA, LME Clear's is also subject to Part VII of the Companies Act 1989 ("**Part VII**"), which provides insolvency protection to Contracts formed under LME Clear's Rules, LME Clear's and Default Rules and certain other matters relating to the Clearing System operated by LME Clear.
- 1.4 In the table in section 3 below:
- (a) Column 1 sets out the types of instruction given by or on behalf of LME Clear or a Member which are Transfer Orders for the purpose of the Rules;
  - (b) Column 2 specifies whether the Transfer Order is a "**Payment Transfer Order**" or a "**Securities Transfer Order**" for the purpose of the Settlement Finality Regulations;
  - (c) Column 3 specifies, for each category of instruction, the time at which it takes effect and is entered into the Designated System;
  - (d) Column 4 specifies, for each category of instruction, the time after which it may not be revoked by a Participant or any other party;
  - (e) Column 5 specifies, for each category of instruction, guidance notes to assist in the interpretation of the table.

**2. DEFINITIONS AND INTERPRETATION**

In this Settlement Finality Procedure, the following words and expressions shall bear the meanings set opposite them:

|                                   |  |
|-----------------------------------|--|
| <b>"Approved Settlement Bank"</b> | has the meaning set out in Rule 1 ( <i>Definitions and Interpretation</i> );   |
| <b>"Cash Investment Agent"</b>    | means a bank, investment firm or other financial institution, which LME Clear has appointed to act as its agent to invest Collateral and / or Default Fund |

## Settlement Finality Procedure

|                                |   |
|--------------------------------|---|
|                                | Contributions;  |
| "Concentration Bank"           | has the meaning set out in Rule 1 ( <i>Definitions and Interpretation</i> );  |
| "Concentration Bank Agreement" | means an agreement between LME Clear and a Concentration Bank pursuant to which the Concentration Bank agrees to provide concentration bank account services to LME Clear;  |
| "Custodian"                    | has the meaning set out in Rule 1 ( <i>Definitions and Interpretation</i> );  |
| "Custody Agreement"            | means an agreement between a Custodian and LME Clear pursuant to which the Custodian holds cash, securities and other assets on behalf of LME Clear;  |
| "Default Rules"                | means Rule 10 ( <i>Default</i> ) and the Default Procedures;  |
| "Designated System"            | means the standardised formal arrangements, common rules and procedures, as set out in the Rules (including the Settlement Finality Procedures and the other Procedures) and service descriptions published by LME Clear and other functionality (in each case as amended from time to time) which: <ul style="list-style-type: none"> <li>(a) enable LME Clear in operating its Secure Payment System (or otherwise) to give instructions to transfer to Members amounts of money on the accounts of certain Approved Settlement Banks;</li> <li>(b) enable LME Clear in operating the Secure Payment System (or otherwise) to give instructions on behalf of Members and to transfer to LME Clear amounts of money on the accounts of certain Approved Settlement Banks;</li> <li>(c) enable LME Clear to give instructions to its Concentration Banks to transfer amounts of money on the accounts of such Concentration Banks to Approved Settlement Banks;</li> <li>(d) enable LME Clear to give instructions to Custodians or Securities Systems Operators or Securities Account Operators to transfer, or arrange the transfer, of title to, or interest in, securities and cash;</li> <li>(e) enable LME Clear to become central</li> </ul> |

## Settlement Finality Procedure

|                                      |  |
|--------------------------------------|--|
|                                      | counterparty to Members in respect of Transactions;  |
|                                      | (f) enable LME Clear to centrally clear Contracts that correspond to Underlying Client Trades;   |
|                                      | (g) enable LME Clear and Members to fulfil obligations they incur in respect of Contracts;   |
|                                      | (h) enable transfers, assignments and novations of Contracts between Members (and the corresponding transfer of Collateral and Positions between the Accounts of such Members) in accordance with the Rules, including following a Default Event and, without limitation, pursuant to the exercise by one or more Clients of Porting Rights; and   |
|                                      | (i) facilitate supplementary and incidental matters relating to the performance or discharge of obligations in respect of Contracts and the collection and payment of amounts due under the Rules;   |
| <b>"Payment Transfer Order"</b>      | has the meaning set out in the Settlement Finality Regulations;  |
| <b>"Participant"</b>                 | means any of the following: <ul style="list-style-type: none"> <li>(a) LME Clear;</li> <li>(b) each Member;</li> <li>(c) each Approved Settlement Bank; or</li> <li>(d) each Concentration Bank,</li> </ul> that are "participants" (as defined in the Settlement Finality Regulations) in the Designated System (and this Settlement Finality Procedure shall apply equally to any insolvency practitioner appointed for, or having powers in respect of, a Participant); |
| <b>"Porting Rights"</b>              | means a right to have a Transfer effected pursuant to Rule 10.7 ( <i>Portability of Client Accounts</i> );   |
| <b>"Securities Account Operator"</b> | means a bank or other financial institution which provides account operator services to LME Clear in respect of accounts maintained by LME Clear with a Securities System Operator;  |
| <b>"Securities Account Operator"</b> | means an agreement between LME Clear and a   |

## Settlement Finality Procedure

|  |   |
|--|---|
| <b>"Agreement"</b>                     | Securities Account Operator pursuant to which the Securities Account Operator agrees to perform account operator services for LME Clear in respect of one or more accounts maintained by LME Clear with a Securities System Operator;   |
| <b>"Settlement Bank Agreement"</b>     | means an agreement between LME Clear and an Approved Settlement Bank pursuant to which the Approved Settlement Bank is authorised to participate in the Secure Payment System;  |
| <b>"Settlement Finality Directive"</b> | means Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems (as subsequently amended and as may be further amended from time to time);  |
| <b>"Securities System Operator"</b>    | <p>means:</p> <ul style="list-style-type: none"> <li>(a) the operator of a relevant system within the meaning of the Uncertificated Securities Regulations 2001;</li> <li>(b) the operator of a securities depository or securities settlement system in the UK or any other jurisdiction;</li> </ul> <p>and includes, without limitation, Euroclear UK &amp; Ireland and Euroclear Bank;</p> |
| <b>"Securities System Terms"</b>       | means the terms of business or agreement pursuant to which LME Clear is permitted to use the securities depository or securities settlement systems of a Securities Systems Operator;   |
| <b>"Securities Transfer Order"</b>     | has the meaning set out in the Settlement Finality Regulations; and   |
| <b>"Transfer Order"</b>                | means a Securities Transfer Order or a Payment Transfer Order.  |

## Settlement Finality Procedure

### 3. SPECIFICATION OF TRANSFER ORDERS FOR THE PURPOSE OF THE SETTLEMENT FINALITY REGULATIONS

|     | 1. TRANSFER ORDER         | 2. TYPE OF TRANSFER ORDER | 3. TIME "ENTERED INTO THE DESIGNATED SYSTEM" | 4. TIME FROM WHICH IRREVOCABLE | 5. NOTES   |
|-----|---------------------------|---------------------------|--|--------------------------------|--|
| 3.1 | Acceptance of Transaction | Payment Transfer Order    | Upon Acceptance                              | The Acceptance Time            | <p>1. A Transaction that is Accepted under Rule 6 gives rise:</p> <ul style="list-style-type: none"> <li>(a) to one or more Payment Obligations pursuant to Rule 7 and the Clearing Procedure,</li> <li>(b) to Contracts formed between the Member and LME Clear in accordance with Rule 6.</li> </ul> <p>2. Acceptance is deemed to occur upon satisfaction of the Acceptance Criteria, at the time specified in Clearing Procedure B 3.1, and the time of such Acceptance shall be the Acceptance Time, in accordance with Rule 6.4.3.</p> <p>3. A Transfer Order in respect of a Transaction shall become irrevocable from the Acceptance Time.</p> <p>4. A Transfer Order in respect of a Transaction shall include:</p> <ul style="list-style-type: none"> <li>(a) the Payment Obligations under any Contract that arises pursuant to the Acceptance of such Transaction; and</li> <li>(b) (where any netting, aggregation or compression process is applied to any Contract under the operation of the Rules), the Payment Obligations under the Contract that is in force following the application of such process, including for the avoidance of doubt any Post-Compression Contract.</li> </ul> |

## Settlement Finality Procedure

|     | 1. TRANSFER ORDER   | 2. TYPE OF TRANSFER ORDER | 3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"  | 4. TIME FROM WHICH IRREVOCABLE   | 5. NOTES   |
|-----|---|---------------------------|---|--|--|
| 3.2 | Instruction by LME Clear to an Approved Settlement Bank to pay to LME Clear a Cash Settlement on behalf of a Member             | Payment Transfer Order    | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Rules, used by LME Clear to transmit the instruction to the Participant. | The time at which the Approved Settlement Bank sends to LME Clear a SWIFT credit confirmation message (by SWIFT message type MT910) or otherwise confirms to LME Clear that such payment will be, or has been, made. | <p>1. The instruction shall be to transfer to LME Clear an amount of money to be debited from an account of the Member with the Approved Settlement Bank and credited to an account of LME Clear with the Approved Settlement Bank.</p> <p>2. The transfer of money shall be to discharge an obligation of the Member to make a Cash Settlement to LME Clear under the Rules.</p> <p>3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Settlement Bank Agreement between LME Clear and the Approved Settlement Bank.</p> |
| 3.3 | Instruction by LME Clear to an Approved Settlement Bank to pay to a Member a Cash Settlement on behalf of LME Clear             | Payment Transfer Order    | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Rules, used by LME Clear to transmit the instruction to the Participant. | The time at which the Approved Settlement Bank sends to LME Clear a SWIFT debit confirmation message (by SWIFT message type MT900) or otherwise confirms to LME Clear that such payment will be, or has been, made.  | <p>1. The instruction shall be to transfer to a Member an amount of money to be debited from an account of LME Clear with the Approved Settlement Bank and credited to an account of the Member with the Approved Settlement Bank.</p> <p>2. The transfer of money shall be to discharge an obligation of LME Clear to make a Cash Settlement to the Member under the Rules.</p> <p>3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Settlement Bank Agreement between LME Clear and the Approved Settlement Bank.</p>  |
| 3.4 | The transfer of Cash Collateral by LME Clear from a Defaulting Member to another Member pursuant to LME Clear's exercise of its | Payment Transfer Order    | The time of the transfer in accordance with the Rules.  | The time at which LME Clear's books and records are updated as a result of a successful  | <p>1. The transfer may occur as a consequence of Rule 10.7 (<i>Portability of Client Accounts</i>) or otherwise pursuant to Rule 10 (<i>Default</i>) or the Default Procedures.</p>  |

## Settlement Finality Procedure

|     | 1. TRANSFER ORDER  | 2. TYPE OF TRANSFER ORDER | 3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"  | 4. TIME FROM WHICH IRREVOCABLE  | 5. NOTES  |
|-----|--|---------------------------|---|---|---|
|     | powers under the Default Rules.  |                           |   | transfer of the Collateral.   |   |
| 3.5 | Instruction by LME Clear to an Approved Settlement Bank to transfer to a Defaulting Member or its insolvency practitioner an amount of money to be paid to the Defaulting Member or its insolvency practitioner pursuant to the Default Rules. | Payment Transfer Order    | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Rules, used by LME Clear to transmit the instruction to the Participant. | The time at which the Approved Settlement Bank sends to LME Clear a SWIFT debit confirmation message (by SWIFT message type MT900) or otherwise confirms to LME Clear that such payment will be, or has been, made. | <p>1. The instruction shall be to transfer to a Member an amount of money to be debited from an account of LME Clear with the Approved Settlement Bank and credited to:</p> <ul style="list-style-type: none"> <li>(a) an account of the Member with the Approved Settlement Bank; or</li> <li>(b) such alternative bank account as is specified by the insolvency practitioner appointed in respect of the Defaulting Member for the receipt of such sums.</li> </ul> <p>2. The transfer of money shall be to discharge an obligation of LME Clear under the Rules to pay to a Defaulting Member any cash sum following the calculation of the final net settlement in respect of that Defaulting Member.</p> <p>3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Settlement Bank Agreement between LME Clear and the Approved Settlement Bank.</p> |
| 3.6 | Instruction by LME Clear to a Concentration Bank to transfer an amount of money to an account of LME Clear with an Approved Settlement Bank.   | Payment Transfer Order    | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Concentration Bank Agreement,  | The time at which the Concentration Bank sends to LME Clear a SWIFT debit confirmation message or otherwise confirms to LME Clear that such payment will be, or has been, made.                                     | <p>1. The instruction shall be to transfer to LME Clear or the Cash Investment Agent an amount of money to be debited from an account of LME Clear with the Concentration Bank and credited to an account of LME Clear with an Approved Settlement Bank.</p> <p>2. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Concentration Bank Agreement between LME Clear and</p>  |

## Settlement Finality Procedure

|     | 1. TRANSFER ORDER   | 2. TYPE OF TRANSFER ORDER | 3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"  | 4. TIME FROM WHICH IRREVOCABLE  | 5. NOTES   |
|-----|---|---------------------------|---|---|--|
|     |   |                           | used by LME Clear to transmit the instruction to the Participant.   |   | the Concentration Bank.  |
| 3.7 | Instruction by LME Clear to an Approved Settlement Bank to transfer an amount of money to an account of LME Clear at a Concentration Bank nominated by LME Clear. | Payment Transfer Order    | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Settlement Bank Agreement, used by LME Clear to transmit the instruction to the Participant. | The time at which the Approved Settlement Bank sends to LME Clear a SWIFT debit confirmation message (by SWIFT message type MT900) or otherwise confirms to LME Clear that such payment will be, or has been, made. | <p>1. The instruction shall be to transfer to LME Clear an amount of money to be debited from an account of LME Clear with the Approved Settlement Bank and credited to an account of LME Clear with a Concentration Bank.</p> <p>2. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Settlement Bank Agreement between LME Clear and the Approved Settlement Bank.</p>  |
| 3.8 | Instruction by LME Clear to a Custodian to transfer to LME Clear or a Member an amount of money to be debited from an account of LME Clear with the Custodian.    | Payment Transfer Order    | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Custody Agreement, used by LME Clear to transmit the instruction to the Participant.         | The time at which the Custodian sends to LME Clear a SWIFT debit confirmation message or otherwise confirms to LME Clear that such payment will be, or has been, made.  | <p>1. The instruction shall be to transfer to LME Clear or a Member an amount of money to be debited from an account of LME Clear with the Custodian and credited to:</p> <ul style="list-style-type: none"> <li>(a) an account of LME Clear with a Concentration Bank or an Approved Settlement Bank; or</li> <li>(b) an account of a Member with an Approved Settlement Bank.</li> </ul> <p>2. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Custody Agreement between LME Clear and the Custodian.</p> |



## Settlement Finality Procedure

|      | 1. TRANSFER ORDER   | 2. TYPE OF TRANSFER ORDER | 3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"   | 4. TIME FROM WHICH IRREVOCABLE   | 5. NOTES  |
|------|---|---------------------------|--|--|---|
| 3.9  | Instruction by LME Clear to a Securities System Operator, directly or via a Securities Account Operator acting on LME Clear's behalf, to transfer an amount of money to an account of LME Clear at an Approved Settlement Bank or a Concentration Bank. | Payment Transfer Order    | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Securities Account Operator Agreement or Securities System Terms (as applicable), used by LME Clear to transmit the instruction to the Participant. | The time at which the Securities System Operator or Securities Account Operator (as applicable) sends to LME Clear a SWIFT debit confirmation message or otherwise confirms to LME Clear that such payment will be, or has been, made. | <p>1. The instruction shall be to transfer to LME Clear an amount of money to be debited from a cash account of LME Clear with the Securities System Operator and credited to an account of LME Clear with a Concentration Bank or an Approved Settlement Bank.</p> <p>2. The instruction may be given by SWIFT message or by any other means specified in, or permitted by (as applicable):</p> <p>(a) the Securities Account Operator Agreement between LME Clear and the Securities Account Operator; or</p> <p>(b) Securities System Terms between LME Clear and the Securities Account Operator.</p> |
| 3.10 | Instruction by a Member for Automatic Compression, which takes effect as a standing instruction pursuant to a Compression Request   | Payment Transfer Order    | The cut-off time for the cancellation of the proposed Compression Run, as set out in the DSS.  | The Compression Time.  | <p>1. The instruction shall be to modify the existing Payment Transfer Order that is described in paragraph 3.1 above, in order to give effect to Compression.</p> <p>2. Nothing in this Settlement Finality Procedure shall oblige LME Clear to implement a Compression in accordance with any instruction from a Member upon or following the occurrence of a Default Event in respect of that Member.</p>  |
| 3.11 | Instruction by a Member for Manual or File Based Compression  | Payment Transfer Order    | The time at which the Member submits its request for Compression via the LMEmercury GUI.   | The Compression Time.  | <p>1. The instruction shall be to modify the existing Payment Transfer Order that is described in paragraph 3.1 above, in order to give effect to Compression.</p> <p>2. Nothing in this Settlement Finality Procedure shall oblige LME Clear to implement a Compression in accordance with any instruction from a Member upon or</p>   |

## Settlement Finality Procedure

|      | 1. TRANSFER ORDER   | 2. TYPE OF TRANSFER ORDER | 3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"  | 4. TIME FROM WHICH IRREVOCABLE  | 5. NOTES  |
|------|---|---------------------------|---|---|---|
|      |   |                           |   |   | following the occurrence of a Default Event in respect of that Member.  |
| 3.12 | <p>Instruction by LME Clear to:</p> <p>(a) a Custodian or Securities System Operator to receive title to, or interest in, Eligible Securities from an account of a Member; or</p> <p>(b) a Securities Account Operator, acting on behalf of LME Clear, to facilitate that the Securities System Operator shall receive title to, or interest in, Eligible Securities from an account of a Member.</p> | Securities Transfer Order | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable), used by LME Clear to transmit the instruction to the Participant. | The time at which the Eligible Securities are transferred to an account in respect of which LME Clear is legally or beneficially entitled or the time at which the Custodian, Securities System Operator or Securities Account Operator confirms to LME Clear by SWIFT message or other form of confirmation permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable) that such transfer will be made or that such transfer has been made (whichever is the earlier). | <p>1. The transfer of Eligible Securities shall be from an account of the Member with a Custodian or a Securities System Operator to an account of LME Clear with a Custodian or a Securities System Operator and shall be recorded by book transfer by the Custodian or securities settlement by the Securities System Operator.</p> <p>2. Such transfers of Eligible Securities will arise pursuant to the provision by a Member of Securities Collateral pursuant to and in accordance with the Rules, whether by substitution for Cash Collateral or otherwise.</p> <p>3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by (as applicable):</p> <p>(a) the Custody Agreement between LME Clear and the Custodian;</p> <p>(b) the Securities Account Operator Agreement between LME Clear and the Securities Account Operator; or</p> <p>(c) Securities System Terms between LME Clear and the Securities Account Operator.</p> |
| 3.13 | <p>Instruction by LME Clear to:</p> <p>(a) a Custodian or Securities System Operator to transfer the title to, or</p>   | Securities Transfer Order | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any   | The time at which the Eligible Securities are transferred from an account in respect of which LME Clear is legally or beneficially  | 1. The transfer of Eligible Securities shall be from an account of LME Clear with a Custodian or a Securities System Operator to an account of the Member with a custodian or a Securities System Operator and shall be recorded by book transfer by the Custodian or securities  |

## Settlement Finality Procedure

|      | 1. TRANSFER ORDER  | 2. TYPE OF TRANSFER ORDER | 3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"   | 4. TIME FROM WHICH IRREVOCABLE   | 5. NOTES   |
|------|--|---------------------------|--|--|--|
|      | <p>interest in, Eligible Securities from an account of LME Clear to an account of a Member; or</p> <p>(b) a Securities Account Operator, acting on behalf of LME Clear, to facilitate that the Securities System Operator shall transfer the title to, or interest in, Eligible Securities from an account of LME Clear to an account of a Member.</p> |                           | <p>other communication mechanism permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable), used by LME Clear to transmit the instruction to the Participant.</p> | <p>entitled or, if it is later, the time at which the Custodian, Securities System Operator or Securities Account Operator confirms to LME Clear by SWIFT message or other form of confirmation permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable) that such transfer has been made.</p> | <p>settlement by the Securities System Operator.</p> <p>2. Such transfers of Eligible Securities will arise pursuant to the return by LME Clear to a Member of Securities Collateral pursuant to and in accordance with the Rules.</p> <p>3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by (as applicable):</p> <ul style="list-style-type: none"> <li>(a) the Custody Agreement between LME Clear and the Custodian; or</li> <li>(b) the Securities Account Operator Agreement between LME Clear and the Securities Account Operator; or</li> <li>(c) Securities System Terms between LME Clear and the Securities Account Operator.</li> </ul> |
| 3.14 | The transfer of Securities Collateral by LME Clear from a Defaulting Member to another Member pursuant to LME Clear's exercise of its powers under the Default Rules.  | Securities Transfer Order | The time of the transfer in accordance with the Rules.   | The time at which LME Clear's books and records are updated as a result of a successful transfer of the Collateral.  | The transfer may occur as a consequence of Rule 10.7 ( <i>Portability of Client Accounts</i> ) or otherwise pursuant to Rule 10 ( <i>Default</i> ) or the Default Procedures.  |
| 3.15 | <p>Instruction by LME Clear to:</p> <p>(a) a Custodian or Securities System Operator to transfer the title to, or interest in, Eligible Securities from an</p>   | Securities Transfer Order | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication  | The time at which the Eligible Securities are transferred from an account in respect of which LME Clear is legally or beneficially entitled or, if it is later, the  | 1. The transfer of Eligible Securities shall be from an account of LME Clear with a Custodian or a Securities System Operator to an account of the Defaulting Member or its insolvency practitioner with a Custodian or a Securities System Operator and shall be recorded by book transfer by the Custodian or securities settlement by   |

## Settlement Finality Procedure

|  | 1. TRANSFER ORDER  | 2. TYPE OF TRANSFER ORDER | 3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"   | 4. TIME FROM WHICH IRREVOCABLE  | 5. NOTES  |
|--|--|---------------------------|--|---|---|
|  | <p>account of LME Clear to an account of a Defaulting Member or its insolvency practitioner pursuant to the Default Rules; or</p> <p>(b) a Securities Account Operator, acting on behalf of LME Clear, to facilitate that the Securities System Operator shall transfer the title to, or interest in, Eligible Securities from an account of LME Clear to an account of a Defaulting Member or its insolvency practitioner pursuant to the Default Rules</p> |                           | <p>mechanism permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable), used by LME Clear to transmit the instruction to the Participant.</p> | <p>time at which the Custodian, Securities System Operator or Securities Account Operator confirms to LME Clear by SWIFT message or other form of confirmation permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable) that such transfer has been made.</p> | <p>the Securities System Operator.</p> <p>2. The transfer of Eligible Securities shall be to discharge an obligation of LME Clear under the Rules to return to a Defaulting Member any Securities Collateral following the calculation of the final net settlement in respect of that Defaulting Member.</p> <p>3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by (as applicable):</p> <ul style="list-style-type: none"> <li>(a) the Custody Agreement between LME Clear and the Custodian;</li> <li>(b) the Securities Account Operator Agreement between LME Clear and the Securities Account Operator; or</li> <li>(c) Securities System Terms between LME Clear and the Securities Account Operator.</li> </ul> |

## Settlement Finality Procedure

### 4. PROHIBITION ON REVOCATION OF TRANSFER ORDERS

No Participant (or any insolvency practitioner appointed in relation to the Participant) may revoke or purport to revoke any Transfer Order, which shall be binding on all such persons, after the time specified in section 3 above as being the time when such Transfer Order becomes irrevocable.

### 5. GENERAL OBLIGATIONS OF MEMBERS AS PARTICIPANTS

5.1 Members of LME Clear are Participants in the Designated System under the Settlement Finality Regulations.

5.2 Members must:

- (a) comply with the Settlement Finality Regulations and Part VII;
- (b) facilitate compliance by LME Clear with the requirements of the Settlement Finality Regulations and Part VII; and
- (c) comply with any action taken by LME Clear pursuant to the Settlement Finality Regulations and Part VII.

### 6. PROVISION OF INFORMATION

6.1 A Participant must, within fourteen (14) days of being requested to do so by any person, and upon payment of a reasonable charge, provide to any person who requests it:

- (a) details of the systems which are designated for the purposes of the Settlement Finality Directive in which the Participant participates; and
- (b) information about the main rules of governing the functioning of those systems.

6.2 A Participant shall not be required to provide information to a person pursuant to section 6.1 above where the request is frivolous or vexatious.

6.3 Each Participant shall promptly provide to LME Clear such information as LME Clear may reasonably require from time to time in order to meet its obligations as operator of the Designated System under the Settlement Finality Regulations.

### 7. NOTIFICATION OF INSOLVENCY EVENTS

7.1 A Participant shall forthwith notify LME Clear and the Bank of England in the event that:

- (a) a creditors' voluntary resolution is passed in respect of the Participant;
- (b) a trust deed granted by the Participant becomes a protected trust deed; or
- (c) any analogous event occurs in respect of the Participant under the laws of a jurisdiction other than England and Wales.

7.2 Any notice given to LME Clear under this provision shall be given in writing addressed to ~~The Chief Legal and Compliance Officer~~ [the General Counsel](#), and shall be sent by first class pre-paid recorded delivery post or hand delivered to the following address:

LME Clear Limited  
10 Finsbury Square

## Settlement Finality Procedure

London EC2A 1AJ  
United Kingdom

- 7.3 Any notice given to the Bank of England under this provision shall be sent by first class pre-paid recorded delivery post or hand delivered to the following address:

Manager of the Payment Systems Oversight Financial Resilience Division  
Bank of England  
Threadneedle Street  
London EC2R 8AH

**LME CLEAR LIMITED**

**ANNEXES**

## Annex 1

## ANNEX 1 – ELIGIBLE PRODUCTS

## 1. INTRODUCTION

## 1.1 This Annex 1:

- (a) sets out the list of Eligible Products that are eligible to be cleared via the Clearing System and the Product Specifications in respect of each such Eligible Product; and
- (b) specifies which Eligible Products are Eligible Compressible Contracts for the purposes of Rule 12 (*Compression*).

## 1.2 The Eligible Products are:

- (a) The following LME Base Products:

|       | Eligible Product  | Paragraph containing Contract Specifications |
|-------|---|--|
| (i)   | LME Exchange Traded Forwards  | Paragraph 2.2                                |
| (ii)  | LME Exchange Traded Futures<br>( <del>LMEminis, Ferrous Futures &amp; LME Index</del> ) | Paragraph 2.3                                |
| (iii) | LME Exchange Traded American Options  | Paragraph 2.4                                |
| (iv)  | LME Exchange Traded Average Price Options (TAPOs)                                       | Paragraph 2.5                                |
| (v)   | LME Exchange Traded Monthly Average Futures   | Paragraph 2.6                                |

- (b) The following LMEprecious Products:

|      | Eligible Product  | Paragraph containing Contract Specifications |
|------|---|--|
| (i)  | LMEprecious Futures   | Paragraph 3.2                                |
| (ii) | <del>[Other LMEprecious products to be specified in due course]</del> Options | Paragraph <del>[***]</del> 3.3               |

- 1.3 In section 2 of this Annex 1, capitalised terms that are not defined in these Rules shall have the same meaning given in the LME Rules.

- 1.4 The following Eligible Products are Eligible Compressible Contracts, and are therefore capable of compression, for the purposes of Rule 12 (*Compression*):



## Annex 1

- (a) LME Exchange Traded Forwards; and
- (b) LME Exchange Traded Monthly Average Futures.

## 2. LME BASE PRODUCTS

### 2.1 General

- (a) The Approved Transaction Platform for all LME Base Products is LMEsmart.
- (b) USD is the nominated Base Currency for all LME Base Products.
- (c) The full Product Specifications of the LME Base Products are determined by the LME Rules and the notices issued by LME under the LME Rules. For ease of reference a representation of these Product Specifications is provided in this paragraph 2.

### 2.2 LME Exchange Traded Forwards

#### (a) Non-Ferrous Metals

##### Individual Metal parameters for Non-Ferrous Metals

| Metal   | Product ID (Code) | Lot Size         |
|---|-------------------|------------------|
| Aluminium Alloy                                 | AA                | 20 metric tonnes |
| High Grade Primary Aluminium                    | AH                | 25 metric tonnes |
| North American Special Aluminium Alloy (NASAAC) | NA                | 20 metric tonnes |
| Copper Grade A                                  | CA                | 25 metric tonnes |
| Primary Nickel                                  | NI                | 6 metric tonnes  |
| Standard Lead                                   | PB                | 25 metric tonnes |
| Tin   | SN                | 5 metric tonnes  |
| Special High Grade Zinc                         | ZS                | 25 metric tonnes |

#### Prompt Date Structure

| Metal  | Daily                   | Weekly (Wednesdays)               | Monthly (third (3 <sup>rd</sup> ) Wednesday)           | Monthly (second (2 <sup>nd</sup> ) Business Day) |
|--------|-------------------------|-----------------------------------|--|--|
| AH, CA | TOM to three (3) months | Four (4) months to six (6) months | Seven (7) months to one hundred and twenty-three (123) | Four (4) months to twenty-four (24) months       |

Annex 1

|        |                         |                                   | months                                       |  |
|--------|-------------------------|-----------------------------------|--|--|
| NI, ZS | TOM to three (3) months | Four (4) months to six (6) months | Seven (7) months to sixty-three (63) months  | Four (4) months to twenty-four (24) months |
| PB     | TOM to three (3) months | Four (4) months to six (6) months | Seven (7) months to sixty-three (63) months  | Four (4) months to fifteen (15) months     |
| AA, NA | TOM to three (3) months | Four (4) months to six (6) months | Seven (7) months to twenty-seven (27) months | Four (4) months to twenty-four (24) months |
| SN     | TOM to three (3) months | Four (4) months to six (6) months | Seven (7) months to fifteen (15) months      | Four (4) months to fifteen (15) months     |

## Annex 1

**Common parameters for Non-Ferrous Metals**

| Parameter              | Definition   |
|------------------------|--|
| Settlement Currency    | EUR, GBP, JPY or USD   |
| Price Quotation        | USD per metric tonne.  |
| Minimum Price Movement | For trades in EUR, GBP or USD = 0.01<br>For trades in JPY = 1.   |
| Last Submission Date   | The Last Submission Date is one (1) good LME Business Day prior to the Prompt Date.  |
| Trade Submission       | For trades in EUR, GBP or USD, any good LME Business Day up to 13:30 hours on the Last Submission Date.<br>For trades in JPY, any good LME Business Day up to 20:00 hours on the day preceding the Last Submission Date. |
| Prompt Date            | The Settlement Business Day on which the Contract is to be settled.  |
| Closing Valuations     | LME Closing Price.   |
| Margin Model           | Initial Margin, <del>using a SPAN algorithm,</del> and <del>Discounted Contingent Variation Margin,</del> <u>calculated in accordance with the methodology specified in Clearing Procedure Part C.</u>                   |
| Settlement Type        | Physical - as LME Warrants   |
| Settlement Price       | LME Settlement Price.  |
| Metal Settlement       | LME Warrants through LMEsword as per LME Rules   |
| Currency Settlement    | Through Secure Payment Systems   |

(b) **Minor Metals****Individual Metal parameters for Minor Metals**

| Metal      | Product ID (Code) | Lot Size        |
|------------|-------------------|-----------------|
| Cobalt     | CO                | 1 metric tonne  |
| Molybdenum | MO                | 6 metric tonnes |

## Annex 1

**Prompt Date Structure**

| <b>Metal</b> | <b>Daily</b>            | <b>Weekly (Wednesdays)</b>        | <b>Monthly (third (3<sup>rd</sup>) Wednesday)</b> |
|--------------|-------------------------|-----------------------------------|---|
| CO, MO       | TOM to three (3) months | Four (4) months to six (6) months | Seven (7) months to fifteen (15) months           |

**Common parameters for Minor Metals**

| <b>Parameter</b>       | <b>Definition</b>  |
|------------------------|--|
| Settlement Currency    | EUR, GBP, JPY or USD   |
| Price Quotation        | USD per metric tonne.  |
| Minimum Price Movement | For trades in EUR, GBP or USD = 0.01<br>For trades in JPY = 1.   |
| Last Submission Date   | The Last Submission Date is one good LME Business Day prior to the Prompt Date.  |
| Trade Submission       | For trades in EUR, GBP or USD, any good LME Business Day up to 13:30 hours on the Last Submission Date.<br>For trades in JPY, any good LME Business Day up to 20:00 hours on the day preceding the Last Submission Date. |
| Prompt Date            | The Settlement Business Day on which the Contract is to be settled.  |
| Closing Valuations     | LME Closing Price.   |
| Margin Model           | Initial Margin, <del>using a SPAN algorithm,</del> and <del>Discounted Contingent Variation Margin,</del> <a href="#">calculated in accordance with the methodology specified in Clearing Procedure Part C.</a>          |
| Settlement Type        | Physical - as LME Warrants.  |
| Settlement Price       | LME Settlement Price.  |
| Metal Settlement       | LME Warrants through LMEsword as per LME Rules   |
| Currency Settlement    | Through Secure Payment System  |

(c) **Steel** [\[Contract not currently available\]](#)**Parameters for Steel** [\[Contract not currently available\]](#)

| <b>Metal</b> | <b>Product ID (Code)</b> | <b>Lot Size</b>  |
|--------------|--------------------------|------------------|
| Steel Billet | FM                       | 65 metric tonnes |

## Annex 1

**Prompt Date Structure** [\[Contract not currently available\]](#)

| Metal | Daily                   | Weekly<br>(Wednesdays)            | Monthly (third (3 <sup>rd</sup> )<br>Wednesday) |
|-------|-------------------------|-----------------------------------|---|
| FM    | TOM to three (3) months | Four (4) months to six (6) months | Seven (7) months to fifteen (15) months         |

**Common parameters for Steel** [\[Contract not currently available\]](#)

| Parameter              | Definition  |
|------------------------|---|
| Settlement Currency    | USD   |
| Price Quotation        | USD per metric tonne.   |
| Minimum Price Movement | USD = 0.01  |
| Last Submission Date   | The Last Submission Date is one (1) good LME Business Day prior to the Prompt Date.   |
| Trade Submission       | Any good LME Business Day up to 13:30 hours on the Last Submission Date.  |
| Prompt Date            | The Settlement Business Day on which the Contract is to be settled.   |
| Closing Valuations     | LME Closing Price.  |
| Margin Model           | Initial Margin, <del>using a SPAN algorithm,</del> and <del>Discounted Contingent Variation Margin,</del> <a href="#">calculated in accordance with the methodology specified in Clearing Procedure Part C.</a> |
| Settlement Type        | Physical - as LME Warrants.   |
| Settlement Price       | LME Settlement Price.   |
| Metal Settlement       | LME Warrants through LMEsword as per LME Rules.   |
| Currency Settlement    | Through Secure Payment Systems  |

**(d) LME Aluminium Premium Contracts****Individual Metal parameters for LME Aluminium Premium Contracts**

| Metal                                | Product ID<br>(Code) | Lot Size         |
|--------------------------------------|----------------------|------------------|
| LME US Aluminium Premium             | AN                   | 25 metric tonnes |
| LME Western Europe Aluminium Premium | AW                   | 25 metric tonnes |
| LME Eastern Asia Aluminium Premium   | AE                   | 25 metric tonnes |

## Annex 1

|  |    |                  |
|--|----|------------------|
| LME South-Eastern Asia Aluminium Premium | AS | 25 metric tonnes |
|--|----|------------------|

**Prompt Date Structure**

| Metal   | Monthly                            |
|---|------------------------------------|
| High grade primary aluminium premium warrant in the designated region | Monthly out to fifteen (15) months |

**Common parameters for LME Aluminium Premium Contracts**

| Parameter              | Definition   |          |         |
|------------------------|--|----------|---------|
| Settlement Currency    | USD  |          |         |
| Price Quotation        | USD per metric tonne.  |          |         |
| Minimum Price Movement | Venue  | Outright | Carries |
|                        | Ring   | \$0.50   | \$0.01  |
|                        | LMEselect  | \$0.50   | \$0.01  |
|                        | LME Inter-Office Market  | \$0.01   | \$0.01  |
| Last Submission Date   | Two (2) Business Days before the third (3 <sup>rd</sup> ) Wednesday of the contract month trading in the expiring Contract.  |          |         |
| Trade Submission       | Any good LME Business Day up to 12:30 hours on the Last Submission Date.   |          |         |
| Prompt Date            | Third (3 <sup>rd</sup> ) Wednesday of each maturity month.   |          |         |
| Closing Valuations     | LME Closing Price.   |          |         |
| Margin Model           | <del>Initial and contingent variation margins applied per LME- Clear risk management parameters.</del> <a href="#">Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.</a>   |          |         |
| Settlement Type        | Physically delivered.<br><br><b>Seller provides:</b> LME Premium Warrant for aluminium in the designated Premium Warrant Jurisdiction.<br><br><b>Buyer provides:</b> A Settlement Payment comprising: <ul style="list-style-type: none"><li>any LME Warrant for aluminium;</li><li>PLUS the premium cash as agreed at contract formation;</li><li>LESS the premium aluminium Free On Truck charge at the Warehouse where the LME Premium Warrant for aluminium is delivered.</li></ul> |          |         |

## Annex 1

|                     |                                 |
|---------------------|---------------------------------|
| Settlement Price    | LME Settlement Price.           |
| Currency Settlement | Through Secure Payment Systems. |

## 2.3 LME Exchange Traded Futures

(a) ~~(a)~~ Non-Ferrous Metals – (LMEminis)

## Individual Metal parameters for Non-Ferrous Metals – LMEminis

| Metal                        | Product ID (Code) | Lot Size        |
|------------------------------|-------------------|-----------------|
| High Grade Primary Aluminium | MA                | 5 metric tonnes |
| Copper Grade A               | MC                | 5 metric tonnes |
| Special High Grade Zinc      | MZ                | 5 metric tonnes |

## Prompt Date Structure

| Metal      | Monthly              |
|------------|----------------------|
| MA, MC, MZ | Monthly to 12 months |

## Common parameters for Non-Ferrous Metals (LMEminis)

| Parameter              | Definition  |
|------------------------|---|
| Settlement Currency    | USD   |
| Price Quotation        | USD per metric tonne.   |
| Minimum Price Movement | USD = 0.01  |
| Last Submission Date   | The Last Submission Date is two (2) good LME Business Days prior to the Prompt Date.  |
| Trade Submission       | Any good LME Business Day up to 13:30 hours on the Last Submission Date.  |
| Prompt Date            | The Settlement Business Day on which the Contract is to be settled.<br>(Prompt Date is the third (3 <sup>rd</sup> ) Wednesday of the relevant month.)                                     |
| Closing Valuations     | LME Closing Price. (Exclusive of the discount factor.)  |
| Margin Model           | Initial Margin, <del>using a SPAN algorithm</del> , and <del>Realised</del> Variation Margin <u>calculated in accordance with the methodology specified in Clearing Procedure Part C.</u> |

## Annex 1

|                     |  |
|---------------------|--|
| Settlement Type     | Financial – as a difference to the Settlement Price on the Expiry Date |
| Settlement Price    | LME Settlement Price.  |
| Currency Settlement | Through Secure Payment Systems.  |

~~(b)~~(c) Cash-Settled Futures: Ferrous Metals – (Ferrous Futures)

## Individual Metal parameters for Ferrous Metals – Steel Scrap

| Metal       | Product ID (Code) | Lot Size         |
|-------------|-------------------|------------------|
| Steel Scrap | SC                | 10 metric tonnes |

## Prompt Date Structure

| Metal                            | Daily | Weekly (Wednesdays) | Monthly (3 <sup>rd</sup> Wednesday) | Monthly (last Business Day of the month) |
|----------------------------------|-------|---------------------|-------------------------------------|--|
| <del>FS</del> <u>Steel Scrap</u> | N/A   | N/A                 | N/A                                 | Front month to fifteen (15) months       |

## Common parameters for Steel Scrap

| Parameter              | Definition            |          |         |  |
|------------------------|-----------------------|----------|---------|--|
| Settlement Currency    | USD                   |          |         |  |
| Price Quotation        | USD per metric tonne. |          |         |  |
| Minimum Price Movement | Venue                 | Outright | Carries |  |
|                        | Ring                  | N/A      | N/A     |  |
|                        | LMEselect             | \$0.50   | \$0.01  |  |
|                        | LME Inter-            | \$0.01   | \$0.01  |  |



## Annex 1

|                        |  |  |  |  |
|------------------------|--|--|--|--|
|                        | Office Market  |  |  |  |
| Last Submission Date   | Last Business Day of the contract month until <del>13</del> 16.30 hours London Time.   |  |  |  |
| Trade Submission       | Any good LME Business Day up to <del>13</del> 16.30 hours on the Last Submission Date.   |  |  |  |
| Prompt Date            | The <del>Settlement</del> Business Day on which the <del>Ferrous</del> Cash-Settled Future Final Settlement Price <u>for Steel Scrap</u> is determined, <u>with settlement occurring on the next Settlement Business Day</u> . |  |  |  |
| <u>Cash Settlement</u> | <u>Settlement Business Day following the Prompt Date</u>   |  |  |  |
| Closing Valuations     | <del>Ferrous</del> Cash-Settled Future Daily Settlement Price <u>for Steel Scrap</u> .   |  |  |  |
| Margin Model           | Initial Margin, <del>using a SPAN algorithm</del> , and <del>Realised</del> Variation <del>Margins</del> Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.                          |  |  |  |
| Settlement Type        | Cash settlement.   |  |  |  |
| Settlement Price       | The <del>Ferrous</del> Cash-Settled Future Final Settlement Price <u>for Steel Scrap</u> , determined in accordance with the LME Rules.  |  |  |  |
| Metal Settlement       | N/A  |  |  |  |
| Currency Settlement    | Through Secure Payment Systems.  |  |  |  |

## Individual Metal parameters for Ferrous Metals – Steel Rebar

| Metal       | Product ID (Code) | Lot Size         |
|-------------|-------------------|------------------|
| Steel Rebar | SR                | 10 metric tonnes |

## Prompt Date Structure

| Metal                     | Daily | Weekly (Wednesdays) | Monthly <del>(third</del> 3 <sup>rd</sup> Wednesday) | Monthly (last Business Day of the month)  |
|---------------------------|-------|---------------------|--|---|
| <del>FR</del> Steel Rebar | N/A   | N/A                 | N/A  | Front month to <u>fifteen</u> (15) months |

## Common parameters for Steel Rebar

## Annex 1

| Parameter              | Definition   |          |         |
|------------------------|--|----------|---------|
| Settlement Currency    | USD  |          |         |
| Price Quotation        | USD per metric tonne.  |          |         |
| Minimum Price Movement | Venue  | Outright | Carries |
|                        | Ring   | N/A      | N/A     |
|                        | LMEselect  | \$0.50   | \$0.01  |
|                        | LME Inter-<br><del>Office</del> <a href="#">Office</a><br>Market   | \$0.01   | \$0.01  |
| Last Submission Date   | Last Business Day of the contract month until 16:30 hours London Time.   |          |         |
| Trade Submission       | Any good LME Business Day up to 16:30 hours on the Last Submission Date.   |          |         |
| Prompt Date            | The Settlement Business Day on which the <del>Ferrous</del> <a href="#">Cash-Settled Future</a> Final Settlement Price <a href="#">for Steel Rebar</a> is determined.  |          |         |
| Closing Valuations     | <del>Ferrous</del> <a href="#">Cash-Settled Future</a> Daily Settlement Price <a href="#">for Steel Rebar</a> .  |          |         |
| Margin Model           | Initial Margin, <del>using a SPAN algorithm</del> , and <del>Realised</del> Variation <del>Margins</del> . <a href="#">Margin calculated in accordance with the methodology specified in Clearing Procedure Part C</a> |          |         |
| Settlement Type        | Cash settlement.   |          |         |
| Settlement Price       | The <del>Ferrous</del> <a href="#">Cash-Settled Future</a> Final Settlement Price <a href="#">for Steel Rebar</a> , determined in accordance with the LME Rules.   |          |         |
| Metal Settlement       | N/A  |          |         |
| Currency Settlement    | Through Secure Payment Systems.  |          |         |

(c)

(d) **LME Index**

The LME Rules (and in particular the "Special Contract Rules for the Construction of the Index" and the notices issued by the LME under the LME Rules) provide the weightings for the various constituent metals of the Index and provide the methodology for the calculation of the Index value.

## Annex 1

**Prompt Date Structure**

| Product ID (Code) | Monthly                       |
|-------------------|-------------------------------|
| MX                | Monthly to twelve (12) months |

**Parameters**

| Parameter              | Definition   |
|------------------------|--|
| Lot Size               | USD10.00 per Index point   |
| Settlement Currency    | USD  |
| Price Quotation        | Index points.  |
| Minimum Price Movement | 0.01 Index point   |
| Last Submission Date   | The Last Submission Date is the Prompt Date.   |
| Trade Submission       | Any good LME Business Day up to 17:15 hours on the Last Submission Date.   |
| Prompt Date            | The second (2 <sup>nd</sup> ) Wednesday of the <a href="#">expiry month, which is a Settlement Business Day. Where such day is not a Settlement Business Day, the relevant provisions of the LME Rules shall apply to determine the valid Prompt Month Date.</a> |
| Closing Valuations     | LME Closing Price.   |
| Margin Model           | Initial Margin, <del>using a SPAN algorithm,</del> and <del>Realised</del> Variation Margin <a href="#">calculated in accordance with the methodology specified in Clearing Procedure Part C.</a>  |
| Settlement Type        | Financial – as a difference to the Index Settlement Price on the Prompt Date   |
| Settlement Price       | LME Index Settlement Price, (ISP).<br>(Note: ISP is based on Closing Price valuations and not morning Ring closes.)  |
| Currency Settlement    | Through Secure Payment System on the next good LME Settlement Business Day after the Prompt Date   |

**2.4 LME Exchange Traded American Options****Individual Metal parameters**

| Metal                        | Product ID (Code) | Lot Size         |
|------------------------------|-------------------|------------------|
| Aluminium Alloy              | AA                | 20 metric tonnes |
| High Grade Primary Aluminium | AH                | 25 metric tonnes |

## Annex 1

|   |    |                  |
|---|----|------------------|
| North American Special Aluminium Alloy (NASAAC) | NA | 20 metric tonnes |
| Copper Grade A                                  | CA | 25 metric tonnes |
| Primary Nickel                                  | NI | 6 metric tonnes  |
| Standard Lead                                   | PB | 25 metric tonnes |
| Tin   | SN | 5 metric tonnes  |
| Special High Grade Zinc                         | ZS | 25 metric tonnes |

**Prompt Date Structure**

| <b>Metal</b>   | <b>Monthly</b>                      |
|----------------|-------------------------------------|
| AH, CA         | Monthly to sixty-three (63) months  |
| AA, NA, NI, ZS | Monthly to twenty-seven (27) months |
| PB, SN         | Monthly to fifteen (15) months      |

**Common Parameters**

| <b>Parameter</b>  | <b>Definition</b>  |
|---|--|
| Option Type   | American, Physically Settling, Premium Up-front  |
| Settlement Currency                                     | EUR, GBP, JPY or USD   |
| Price Quotation   | USD per metric tonne.  |
| Minimum EUR & USD Strike Price Movements for all metals | EUR/USD 25 for strikes from EUR/USD 25 to EUR/USD 9,975<br>EUR/USD 50 for strikes from EUR/USD 10,000 to EUR/USD 19,950<br>EUR/USD 100 for all strikes over EUR/USD 20,000   |
| Minimum GBP Strike Price Movements                      | GBP 25 for strikes for AH, AA, NA & CA<br>GBP 20 for strikes for PB & ZS<br>GBP 50 for strikes for NI & SN   |
| Minimum JPY Strike Price Movements                      | JPY 10,000 for strikes from JPY 10,000 to JPY 390,000<br>JPY 20,000 for all strikes over JPY 400,000<br>For AH, AA, NA, CA & ZS<br>JPY 5,000 for strikes from JPY 5,000 to JPY 245,000<br>JPY 10,000 for all strikes over JPY 250,000<br>For PB<br>JPY 20,000 for all strikes over JPY 20,000<br>For NI & SN |

## Annex 1

|                                |   |
|--------------------------------|---|
| Minimum Premium Price Movement | For trades in EUR, GBP or USD = 0.01<br>For trades in JPY = 10.   |
| Last Submission Date           | The Last Submission Date is one (1) good LME Business Day prior to the Expiry Date.   |
| Trade Submission               | Any good LME Business Day up to 18:15 hours on the Last Submission Date.  |
| Premium Settlement Date        | For trades in EUR, GBP or USD, first good <a href="#">LME</a> Business Day after the Trade Date<br>For trades in JPY, second (2 <sup>nd</sup> ) good <a href="#">LME</a> Business Day after the Trade Date  |
| Premium Settlement             | Through Secure Payment System.  |
| Closing Valuations             | LME Closing Price.  |
| Margin Model                   | Initial Margin, <del>using a SPAN algorithm,</del> and <del>Not Liquidation Value</del><br>Variation Margin: <u>calculated in accordance with the methodology specified in Clearing Procedure Part C</u>  |
| Exercise Type                  | Manual – between 07:30 hours and 11:15 hours on any good <a href="#">LME</a> Business Day up to, and including, the Expiry Date.  |
| Expiry Date & Time             | 11:15 hours on the <del>first (1<sup>st</sup>) Wednesday of</del> <u>Last Declaration Day (as defined in the <del>Prompt Month</del> <a href="#">LME Rules</a>).</u>  |
| Underlying Instrument          | The LME Exchange Traded Forward for Prompt Date the third (3 <sup>rd</sup> ) Wednesday of the <del>Prompt Month</del> <u>relevant month (being the month in which the option is exercised), subject to the provisions of the <a href="#">LME Rules regarding the determination of valid Prompt Dates</a>.</u> |

## 2.5 LME Exchange Traded Average Price Options (TAPOs)

## Individual Metal parameters

| Metal   | Product ID (Code) | Lot Size         |
|---|-------------------|------------------|
| Aluminium Alloy                                 | AA                | 20 metric tonnes |
| High Grade Primary Aluminium                    | AH                | 25 metric tonnes |
| North American Special Aluminium Alloy (NASAAC) | NA                | 20 metric tonnes |
| Copper Grade A                                  | CA                | 25 metric tonnes |
| Primary Nickel                                  | NI                | 6 metric tonnes  |
| Standard Lead                                   | PB                | 25 metric tonnes |
| Tin   | SN                | 5 metric tonnes  |
| Special High Grade Zinc                         | ZS                | 25 metric tonnes |

## Annex 1

## Prompt Date Structure

| Metal          | Monthly                             |
|----------------|-------------------------------------|
| AH, CA         | Monthly to sixty-three (63) months  |
| AA, NA, NI, ZS | Monthly to twenty-seven (27) months |
| PB, SN         | Monthly to fifteen (15) months      |

## Common Parameters

| Parameter                      | Definition   |
|--------------------------------|--|
| Option Type                    | European, Physically Settling, Premium Up-front  |
| Settlement Currency            | USD  |
| Price Quotation                | USD per metric tonne.  |
| Minimum Strike Price Movements | USD 1.00   |
| Minimum Premium Price Movement | USD 0.01   |
| Last Submission Date           | The Last Submission Date is one (1) good LME Business Day prior to the Expiry Date.  |
| Trade Submission               | Any good LME Business Day up to 18:15 hours on the Last Submission Date.   |
| Premium Settlement Date        | First (1 <sup>st</sup> ) good <a href="#">LME</a> Business Day after the Trade Date.   |
| Premium Settlement             | Through Secure Payment System.   |
| Closing Valuations             | LME Closing Price.   |
| Margin Model                   | Initial Margin, <del>using a SPAN algorithm,</del> and <del>Net Liquidation Value-Variation Margin- calculated in accordance with the methodology specified in Clearing Procedure Part C.</del> (Please refer to Rule 6).  |
| Exercise Type                  | Automatic – all Positions that are USD0.01 or greater in the money when compared to the Exercise Reference Price will be exercised automatically by LME Clear at the Expiry Time.  |
| Exercise Reference Price       | Monthly Average Settlement Price, (MASP).  |
| Expiry Date & Time             | 15:00 hours on the <del>last good LME Business</del> <a href="#">Declaration</a> Day <del>of as defined in the Prompt Month</del> <a href="#">LME Rules</a> .  |
| Underlying Instruments         | Pair of LME Exchange Traded Forwards for Prompt Date the second (2 <sup>nd</sup> ) good <a href="#">LME</a> Business Day of the month following the month of the Expiry Date. These Forwards are equal and opposite in all respects except one is created at the MASP and one is created at the Strike Price of the original option Position. In the case of an exercised Call Option the Taker will buy the |

## Annex 1

|  |  |
|--|--|
|  | Position from the Granter at the Strike Price and sell the position to the Granter at the MASP.<br>In the case of an exercised Put Option the Taker will sell the Position to the Granter at the Strike Price and buy the Position from the Granter at the MASP. |
|--|--|

## 2.6 LME Exchange Traded Monthly Average Futures

## Individual Metal parameters

| Metal   | Product ID (Code) | Lot Size         |
|---|-------------------|------------------|
| Aluminium Alloy                                 | OL                | 20 metric tonnes |
| High Grade Primary Aluminium                    | OA                | 25 metric tonnes |
| North American Special Aluminium Alloy (NASAAC) | OM                | 20 metric tonnes |
| Copper Grade A                                  | OC                | 25 metric tonnes |
| Primary Nickel                                  | ON                | 6 metric tonnes  |
| Standard Lead                                   | OP                | 25 metric tonnes |
| Tin   | OS                | 5 metric tonnes  |
| Special High Grade Zinc                         | OZ                | 25 metric tonnes |

## Prompt Date Structure

| Metal          | Monthly                             |
|----------------|-------------------------------------|
| AH, CA         | Monthly to sixty-three (63) months  |
| AA, NA, NI, ZS | Monthly to twenty-seven (27) months |
| PB, SN         | Monthly to fifteen (15) months      |

## Common Parameters

| Parameter              | Definition            |
|------------------------|-----------------------|
| Settlement Currency    | USD                   |
| Price Quotation        | USD per metric tonne. |
| Minimum Price Movement | USD = 0.01            |

## Annex 1

|                      |   |
|----------------------|---|
| Last Submission Date | The Last Submission Date is the last good LME Business Day of the <del>Prompt Month</del> <u>month that the Contract is due to expire</u> .   |
| Trade Submission     | Any good LME Business Day up to 13:30 hours on the Last Submission Date.  |
| Prompt Date          | The second (2 <sup>nd</sup> ) <del>good</del> Business Day of the month following the <u>tradeable month, provided that such day is a Settlement Business Day. Where such day is not a Settlement Business Day, the relevant provisions of the LME Rules shall apply to determine the valid Prompt</u> <del>Month</del> <u>Date</u> . |
| Closing Valuations   | LME Notional Average Price, (NAP).  |
| Margin Model         | Initial Margin, <del>using a SPAN algorithm, and Discounted Contingent Variation Margin, calculated in accordance with the methodology specified in Clearing Procedure Part C.</del>  |
| Settlement Type      | Financial – as a difference <del>to</del> <u>from</u> the Monthly Average Settlement Price, (MASP), <del>of</del> <u>for the Prompt Month relevant tradeable month for the relevant underlying metal.</u>   |
| Settlement Price     | LME Monthly Average Settlement Price, (MASP).   |
| Currency Settlement  | Through Secure Payment System.  |

## 3. LMEPRECIOUS PRODUCTS

## 3.1 General

- (a) The Approved Transaction Platform for all Transactions in LMEprecious Products is LMEsmart.
- (b) USD is the nominated Base Currency for LMEprecious Products.

## 3.2 LMEprecious Futures

Prompt Date Structure for ~~LME-Precious~~ LMEprecious Futures

| Metal  | Daily   | Monthly (third (3 <sup>rd</sup> ) Wednesday)  | Calendar Quarterly (third (3 <sup>rd</sup> ) Wednesday of the last calendar month of the relevant Calendar Quarter)  | Notes  |
|--------|---|---|--|--|
| AU, AG | Each Daily Date from T+1 to T+25 (as determined in accordance with the LME Rules) | Each Monthly Date from M1 to either M24 or M25 (as determined in accordance with the LME Rules) | Each of the twelve (12) Quarterly Dates following the Monthly Dates (as determined in accordance with the LME Rules) | <p>The terms T<sub>n</sub>, Daily Date, M<sub>n</sub>, Monthly Date, Calendar Quarter and Quarterly Date shall be as defined in the LME Rules</p> <p>The Prompt Date structure specified in this table is more specifically described in the</p> |



## Annex 1

LME Rules

## (a) LMEprecious Gold Future

| Parameter                 | Definition   |  |
|---------------------------|--|--|
| Product ID (Code)         | AU   |  |
| Settlement Currency       | USD  |  |
| Lot Size                  | 100 fine troy ounces   |  |
| Underlying Metal/Contract | Loco London Fine Gold (995.0)  |  |
| Price Quotation           | USD per fine troy ounce  |  |
| Minimum Price Movement    | LMEselect<br>\$0.100 per fine troy ounce – outright<br>\$0.001 per fine troy ounce - Carries   | LME Inter-Office Market<br>\$0.001 per fine troy ounce – outright or Carries |
| Last Submission Date      | The Last Submission Date is one (1) good LME Business Day prior to the Prompt Date.  |  |
| Trade Submission          | On a normal good LME Business Day between 01:00 hours - 20:00 hours and the Last Submission Date is one (1) good LME Business Day prior to the Prompt Date between 01:00 hours - 16:00 hours.  |  |
| Prompt Date Structure     | The Settlement Business Day on which the Contract is to be settled, as specified in the table "Prompt Date Structure for LMEprecious Futures" and the LME Rules.   |  |
| Closing Valuations        | LMEprecious Daily Settlement Price, as defined and determined in accordance with the LME Rules.  |  |
| Margin Model              | <p>Initial Margin, <del>using a SPAN algorithm</del>, and <del>Realised</del> Variation Margin <u>calculated in accordance with the methodology specified in <a href="#">Clearing Procedure Part C</a>.</u></p> <p>Following the determination of the LMEprecious Final Settlement Price for on the Business Day prior to settlement of the Contract, LME Clear shall collect Cash Contingent Variation Margin from the Member to cover the period until the settlement of the Contract actually occurs.</p> |  |
| Settlement Type           | Physical   |  |
| Settlement Price          | LMEprecious Final Settlement Price, as defined and determined in accordance with the LME Rules.  |  |
| Metal Settlement          | Seller transfers unallocated Gold to LME Clear account at its Precious Metal Clearer, and buyers receive unallocated Gold from LME Clear account at their Precious Metal Clearer   |  |

## (b) LMEprecious Silver Future

| Parameter | Definition |
|-----------|------------|
|-----------|------------|

## Annex 1

|                           |  |   |
|---------------------------|--|---|
| Product Code              | AG   |   |
| Settlement Currency       | USD  |   |
| Lot Size                  | 5000 troy ounces   |   |
| Underlying Metal/Contract | Loco London Fine Silver (999.0)  |   |
| Price Quotation           | USD per troy ounce   |   |
| Minimum Price Movement    | LMEselect<br>\$0.00500 per troy ounce – outright<br>\$0.00001 per troy ounce - carries   | LME Inter-Office Market<br>\$0.00001 per troy ounce – outright or carries |
| Last Submission Date      | The Last Submission Date is one (1) good LME Business Day prior to the Prompt Date.  |   |
| Trade Submission          | On a normal good LME Business Day between 01:00 hours - 20:00 hours and the Last Submission Date is one (1) good LME Business Day prior to the Prompt Date between 01:00 hours - 16:00 hours.  |   |
| Prompt Date Structure     | The Settlement Business Day on which the Contract is to be settled, as specified in the table "Prompt Date Structure for LMEprecious Futures" and the LME Rules.   |   |
| Closing Valuations        | LMEprecious Daily Settlement Price, as defined and determined in accordance with the LME Rules.  |   |
| Margin Model              | <p>Initial Margin, <del>using a SPAN algorithm</del>, and <del>Realised</del> Variation Margin <del>calculated in accordance with the methodology specified in Clearing Procedure Part C.</del></p> <p>Following the determination of the LMEprecious Final Settlement Price for on the Business Day prior to settlement of the Contract, LME Clear shall collect Cash Contingent Variation Margin from the Member to cover the period until the settlement of the Contract actually occurs.</p> |   |
| Settlement Type           | Physical   |   |
| Settlement Price          | LMEprecious Final Settlement Price, as defined and determined in accordance with the LME Rules.  |   |
| Metal Settlement          | Seller transfers unallocated Silver to LME Clear account at its Precious Metal Clearer, and buyers receive unallocated Silver from LME Clear account at their Precious Metal Clearer   |   |

**3.3 LMEprecious Options****Individual Precious Metal parameters**

| <b><u>Contract</u></b>                           | <b><u>Metal</u></b>           | <b><u>Underlying<br/>LMEprecious Future</u></b>  | <b><u>Product ID<br/>(Code)</u></b> | <b><u>Lot Size</u></b>                      |
|--|-------------------------------|--|-------------------------------------|---|
| <a href="#"><u>LMEprecious Gold Option</u></a>   | <a href="#"><u>Gold</u></a>   | <a href="#"><u>LMEprecious Gold Future</u></a>   | <a href="#"><u>AU</u></a>           | <a href="#"><u>100 fine troy ounces</u></a> |
| <a href="#"><u>LMEprecious Silver Option</u></a> | <a href="#"><u>Silver</u></a> | <a href="#"><u>LMEprecious Silver Future</u></a> | <a href="#"><u>AG</u></a>           | <a href="#"><u>5000 troy ounces</u></a>     |

## Annex 1

**Prompt Date Structure for LMEprecious Options**

| <b><u>Metal</u></b> | <b><u>Monthly</u></b>   |
|---------------------|---|
| <u>AU, AG</u>       | <u>Monthly to twenty four (24) months, as determined in accordance with the LME Rules</u> |

**Common Parameters**

| <b><u>Parameter</u></b>  | <b><u>Definition</u></b>   |
|--|--|
| <u>Option Type</u>   | <u>European, Physically Settling, Premium Up-front</u>   |
| <u>Settlement Currency</u>   | <u>USD</u>   |
| <u>Price Quotation</u>   | <u>USD per troy ounce.</u>   |
| <u>Minimum Strike Price Movements</u>                                  | <u>Gold: \$5 per fine troy ounce<br/>Silver: \$0.25 per troy ounce</u>   |
| <u>Minimum Premium Price Movement</u>                                  | <u>Gold: \$0.01 per fine troy ounce<br/>Silver: \$0.001 per troy ounce</u>   |
| <u>Last Submission Date (the Last Trading Day under the LME Rules)</u> | <u>The Last Submission Date is one (1) good LME Business Day prior to the Expiry Date.</u>   |
| <u>Trade Submission</u>  | <u>Any good LME Business Day up to 20:00 hours on the Last Submission Date.</u>  |
| <u>Premium Settlement Date</u>   | <u>Prior to 12:00 on the first (1<sup>st</sup>) good LME Business Day after the trade date.</u>  |
| <u>Premium Settlement</u>  | <u>Through Secure Payment System.</u>  |
| <u>Daily closing prices</u>  | <u>LMEC pricing model using LME option volatilities as an input.</u>   |
| <u>Margin Model</u>  | <u>Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.</u>   |
| <u>Exercise Type</u>   | <u>Automatic. Exercise creates between the Member and LME Clear an Open Contract representing an LMEprecious Future at the Strike Price for Prompt Date on the third Wednesday of the month of the Expiry Date of the original Option Contract.</u>  |
| <u>Exercise Reference Price</u>  | <u>The Settlement Price for the LMEprecious Option identified as the "Exercise Reference Price", in accordance with the LME Rules.</u>   |
| <u>Expiry Date &amp; Time</u>  | <u>15:02 hours on the LME Business Day falling two (2) good LME Business Days prior to the third (3<sup>rd</sup>) Wednesday of the month in which the Prompt Date for the underlying LMEprecious Future falls or, in the case of a postponement by the LME in accordance with the LME Rules, such other time specified by the LME.</u> |
| <u>Underlying Instruments</u>  | <u>LMEprecious Future in the same Precious Metal for Prompt Date the third (3<sup>rd</sup>) Wednesday of the relevant month (being the month in which the option is exercised), subject to the provisions of the LME Rules regarding the determination of valid Prompt Dates.</u>  |

Annex 1

**Eligible Metal**

Primary Aluminium (AH);

Grade A Copper (CA);

Lead (PB);

Nickel (NI);

Tin (SN);

Zinc (ZS);

Annex 2

**ANNEX 2 – ELIGIBLE CURRENCIES, COLLATERAL AND HAIRCUTS**

Details of the eligible currencies, collateral and haircuts are available at the following link:

<http://www.lme.com/lme-clear/collateral-management/>

Annex 3

**ANNEX 3 – FEES AND CHARGES**

LME Clear's fees and charges are available at the following link:

<http://www.lme.com/lme-clear/fees/>

Annex 4

**ANNEX 4 – LIST OF AVAILABLE REPORTS**

The content of this Annex shall be as set out on the Website:

<http://www.lme.com/lme-clear/reports/>

Annex 5

**ANNEX 5 – MARGIN PARAMETERS**

The content of this Annex shall be as set out on the Website.



Annex 6

**ANNEX 6 – CLIENT BUSINESS TERMS**

**Part A**

**Client Acknowledgement Form**

This Client Acknowledgement Form is entered into as an agreement between:

(A): \_\_\_\_\_ (entity name)  
 \_\_\_\_\_ (registered office address)  
 (the "**Client**")

and

(B): \_\_\_\_\_ (entity name)  
 \_\_\_\_\_ (registered office address)  
 (the "**Member**")

for the benefit of the Member and LME Clear Limited, a company incorporated in England and Wales (registered number 07611628), whose registered office is at 10 Finsbury Square, London EC2A 1AJ ("**LME Clear**").

Date: \_\_\_\_\_

**1. BACKGROUND**

- 1.1 The Member has agreed to clear trades with the Client that are effected on The London Metal Exchange or entered into a matching system operated by The London Metal Exchange. Such trades are subject to clearing by the appointed clearing house for The London Metal Exchange, LME Clear.
- 1.2 Terms defined in the rulebook of LME Clear (the "**Rules**") shall have the same meaning in this document.

**2. ACKNOWLEDGEMENT**

- 2.1 In agreeing to the use by the Member of LME Clear for the clearing of trades between the Client and the Member, the Client acknowledges and agrees with the Member (on behalf of itself and any Indirect Client in respect of which any Client Account is to be established by the Member for such Client) that:
  - (a) in the event that LME Clear issues a Default Notice in respect of the Member, in accordance with Rule 10, LME Clear shall be entitled to act in accordance with its powers in Rule 10 and that:
    - (i) where the Client has submitted an Automatic Porting Designation Document in accordance with Rule 5 or a Porting Request Notice in accordance with Rule 10, LME Clear may seek to transfer any Open Contract relating to the Client (and any Indirect Client) and any associated Collateral to the Member Transferee nominated by the Client;

## Annex 6

- (ii) where permitted by Applicable Law and where LME Clear is not prevented from doing so by a court order or legal restriction applying to LME Clear, LME Clear may seek to deliver any surplus amount or Collateral on the Client Account to which the Client has been allocated to the Client subject to and in accordance with Rule 10.5.1(c);
- (iii) LME Clear shall be entitled to rely on the information provided by the Member in relation to the Client and the Positions and Collateral relating to such Client;
- (iv) LME Clear shall not be obliged to implement, or to act on any request to implement, the provisions of Rule 10.7 in respect of any Client Account the event that:
  - (1) LME Clear is not in receipt of complete and validly executed Automatic Porting Designation Documents or Porting Request Notices in respect of every Client allocated to the Client Account;
  - (2) a Member Transferee does not consent to the Transfer within the Porting Election Period in accordance with Rule 10.7;
  - (3) the Client (or any other Client allocated to that Client Account) is not an Identified Client, unless such Client becomes an Identified Client prior to the end of the Porting Election Period and all other conditions set out in Rule 10.7 and Default Procedure D are satisfied; or
  - (4) any condition to the Transfer, as set out in Rule 10.7 or Default Procedure D is not satisfied;
- (b) the Client has read and understands the provisions applicable to Client Accounts set out in the Rules and Client Accounts set out in the Rules, including in particular Rules 2.1, 2.3, 5, 10.5, 10.7 and 10.8 and Default Procedure D, and acknowledges and agrees that:
  - (i) the Rules form a contract between the Member and LME Clear;
  - (ii) the services provided by LME Clear in respect of any Client Account are governed by and subject to the Rules;
  - (iii) neither the Client nor any Indirect Client have any contractual relationship with LME Clear under the Rules;
  - (iv) LME Clear has no obligation to act on any instruction or request made by the Client or any Indirect Client and the Client and any Indirect Client have no rights against LME Clear to enforce any provision of the Rules, save in the case of the Client to the extent specified in Rule 2.1.5;
  - (v) any Collateral held by LME Clear shall be held in accordance with Rule 8 and the Client and any Indirect Client shall have no right to, or interest in, any such Collateral or any right to direct LME Clear to take or refrain from taking any action in relation to such Collateral, save in the case of the Client in the limited circumstances specified in Rule 10.7;

## Annex 6

- (vi) the provisions and protections of the CASS Rules shall not apply in respect of any monies held in, or recorded to, any Client Account; and
  - (vii) to the extent that LME Clear has any liability to the Client pursuant to the third party rights granted pursuant to Rule 2.1.5, the limitations on LME Clear's liability as set out in Rule 2.3 and Rule 10.7.14 shall apply to limit any such liability as if all references in such Rules to "the Member" were replaced with "the Client or Indirect Client";
  - (viii) the Client and any Indirect Client will not, by any act or omission, cause the Member or any other person to breach any Rule;
- (c) it is the responsibility of the Client and the Member, and any Indirect Client, to agree the form of Client Account to be established in respect of the Client at LME Clear and LME Clear shall have no responsibility, or liability, to the Client, any Indirect Client, the Member or any third party for the Account structure maintained by the Member with LME Clear;
- (d) save to the extent specified in Rules 2.1.5 and 2.3.4, LME Clear shall not be liable for any losses, damages, claims, liabilities, costs or expenses (whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or any other legal theory) arising from or in connection with any actions which LME Clear may take in accordance with its rights and obligations in relation any Client Account in Rule 10; and
- (e) it has considered whether or not to require the Member to execute a security agreement governed by English law in favour of LME Clear as its security trustee to facilitate in certain circumstances the procedures described in paragraphs 2.1(a)(i) and (ii) above and, where the Member has agreed (at its request) to execute such a security agreement, it has received a copy of it and agrees with the Member and LME Clear to be bound by its terms.
- 2.2 Where the Member establishes an Indirect Individual Segregated Client Account, an Indirect Net Omnibus Segregated Client Account, or an Indirect Gross Omnibus Segregated Client Account for the Client in respect of any Indirect Client(s), the Client agrees that it shall, prior to the commencement of any clearing activity through the Clearing System in respect of that indirect Client:
- (a) provide a copy of this Client Acknowledgement Form to such Indirect Client(s); and
  - (b) notify such Indirect Client(s) that by entering into any Transaction that is to be subject to clearing through the Clearing System, such Indirect Client(s) shall irrevocably agree to the terms set out in this Client Acknowledgement Form.
- 2.3 The Member and the Client agree that, in the event that LME Clear requests a copy of this document from either the Member or the Client, such party shall promptly provide such copy to LME Clear.
- 2.4 The Member and the Client agree that the acknowledgements and agreements set out in paragraphs 2.1, 2.2 and 2.3 are intended to confer benefits on, and be enforceable by, LME Clear and, accordingly, LME Clear may rely upon and enforce such acknowledgements and agreements in accordance with the Contracts (Rights of Third Parties) Act 1999 (as amended from time to time).

Annex 6

- 2.5 Notwithstanding paragraph 2.4 above and for the avoidance of doubt, these Client Business Terms are not intended to create any obligations by, or rights against, LME Clear for the benefit of any person (including any Member, Client or Indirect Client), whether in contract, tort or pursuant to any other legal theory.
- 2.6 This form of acknowledgement and any obligations (whether contractual or non-contractual) connected with it are governed by English law.

This form of acknowledgment has been entered into on the date stated at the beginning of this document.

**Signed for the Client:**

**Signed for the Member:**

\_\_\_\_\_  
(Client Name)

\_\_\_\_\_  
(Member Name)

By: \_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_  
(Authorised Signature)

\_\_\_\_\_  
(Authorised Signature)

\_\_\_\_\_  
(Print Name and Title)

\_\_\_\_\_  
(Print Name and Title)

## Annex 6

**PART B**  
**MANDATORY CCP PROVISIONS**

This Part B of Annex 6 of the Rules specifies those provisions that are mandatory for inclusion in the terms of Transactions between a Member and their respective Clients. These terms will take precedence over any other provisions in any contractual clearing arrangement between a Member and its Client. A Member that executes a Client Acknowledgement Form in the form prescribed in Part A of this Annex 6 shall not be required to comply with this Part B of this Annex 6.

These Mandatory CCP Provisions will be set out on the Website. A Member may incorporate the Mandatory CCP Provisions into its contractual terms with its Clients either directly or by reference.

**1. Mandatory CCP Provisions**

1.1 In agreeing to the use by the Member of LME Clear for the clearing of trades between the Client and the Member, the Client acknowledges and agrees with the Member (on behalf of itself and any Indirect Client in respect of which any Client Account is to be established by the Member for such Client) that:

- (a) in the event that LME Clear issues a Default Notice in respect of the Member, in accordance with Rule 10, LME Clear shall be entitled to act in accordance with its powers in Rule 10 and that:
  - (i) where the Client has submitted an Automatic Porting Designation Document in accordance with Rule 5 or a Porting Request Notice in accordance with Rule 10, LME Clear may seek to transfer any Open Contract relating to the Client (and any Indirect Client) and any associated Collateral to the Member Transferee nominated by the Client;
  - (ii) where permitted by Applicable Law and where LME Clear is not prevented from doing so by a court order or legal restriction applying to LME Clear, LME Clear may seek to deliver any surplus amount or Collateral on the Client Account to which the Client has been allocated to the Client subject to and in accordance with Rule 10.5.1(c);
  - (iii) LME Clear shall be entitled to rely on the information provided by the Member in relation to the Client and the Positions and Collateral relating to such Client;
  - (iv) LME Clear shall not be obliged to implement, or to act on any request to implement, the provisions of Rule 10.7 in respect of any Client Account in the event that:
    - (1) LME Clear is not in receipt of complete and validly executed Automatic Porting Designation Documents or Porting Request Notices in respect of every Client allocated to the Client Account;
    - (2) a Member Transferee does not consent to the Transfer within the Porting Election Period in accordance with Rule 10.7;
    - (3) the Client (or any other Client allocated to that Client Account) is not an Identified Client, unless such Client becomes an Identified

## Annex 6

Client prior to the end of the Porting Election Period and all other conditions set out in Rule 10.7 and Default Procedure D are satisfied; or

- (4) any condition to the Transfer, as set out in Rule 10.7 or Default Procedure D is not satisfied;
- (b) the Client has read and understands the provisions applicable to Client Accounts set out in the Rulebook and Client Accounts set out in the Rulebook, including in particular Rules 2.1, 2.3, 5, 10.5, 10.7 and 10.8 and Default Procedure D, and acknowledges and agrees that:
- (i) the Rules form a contract between the Member and LME Clear;
  - (ii) the services provided by LME Clear in respect of any Client Account are governed by and subject to the Rules;
  - (iii) neither the Client nor any Indirect Client have any contractual relationship with LME Clear under the Rules;
  - (iv) LME Clear has no obligation to act on any instruction or request made by the Client or any Indirect Client and the Client and any Indirect Client have no rights against LME Clear to enforce any provision of the Rules, save in the case of the Client to the extent specified in Rule 2.1.5;
  - (v) any Collateral held by LME Clear shall be held in accordance with Rule 8 and the Client and any Indirect Client shall have no right to, or interest in, any such Collateral or any right to direct LME Clear to take or refrain from taking any action in relation to such Collateral, save in the case of the Client in the limited circumstances specified in Rule 10.7;
  - (vi) the provisions and protections of the CASS Rules shall not apply in respect of any monies held in, or recorded to, any Client Account;
  - (vii) to the extent that LME Clear has any liability to the Client pursuant to the third party rights granted pursuant to Rule 2.1.5, the limitations on LME Clear's liability as set out in Rule 2.3 and Rule 10.7.14 shall apply to limit any such liability as if all references in such Rules to "the Member" were replaced with "the Client or Indirect Client"; and
  - (viii) the Client and any Indirect Client will not, by any act or omission, cause the Member or any other person to breach any Rule;
- (c) it is the responsibility of the Client and the Member, and any Indirect Client, to agree the form of Client Account to be established in respect of the Client at LME Clear and LME Clear shall have no responsibility, or liability, to the Client, any Indirect Client, the Member or any third party for the Account structure maintained by the Member with LME Clear;
- (d) save to the extent specified in Rules 2.1.5 and 2.3.4, LME Clear shall not be liable for any losses, damages, claims, liabilities, costs or expenses (whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or any other legal theory) arising from or in connection with any actions which LME Clear may take in accordance with its rights and obligations in relation to any Client Account in Rule 10; and

## Annex 6

- (e) it has considered whether or not to require the Member to execute a security agreement governed by English law in favour of LME Clear as its security trustee to facilitate in certain circumstances the procedures described in paragraphs 1.1(a)(i) and (ii) above and, where the Member has agreed (at its request) to execute such a security agreement, it has received a copy of it and agrees with the Member and LME Clear to be bound by its terms.
- 1.2 Where the Member establishes an Indirect Individual Segregated Client Account, an Indirect Net Omnibus Segregated Client Account, or an Indirect Gross Omnibus Segregated Client Account for the Client in respect of any Indirect Client(s), the Client agrees that it shall, prior to the commencement of any clearing activity through the Clearing System in respect of that indirect Client:
- (a) provide a copy of either these Mandatory CCP Provisions or the Client Acknowledgement Form (as applicable) to such Indirect Client(s); and
- (b) notify such Indirect Client(s) that by entering into any Transaction that is to be subject to clearing through the Clearing System, such Indirect Client(s) shall irrevocably agree to the terms set out in these Mandatory CCP Provisions or the Client Acknowledgement Form (as applicable).
- 1.3 The Member and the Client agree that, in the event that LME Clear requests from either the Member or the Client or evidence, satisfactory to LME Clear that the Member and the Client have agreed to be bound by these Mandatory CCP Provisions, such party shall promptly provide such evidence to LME Clear.
- 1.4 The Member and the Client agree that the acknowledgements and agreements set out in paragraphs 1.1, 1.2 and 1.3 are intended to confer benefits on, and be enforceable by, LME Clear and, accordingly, LME Clear may rely upon and enforce such acknowledgements and agreements in accordance with the Contracts (Rights of Third Parties) Act 1999 (as amended from time to time).
- 1.5 Notwithstanding paragraph 1.4 above and for the avoidance of doubt, these Mandatory CCP Provisions are not intended to create any obligations by, or rights against, LME Clear for the benefit of any person (including any Member, Client or Indirect Client), whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or to any other legal theory.
- 1.6 These Mandatory CCP Provisions and any obligations (whether contractual or non-contractual) connected with it are governed by English law.
2. **EXPLANATION OF RULES REFERENCED IN PARAGRAPH 1.1(c)**

Set out below is a brief summary of the general content of the Rules listed in paragraph 1.1(c) above as being particularly relevant to Clients. Each Member, Client and Indirect Client should read the actual text of these Rules in order to understand the basis on which they are intended to operate.

| Rule  | Description   |
|---|---|
| 2.1 ( <i>Rules as a Binding Agreement</i> ) | Sets out the basis on which the Rules create rights and obligations between LME Clear and the Member.<br><br>Sets out the limited basis on which the Client may benefit from rights under |

Annex 6

|  |  |
|--|--|
|  | the Rules.   |
| 2.3 ( <i>Liability and Indemnity</i> )                       | Sets out the limitations of LME Clear's liability to its Members in respect of any matter governed by the Rules, including in relation to the clearing of business for Clients of Members.   |
| 5 ( <i>Client Business and Portability Arrangements</i> )    | Sets out the basis on which Members may establish and maintain Client Accounts in respect of its Clients and the arrangements to be established in respect of such Client Accounts in order to support the Porting Process.  |
| 10.5 ( <i>Treatment of Different Types of Account</i> )      | Sets out the basis on which different types of Account will be treated in the event of a Member becoming a Defaulting Member, including the basis on which LME Clear may return any surplus amount or Collateral standing to the credit of a Client Account directly to the Client(s) allocated to that Account. |
| 10.7 ( <i>Portability of Client Accounts</i> )               | Sets out the basis on which LME Clear will exercise its powers to transfer the Positions and Collateral allocated to a Client Account to a Member Transferee in the event that the original Member becomes a Defaulting Member.  |
| 10.8 ( <i>Final Settlement of Unported Client Accounts</i> ) | Sets out the basis on which LME Clear will determine a final net sum in respect of a Client Account following the application of the default management process to that Client Account.  |
| Default Procedure D ( <i>Porting Procedure</i> )             | Sets out the documentary requirements for the establishment of arrangements in support of the Automatic Porting Process, together with the basis on which LME Clear will apply the Porting Process to Client Accounts.   |



## **ANNEX 7 – DELIVERY TIMETABLES**

The content of this Annex shall be as set out on the Website.

## Annex 8

**ANNEX 8 – AUCTION PROCESS****1. INTRODUCTION**

- 1.1 This Annex is supplementary to the auction process requirements specified in Default Procedure C:6.3 (*Auction for LME Base Products and LMEprecious Products*) and forms part of the procedures referred to in Default Procedure C:6.3(b).
- 1.2 Members must comply with the requirements specified in this Annex where LME Clear conducts an auction in accordance with Default Procedure C:6.3.

**2. TIMESCALES FOR EVALUATION OF AUCTION PORTFOLIO AND SUBMISSION OF BIDS**

- 2.1 Prior to the auction of an Auction Portfolio, LME Clear shall Notify non-defaulting Members ~~by Circular~~ of:

- (a) the timescales within which non-defaulting Members should evaluate the Auction Portfolio; and
- (b) the deadline(s) by which any bids should be submitted to LME Clear.

LME Clear will aim to provide such Notification on the Business Day prior to the auction, but reserves the right to provide such Notification at a different time where LME Clear determines such timing to be appropriate or necessary to increase the likelihood of achieving a successful auction.

- 2.2 LME Clear may, at any time prior to expiry of the relevant timescales or deadlines specified pursuant to paragraph 2.1 above, extend such timescales or deadlines, by issuing a ~~Circular~~ Notice specifying the details of such extension.

**3. ACCEPTABLE AUCTION PRICE**

- 3.1 When determining the acceptable auction price for the purposes of Default Procedure Part C:6.5(c), LME Clear may consider the following factors:

- (a) the size of the Auction Portfolio relative to the market;
- (b) the current mark-to-market; and
- (c) the likely risk premium required by an auction participant.

**4. STATUS OF SUBMITTED BIDS**

Any bid submitted to LME Clear by a non-defaulting Member shall be binding on the Member until the winner of the auction is declared by LME Clear, such that:

~~(a) the Member may not revoke such bid; and~~

(a) the final bid submitted within the time period specified in the Notice referred to in paragraph 2.1 above shall be binding on the Member and cannot be revoked; and

- (b) in the event that the bid is the successful and is accepted by LME Clear, the Member must pay to LME Clear the price specified in the bid, in exchange for receipt of the Auction Portfolio (and, where appropriate, any associated Collateral in accordance with Default Procedure C:6.3(b)).

## Annex 8

5. **PROCESS FOR SUBMITTING BIDS**

All bids in respect of an Auction Portfolio must be submitted ~~by email to~~ in accordance with the ~~email address~~ process specified by LME Clear in the Circular Notice relating to the Auction Portfolio (being the ~~Circular Notice~~ issued pursuant to paragraph 2.1 above). In the ordinary course of events, non-defaulting Members will be required to submit bids via the LMEmercury GUI.

6. **BIDS THAT ARE NOT RECEIVED**

In the event that LME Clear does not receive a bid from a non-defaulting Member, including where a non-defaulting Member has attempted to submit a bid but such bid is either not received by, or accessible by, LME Clear personnel (whether due to any technological error, outage or incapacity, or otherwise):

- (a) LME Clear shall have no responsibility for, shall not be treated as having received, and shall have no obligation to subsequently receive, any such bid; and
- (b) the non-defaulting Member shall be treated as not having submitted a bid (including, where applicable, for the purposes of the application of the juniorisation principles in Default Procedure C:6.6).

7. **AUTHORISATION FOR BIDS**

7.1 Any bid submitted by a non-defaulting Member must be submitted to LME Clear by:

- (a) an Authorised Representative of such Member, ~~from an email address~~ using that has previously been notified to LME Clear in accordance with Membership Procedure B8.3 Authorised Member's own user login to the LMEmercury GUI; or
- (b) any other ~~authorised~~ representative of the Member, ~~from an email address that has previously been notified by the Authorised Representative who is authorised to LME Clear as being an email address from which~~ submit bids, and communications in respect on behalf of bids, may be sent and received, in response the Member, using that individual's own user login to a Notice submitted by LME Clear to the Authorised Representative regarding the bidding process. LMEmercury GUI.

7.2 ~~Any~~ Following any bid submitted pursuant to paragraph 7.1 above ~~shall specify the LME Clear will liaise with an Authorised Representative of the Member in respect of any bid submitted via the LMEmercury GUI, unless LME Clear has been notified by an Authorised Representative of the name and~~ contact details of the ~~any other~~ persons that the Member ~~shall have~~ has authorised to liaise with LME Clear in respect of such bid.

7.3 LME Clear shall be entitled to assume that any person ~~so notified~~ who enters a bid via LMEmercury pursuant to this paragraph 7.1 above, or who is notified to LME pursuant to paragraph 7.2 above shall be fully authorised by the Member to take represent the Member in respect of any matter relevant to the bid and the auction of the Auction Portfolio, including by taking binding decisions on behalf of the Member.

7.34 LME Clear shall be under no obligation to accept or treat as valid any bid that is purported to be submitted by a Member that does not comply with ~~paragraphs~~ paragraph 7.1 ~~and 7.2~~ above.

## Annex 8

### 8. COMMUNICATIONS IN RESPECT OF SUBMITTED BIDS

8.1 LME Clear shall communicate with Members in respect of the auction of an Auction Portfolio by issuing Notices (which can include, for the avoidance of doubt, bilateral email communication where LME Clear considers appropriate).

8.2 In the event that LME Clear wishes to seek clarification from a Member of any matter relating to a bid submitted by such Member, LME Clear may contact ~~such an Authorised Representative of the Member~~ by email or telephone an alternative authorised individual using such contact details as the Member shall have specified in ~~its bid email~~ advance pursuant to paragraph 7.2 ~~above or (where such contact details are not effective, and if different) via an Appointed Representative of the Member.~~

8.3 Notwithstanding paragraphs 8.2 ~~and 8.3~~ above, LME Clear shall have no obligation to contact any Member to seek clarification of any matter relating to a bid submitted by such Member.

### 9. SPECIFICATION OF ENTRY CRITERIA

When assessing a non-defaulting Member's satisfaction of the entry criteria for an auction, pursuant to Default Procedure C:6.4(b):

9.1 LME Clear shall assess a non-defaulting Member's creditworthiness for the purposes of Default Procedure C:6.4(b)(i) by reference to the minimum credit rating that LME Clear would require an applicant for Membership to satisfy in order to conduct the same types of business and to participate in the same Services as are conducted by, and participated in, by the non-defaulting Member;

9.2 In respect of the LMEprecious Service, LME ~~Clear~~ does Clear does not currently apply any criteria regarding the non-defaulting Member's history of Positions, for the purposes of Default Procedure C:6.4(b)(iii) and, accordingly, no such criteria will be applied so as to justify any exclusion from participation in an auction pursuant to Default Procedure C:6.4(c); and

9.3 In respect of the LME Base Service, the criteria for the purposes of Default Procedure C:6.4(b)(iii) is that the relevant non-defaulting Member has held a Position in respect of all Underlying Assets represented in the relevant Auction Portfolio within the 6 months immediately preceding the commencement of the relevant Default Period.

### 10. BIDDERS FROM THE SAME GROUP

10.1 In the event that two or more non-defaulting Members:

(a) are each required to submit a bid in accordance with Default Procedure C:6.4(da); and

(b) are members of the same Group,

then such Members must submit identical bids and, in the event that such bids are successful:

(i) such Members must have determined among themselves which such Member shall be treated as the successful bidder that shall be required to pay for, and accept the Auction Portfolio;

## Annex 8

- (ii) (where there are two such Members within the same Group), the other Member shall be treated as the non-successful bidder that was closest to the successful bid for the purposes of the application of the juniorisation principles in Default Procedure C:6.6(b);
- (iii) such Members must, ~~in their respective bids,~~ notify LME Clear of their agreed determination of the basis on which a successful bid should be allocated in accordance with paragraphs (i) and (ii) above;
- (iv) where such Members fail to provide the notification required pursuant to paragraph (iviii) above, LME Clear may determine how the successful bid should be allocated between such Members.

10.2 Where paragraph 10.1(a) and (b) apply, such non-defaulting Members may agree ~~to that one such Member shall~~ submit ~~their identical bids in~~ a single ~~communication~~ bid to LME Clear ~~through the LMEmercury GUI and that such bid will represent identical bids on behalf of all such non-defaulting Members.~~ Where such Members so agree:

- (a) in order for ~~such communication~~ a single bid to represent ~~effective~~ identical bids on behalf of all such non-defaulting Members, ~~an Authorised Representative of each such Members~~ Member must have ~~each~~ notified LME Clear, ~~in accordance with paragraph 6, prior to closure of the auction~~ of their intention to ~~submit~~ be represented by a single ~~communication~~ bid and indicating ~~the email address from:~~
  - (i) ~~which effective communications~~ Member's bid should be taken to represent identical bids on behalf of ~~each~~ all such ~~Member may be sent, non-defaulting Members' bids;~~ and
  - (ii) ~~the name and contact details of the authorised individual (in accordance with paragraph 7.2 above)~~ to which communications may be sent by LME Clear, ~~in each case~~ in respect of such ~~bids;~~ bid; and
  - (iii) ~~the information specified in paragraph 10.1(iii)~~
- (b) any such ~~communication issued~~ bid made by one such Member will be deemed to be effective to communicate the identical bids of all such Members, and shall be deemed to constitute a fully authorised and binding bid on behalf of each such Member;
- (c) LME Clear shall be entitled to treat any communications in respect of such bid, between LME Clear and the ~~email address~~ individual specified in (a)(ii) above, as being effective to communicate with the duly authorised representative of each such Member, including for the purposes of paragraph 7 above; and
- (d) for the avoidance of doubt, the ~~single communication~~ notice provided to LME Clear pursuant to paragraph 10.2(a) must include the information specified in paragraph 10.1(iii) above (failing which LME Clear may apply paragraph 10.1(iv) above).

## 11. EXCLUSION FROM PARTICIPATION

- 11.1 Without limitation to LME Clear's discretion pursuant to Default Procedure C:6.4(c), LME Clear may determine that a non-defaulting Member should be excluded from being required to participate in an auction on the grounds that it does not have the operational capability or expertise to participate in the auction where such Member is able to demonstrate, to the satisfaction of LME Clear that:

## Annex 8

- (a) such Member or a related entity does not have the capability to manage its own Positions, as may be evidenced by the fact that it does not meet any of the following criteria:
    - (i) such Member regularly holds Positions in its House Account overnight in Eligible Products with the same Underlying Asset as the Eligible Products included in the Auction Portfolio;
    - (ii) such Member has, as a Client, a member of its Group which regularly holds open positions overnight in Eligible Products with the same Underlying Asset as the Eligible Products included in the Auction Portfolio; or
    - (iii) such Member regularly holds Positions in any Client Account overnight in Eligible Products with the same Underlying Asset as the Eligible Products included in the Auction Portfolio which, in the event of the default of a Client allocated to such Client Account, would result in the Member needing to liquidate such Positions; or
  - (b) such Member is prevented by any Applicable Law binding on the Member from either participating in the auction or accepting the Auction Portfolio, or such participation or acceptance would constitute a breach by the Member of any Applicable Law binding on the Member (including for the avoidance of doubt, where a Member does not have the regulatory status which would permit it to participate or accept an Auction Portfolio under Applicable Law).
- 11.2 Any request by a Member for an exclusion from participation from an auction pursuant to Default Procedure C:6.4(c) must:
- (a) clearly articulate in writing the grounds on which the Member considers that it should be excluded from the auction, which grounds must be based on one [or more](#) of the criteria specified in paragraph 11.1 above;
  - (b) be signed by an Authorised Representative of the Member;
  - (c) include supporting evidence to demonstrate that to LME Clear's satisfaction that the grounds for granting the exclusion are justified; and
  - (d) (where such request is based on the grounds specified in paragraph 11.1(b) above), be accompanied by a reasoned legal opinion demonstrating, to LME Clear's satisfaction, the basis on which such grounds are justified. LME Clear reserves the right to require that such legal opinion be provided by a reputable law firm with demonstrable expertise in the relevant field of law or regulation for the jurisdiction in which the legal or regulatory grounds are alleged to pertain. ~~LME Clear may refuse to accept a legal opinion provided pursuant to this paragraph (d) in the event that LME Clear, in its absolute discretion, is not satisfied that the lawyer or law firm that has prepared the opinion has appropriate expertise in the relevant jurisdiction and/or field of law or regulation, or where LME Clear, in its absolute discretion, disagrees with the conclusions set out in the legal opinion.~~
- 11.3 LME Clear will exercise its discretion in Default Procedure Part C 6.4(d) to exclude a Member from the requirement to bid during a Default Period taking into account the following factors:
- (a) the size of the Auction Portfolio; and/or

Annex 8

- (b) whether the transfer of any Auction Portfolio to that Member would be in excess of LME Clear's risk tolerance for that Member.

11.4 LME Clear shall notify any Members excluded during the Default Period that they are no longer Mandatory Bidders prior to the disclosure of the Auction Portfolio. Such Members may still elect to become Voluntary Bidders in accordance with Default Procedure Part C 6.4(e) and the contents of the Auction Portfolio will then be disclosed to them in accordance with Default Procedure Part C 6.4(f) (however, Members should bear in mind that LME Clear may then exercise its discretion under Default Procedure Part C 6.4(d).

**12. ATTRIBUTION OF DEFAULT FUND CONTRIBUTIONS TO AUCTION PORTFOLIOS**

12.1 The proportion of each non-defaulting Member's Default Fund Contribution attributed to an Auction Portfolio in accordance with Default Procedure C:6.3(s) shall be calculated in accordance with a methodology that takes into account the proportion of the Member's total activity in the relevant Service which is represented by Open Contracts with the same Underlying Assets as the Open Contracts being auctioned in the relevant Auction Portfolio (using the Member's average Initial Margin Requirement over the previous month as a proxy for the level of activity).

| Version   | Summary   | Version date                    |
|-----------|---|---------------------------------|
| 1.0       | First published Version   | 7 August 2014                   |
| 1.1       | Minor changes to remove square brackets, delete references to OTC LOCO London Bullion Market Products prices and matching venue and clarify not an Eligible Product           | 19 September 2014               |
| 2         | Changes to Rule 13 – close out netting  | 8 December 2014                 |
| 3         | Changes to Default Fund Floor; Default Procedure Part B; Minor Administrative Changes.  | 21 May 2015                     |
| 4         | Changes to incorporate Renminbi changes (subject to regulatory approval), as per version originally circulated on 03.11. 2014   | 25 June 2015                    |
| 5         | Changes to incorporate compression service and ferrous products   | 23 November 2015                |
| 5.1       | Minor change to registered address  | 31 January 2016                 |
| 6         | Partial porting and clarification for jurisdictional opinion  | 8 August 2016                   |
| 7         | LMEprecious and Open Offer  | 5 June 2017                     |
| 8         | Auction process Annex   | 10 July 2017                    |
| 9         | Changes to incorporate Gross Omnibus Accounts and updates to auction process to reflect harmonisation across Services   | 27 November 2017                |
| 10        | Changes to implement a Mandatory Auction Process to apply to both LME Base Metals and LMEprecious   | 17 January 2017                 |
| <u>11</u> | <u><a href="#">Changes to accommodate Inter-dealer Brokers, bridge entities, amended minimum capital requirements, new mandatory auction tool and other minor changes</a></u> | <u><a href="#">[ ] 2018</a></u> |





# LME Clear Limited Rules and Procedures

**LME CLEAR LIMITED**

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A private limited company. Registered in England no 07611628. Registered office as above..

[LME.COM/CLEAR](https://lme.com/clear)

## CONTENTS

| RULE   | PAGE       |
|--|------------|
| <b>RULE 1 – DEFINITIONS AND INTERPRETATION</b>                             | <b>1</b>   |
| <b>RULE 2 - GENERAL PROVISIONS</b>   | <b>34</b>  |
| <b>RULE 3 - MEMBERSHIP</b>   | <b>52</b>  |
| <b>RULE 4 - ACCOUNTS</b>   | <b>64</b>  |
| <b>RULE 5 - CLIENT BUSINESS AND PORTABILITY ARRANGEMENTS</b>               | <b>68</b>  |
| <b>RULE 6 - ACCEPTANCE</b>   | <b>75</b>  |
| <b>RULE 7 - SETTLEMENT AND CONTRACT PERFORMANCE</b>                        | <b>83</b>  |
| <b>RULE 8 - MARGIN REQUIREMENT AND COLLATERAL</b>                          | <b>90</b>  |
| <b>RULE 9 - DEFAULT FUND</b>   | <b>95</b>  |
| <b>RULE 10 - DEFAULT</b>   | <b>97</b>  |
| <b>RULE 11 - SETTLEMENT FINALITY</b>                                       | <b>137</b> |
| <b>RULE 12 - COMPRESSION</b>   | <b>138</b> |
| <b>MEMBERSHIP PROCEDURE</b>  | <b>146</b> |
| <b>PART A – INTRODUCTION AND GENERAL MATTERS</b>                           | <b>147</b> |
| 1. INTRODUCTION  | 147        |
| 2. DEFINITIONS   | 147        |
| <b>PART B – MEMBERSHIP</b>   | <b>149</b> |
| 1. MEMBERSHIP CATEGORIES   | 149        |
| 2. APPLICATIONS FOR MEMBERSHIP   | 149        |
| 3. MEMBERSHIP CRITERIA   | 150        |
| 4. REQUIREMENTS FOR SPECIFIC TYPES OF BUSINESS                             | 151        |
| 5. NET CAPITAL REQUIREMENTS AND CALCULATION                                | 153        |
| 6. ON-GOING REPORTING REQUIREMENTS   | 154        |
| 7. NOTIFICATION REQUIREMENTS   | 155        |
| 8. AUTHORISED REPRESENTATIVES  | 156        |
| 9. OTHER CONDITIONS  | 157        |
| 10. CHANGES TO SERVICES AND MEMBERSHIP STATUS                              | 157        |
| <b>PART C – COMPLAINTS</b>   | <b>159</b> |
| 1. SCOPE OF COMPLAINTS   | 159        |
| 2. REGISTERING A COMPLAINT   | 159        |
| 3. PROCESSING A COMPLAINT  | 160        |
| 4. REFERRING COMPLAINTS TO LME CLEAR'S INDEPENDENT COMPLAINTS COMMISSIONER | 160        |
| <b>PART D – DISCIPLINE</b>   | <b>162</b> |
| 1. INVESTIGATIONS  | 162        |
| 2. INITIATING PROCEEDINGS  | 162        |

|     |  |            |
|-----|--|------------|
| 3.  | <b>DEFENCE</b>   | <b>162</b> |
| 4.  | <b>COMPOSITION OF DISCIPLINARY COMMITTEE</b>                               | <b>163</b> |
| 5.  | <b>THE DISCIPLINARY HEARING</b>  | <b>163</b> |
| 6.  | <b>THE DETERMINATION</b>   | <b>164</b> |
| 7.  | <b>PENALTIES</b>   | <b>164</b> |
| 8.  | <b>COSTS</b>   | <b>165</b> |
| 9.  | <b>SETTLEMENTS</b>   | <b>165</b> |
| 10. | <b>CONVICTIONS AND FINDINGS BY OTHER AUTHORITIES</b>                       | <b>165</b> |
| 11. | <b>FINES FOR SETTLEMENT FAILURES (LMEPRECIOUS)</b>                         | <b>166</b> |
|     | <b>PART E – APPEAL</b>   | <b>167</b> |
| 1.  | <b>INITIATING AN APPEAL</b>  | <b>167</b> |
| 2.  | <b>COMPOSITION OF THE APPEAL COMMITTEE</b>                                 | <b>167</b> |
| 3.  | <b>THE APPEAL HEARING</b>  | <b>168</b> |
| 4.  | <b>THE DETERMINATION</b>   | <b>168</b> |
| 5.  | <b>COSTS</b>   | <b>168</b> |
|     | <b>CLEARING PROCEDURES</b>   | <b>169</b> |
|     | <b>PART A – INTRODUCTION AND GENERAL MATTERS</b>                           | <b>170</b> |
| 1.  | <b>INTERPRETATION AND INTRODUCTION</b>                                     | <b>170</b> |
| 2.  | <b>INTRODUCTION TO PART A OF THE CLEARING PROCEDURES</b>                   | <b>170</b> |
| 3.  | <b>LONDON TIME</b>   | <b>171</b> |
| 4.  | <b>ELIGIBLE PRODUCTS</b>   | <b>171</b> |
| 5.  | <b>INSTRUMENTS</b>   | <b>171</b> |
| 6.  | <b>CLOSING PRICES, SETTLEMENT PRICES, MARKET DATA AND PRICE SETS</b>       | <b>172</b> |
| 7.  | <b>REPORTING</b>   | <b>174</b> |
| 8.  | <b>INTERPRETATION OF "POSTING" AND "FOR VALUE" (CASH SETTLEMENT TERMS)</b> | <b>175</b> |
|     | <b>PART B – TRANSACTION AND POSITION MANAGEMENT</b>                        | <b>176</b> |
| 1.  | <b>INTRODUCTION</b>  | <b>176</b> |
| 2.  | <b>SUBMISSION OF TRANSACTIONS TO LME CLEAR</b>                             | <b>176</b> |
| 3.  | <b>TRANSACTION ACCEPTANCE</b>  | <b>177</b> |
| 4.  | <b>POSITION UPDATE AND MAINTENANCE AND SETTLEMENT TO MARKET</b>            | <b>182</b> |
| 5.  | <b>SETTLEMENT TO MARKET PROCESS</b>  | <b>184</b> |
| 6.  | <b>OPTION EXERCISE AND ASSIGNMENT</b>                                      | <b>187</b> |
| 7.  | <b>DELIVERY POSITIONS</b>  | <b>191</b> |
|     | <b>PART C – VALUATION, MARGINING AND RISK MANAGEMENT</b>                   | <b>194</b> |
| 1.  | <b>INTRODUCTION</b>  | <b>194</b> |
| 2.  | <b>COMPOSITION OF MARGIN REQUIREMENTS</b>                                  | <b>194</b> |
| 3.  | <b>INITIAL MARGIN REQUIREMENT</b>  | <b>194</b> |

|    |   |            |
|----|---|------------|
| 4. | VARIATION MARGIN REQUIREMENT                                  | 195        |
| 5. | ADDITIONAL MARGIN   | 196        |
| 6. | CALCULATION OF MARGIN REQUIREMENTS                            | 196        |
| 7. | MEMBER'S OBLIGATION TO ENSURE TRANSACTIONS ARE COLLATERALISED | 197        |
|    | <b>PART D – TREASURY AND COLLATERAL MANAGEMENT</b>            | <b>198</b> |
| 1. | INTRODUCTION  | 198        |
| 2. | LME CLEAR TREASURY ARRANGEMENTS                               | 198        |
| 3. | ACCEPTABLE FORMS OF COLLATERAL                                | 198        |
| 4. | COLLATERAL MANAGEMENT   | 201        |
| 5. | COVER DISTRIBUTION  | 208        |
|    | <b>PART E – SECURE PAYMENT SYSTEM AND CASH SETTLEMENTS</b>    | <b>214</b> |
| 1. | INTRODUCTION  | 214        |
| 2. | SECURE PAYMENT SYSTEM   | 214        |
| 3. | CASH SETTLEMENTS  | 216        |
|    | <b>PART F – PHYSICAL DELIVERY</b>                             | <b>219</b> |
| 1. | INTRODUCTION  | 219        |
| 2. | LME WARRANT DELIVERY PROCEDURES                               | 219        |
| 3. | LMEPRECIOUS FUTURE DELIVERY PROCEDURE                         | 229        |
| 4. | OTC BULLION PRODUCT DELIVERY PROCEDURE                        | 232        |
|    | <b>PART G – INTEREST, FEES AND CHARGES</b>                    | <b>235</b> |
| 1. | INTRODUCTION  | 235        |
| 2. | FEES  | 235        |
| 3. | INTEREST ON BALANCES  | 236        |
| 4. | INVOICING   | 236        |
|    | <b>DEFAULT PROCEDURES</b>                                     | <b>238</b> |
|    | <b>PART A – INTRODUCTION</b>                                  | <b>239</b> |
|    | <b>PART B – DEFAULT FUND</b>                                  | <b>240</b> |
| 1. | CALCULATION OF DEFAULT FUND CONTRIBUTIONS                     | 240        |
| 2. | FREQUENCY AND REPORTING                                       | 243        |
| 3. | COLLECTION OF DEFAULT FUND CONTRIBUTION                       | 244        |
| 4. | INTEREST PAYMENTS   | 244        |
|    | <b>PART C – DEFAULT MANAGEMENT</b>                            | <b>245</b> |
| 1. | DEFAULT MANAGEMENT GENERALLY                                  | 245        |
| 2. | DEFAULT FIRE DRILL  | 245        |
| 3. | DEFAULT NOTICE  | 245        |
| 4. | ACTIVATION OF DEFAULT MANAGEMENT PROCESS                      | 245        |
| 5. | DEFAULT MANAGEMENT GOVERNANCE                                 | 246        |

|           |  |            |
|-----------|--|------------|
| <b>6.</b> | <b>RISK REDUCTION OF DEFAULTING MEMBER'S POSITIONS</b>   | <b>247</b> |
| <b>7.</b> | <b>LOSSES IN EXCESS OF DEFAULT FUND</b>  | <b>252</b> |
| <b>8.</b> | <b>BUSINESS VIABILITY REVIEW</b>   | <b>253</b> |
|           | <b>PART D – PORTING PROCEDURE</b>  | <b>254</b> |
|           | <b>SECTION 1: MAINTENANCE DOCUMENTATION IN SUPPORT OF AUTOMATIC PORTING PROCESS</b>            | <b>255</b> |
|           | <b>SECTION 2: PORTING PROCESS</b>  | <b>257</b> |
|           | <b>SETTLEMENT FINALITY PROCEDURE</b>   | <b>261</b> |
| <b>1.</b> | <b>APPLICATION</b>   | <b>261</b> |
| <b>2.</b> | <b>DEFINITIONS AND INTERPRETATION</b>  | <b>261</b> |
| <b>3.</b> | <b>SPECIFICATION OF TRANSFER ORDERS FOR THE PURPOSE OF THE SETTLEMENT FINALITY REGULATIONS</b> | <b>265</b> |
| <b>4.</b> | <b>PROHIBITION ON REVOCATION OF TRANSFER ORDERS</b>  | <b>273</b> |
| <b>5.</b> | <b>GENERAL OBLIGATIONS OF MEMBERS AS PARTICIPANTS</b>  | <b>273</b> |
| <b>6.</b> | <b>PROVISION OF INFORMATION</b>  | <b>273</b> |
| <b>7.</b> | <b>NOTIFICATION OF INSOLVENCY EVENTS</b>   | <b>273</b> |
|           | <b>LME CLEAR LIMITED</b>   | <b>275</b> |
|           | <b>ANNEXES</b>   | <b>275</b> |
|           | <b>ANNEX 1 – ELIGIBLE PRODUCTS</b>   | <b>276</b> |
|           | <b>Eligible Metal</b>  | <b>294</b> |
|           | <b>ANNEX 2 – ELIGIBLE CURRENCIES, COLLATERAL AND HAIRCUTS</b>                                  | <b>295</b> |
|           | <b>ANNEX 3 – FEES AND CHARGES</b>  | <b>296</b> |
|           | <b>ANNEX 4 – LIST OF AVAILABLE REPORTS</b>   | <b>297</b> |
|           | <b>ANNEX 5 – MARGIN PARAMETERS</b>   | <b>298</b> |
|           | <b>ANNEX 6 – CLIENT BUSINESS TERMS</b>   | <b>299</b> |
|           | <b>ANNEX 7 – DELIVERY TIMETABLES</b>   | <b>307</b> |
|           | <b>ANNEX 8 – AUCTION PROCESS</b>   | <b>308</b> |

# **LME CLEAR LIMITED**

## **RULES**

## Rule 1

**RULE 1 – DEFINITIONS AND INTERPRETATION****1.1 DEFINITIONS**

**1.1.1** In the Rules, the following words and expressions shall, unless the context otherwise requires, bear the meanings set opposite them:

|  |   |
|--|---|
| <b>"Acceptance"</b>  | has the meaning set out in Rule 6.4.3, and <b>"Accepted"</b> shall be construed accordingly;  |
| <b>"Acceptance Criteria"</b>                                 | has the meaning set out in Clearing Procedure B3.1;   |
| <b>"Acceptance Time"</b>                                     | has the meaning set out in Rule 6.4.3;  |
| <b>"Accepting Member"</b>                                    | means a Member that accepts a Transaction that is the subject of a Give-Up;   |
| <b>"Accounts"</b>  | means an account established and maintained by LME Clear in respect of a Member, in accordance with Rule 4 ( <i>Accounts</i> ), including any: <ul style="list-style-type: none"> <li>(a) House Accounts; or</li> <li>(b) Client Accounts, which may be either:               <ul style="list-style-type: none"> <li>(i) an Omnibus Segregated Client Account; or</li> <li>(ii) an Individual Segregated Client Account;</li> </ul> </li> <li>(c) Administrative Accounts;</li> </ul> |
| <b>"Act of Misconduct"</b>                                   | has the meaning set out in Membership Procedure A 2.1;  |
| <b>"Additional Amount Applied"</b>                           | has the meaning set out in Default Procedure C6.6;  |
| <b>"Additional Capital"</b>                                  | has the meaning set out in Membership Procedure A 2.1;  |
| <b>"Additional Collateral Management Charge" (or "ACMC")</b> | has the meaning set out in Clearing Procedure D4.3;   |
| <b>"Administrative Account"</b>                              | means an Account in the books and records of LME Clear established in accordance with Rule 4 ( <i>Accounts</i> ), to record Respective Entitlements in respect of Transactions cleared by a Member in the circumstances described in Rule 4.2.10;   |
| <b>"Affected Party"</b>                                      | means whichever of LME Clear or the Member as is unable to perform any of its obligations arising out of, in connection with or relating to the Rules as a result of a Force Majeure Event;   |
| <b>"Affiliate"</b>   | means, in relation to any person, a Subsidiary of that person or a Holding Company of such person or any other Subsidiary of  |

## Rule 1

such Holding Company;

**"Aggregate Member Entitlement"** has the meaning set out in Rule 10.13 (*LME Clear Default*);

**"Aggregate Member Obligation"** has the meaning set out in Rule 10.13 (*LME Clear Default*);

**"Aggregated Contract"** means a Contract in a Net Position Product that is maintained on an aggregated basis within an Omnibus Segregated Client Account, in accordance with Clearing Procedure B5, and including any Contract that comprises the aggregation of multiple Aggregated Contracts in accordance with the aggregation process in Clearing Procedure B5;

**"Allocated DFC Amount"** has the meaning set out in Default Procedure C6.6;

**"Allocation ID"** means an individual mnemonic to be used by a Member to identify:

- (a) an individual Client within a Direct Gross Omnibus Segregated Client Account; or
- (b) an individual Indirect Client within an Indirect Gross Omnibus Segregated Client Account,

and which shall be used by such Member to identify Contracts and Positions allocable to such Client or Indirect Client (as applicable) in such Account;

**"Amount Applied"** has the meaning set out in Default Procedure C6.6;

**"Annex"** means an annex to the Rules and Procedures and published on the Website, as amended by LME Clear from time to time;

**"Appeal Committee"** has the meaning set out in Membership Procedure A 2.1;

**"Applicable Law"** means (a) all regional, national and international laws, rules, regulations, standards and directions, including those imposed by any competent regulatory authority which apply from time to time to the person or activity, and (b) all other regulations applying to LME Clear or a Member and any binding rules or non-binding guidance issued by a Clearing House Regulator and / or a Regulator of a Member, including FSMA, EMIR, the Recognition Regulations and the Settlement Finality Regulations;

**"Applicable Clearing Regulations"** means all Applicable Law binding on LME Clear in the United Kingdom and the European Union that governs, regulates or specifies in any way the manner in which LME Clear shall be required to make available and / or perform its obligations as the operator of the Clearing System including FSMA, EMIR, the Recognition Regulations and the Settlement Finality



## Rule 1

Regulations;

|  |   |
|--|---|
| <b>"Applicant"</b>                               | means any person that applies to LME Clear to become a Member;  |
| <b>"Approved Delivery Facility"</b>              | means the delivery facilities specified in the Clearing Procedures as being approved by LME Clear to deliver the Underlying Assets under a Contract;  |
| <b>"Approved Execution Arrangement"</b>          | has the meaning set out in Clearing Procedure B 3.2;  |
| <b>"Approved Settlement Bank"</b>                | means a Settlement Bank approved by LME Clear as being eligible to participate in the Secure Payment System; the settlement banks approved by LME Clear from time to time shall be those listed on the Website;   |
| <b>"Approved Transaction Platform"</b>           | <p>means:</p> <ul style="list-style-type: none"> <li>(a) an Organised Market; or</li> <li>(b) a venue or facility for the execution, matching, reporting or confirmation of transactions,</li> </ul> <p>that is approved by LME Clear to submit Transactions to the Clearing System and that is specified as such in the Clearing Procedures;</p> |
| <b>"Asset Cover"</b>                             | means the assets (whether in the form of cash, securities, gold, LME Warrants or otherwise) provided by a Member to LME Clear as Collateral and Default Fund Contributions;   |
| <b>"Auction Portfolio"</b>                       | means a portfolio of Open Contracts of the Defaulting Member and any connected hedging agreement made by LME Clear under Default Procedure C6.2, as determined by LME Clear in accordance with Default Procedure C6.3;  |
| <b>"Authorised Representative"</b>               | means the management representative appointed by the Member in accordance with Membership Procedure B8;   |
| <b>"Automatic Compression"</b>                   | means the application of a Compression Run in accordance with the process set out in Rule 12.2.2;   |
| <b>"Automatic Exercise Option Contract"</b>      | means a Contract under which the option is automatically exercised on the Option Exercise Date, in accordance with the Clearing Procedures;   |
| <b>"Automatic Porting Designation Documents"</b> | has the meaning set out in Section 1 of Default Procedure D ( <i>Porting Procedure</i> );   |
| <b>"Automatic Porting Process"</b>               | means the process for the transfer of Contracts, Positions and Collateral allocated to a Client Account in respect of which LME Clear is in receipt of accurate, complete and up to date Automatic Porting Designation Documents, as specified in Rule  |

## Rule 1

10.7 (*Portability of Client Accounts*) and Default Procedure D (*Default Procedures*), and specifically Default Procedure D2.2 (*Automatic Porting Process*);

|  |   |
|--|---|
| <b>"Available Cash"</b>                | has the meaning set out in Clearing Procedure D 5.5;  |
| <b>"Available Cash Collateral"</b>     | has the meaning set out in Clearing Procedure D 5.18;   |
| <b>"Available Non-cash Collateral"</b> | has the meaning set out in Clearing Procedure D 5.14;   |
| <b>"Base Currency"</b>                 | means US dollars;   |
| <b>"Binding Membership Terms"</b>      | has the meaning set out in Rule 2.1.1;  |
| <b>"Board"</b>                         | means the board of directors of LME Clear;  |
| <b>"Board Risk Committee"</b>          | means the committee established by LME Clear to consider matters relating to LME Clear's risk-management arrangements, and including representatives from selected Members and Clients;   |
| <b>"Bridge Institution"</b>            | means an entity established by a resolution authority to take over and continue operating certain functions and operations of a Member;   |
| <b>"Brought Forward Position"</b>      | means, on any Business Day, the Position arising from the Open Contract that was created pursuant to the previous Business Day's Settlement to Market Process;  |
| <b>"Bullion"</b>                       | <i>[Definition to be included when OTC Bullion Products are included as Eligible Products]</i>  |
| <b>"Business Day"</b>                  | means any day on which LME Clear is open for business to accept Transactions from one or more Approved Transaction Platforms;   |
| <b>"Business Hours"</b>                | means any hours within a day that is a Business Day;  |
| <b>"Buyer"</b>                         | means whichever party (LME Clear or the Member) under a Contract: <ul style="list-style-type: none"> <li>(a) has the right to receive the Underlying Asset; and / or</li> <li>(b) has the obligation to make payment of the Settlement Payment; or</li> <li>(c) is the Option Holder under an Option Contract;</li> </ul> |
| <b>"Buy-In"</b>                        | has the meaning set out in Rule 7.8.1;  |
| <b>"Cash Collateral"</b>               | means any Collateral in the form of cash;   |

## Rule 1

|   |   |
|---|---|
| <b>"Cash Contingent Variation Margin" (or "CCVM")</b> | has the meaning set out in Clearing Procedure C 4.2(c);   |
| <b>"Cash Cover"</b>                                   | means any cash provided by a Member to LME Clear as Collateral, Default Fund Contribution or a similar purpose, whether or not provided in relation to a Client;  |
| <b>"Cash-Settled Future"</b>                          | means those Eligible Products specified as such in Annex 1 ( <i>Eligible Products</i> );  |
| <b>"Cash-Settled Future Final Settlement Price"</b>   | has the meaning given to it in the LME Rules;   |
| <b>"Cash Settlement"</b>                              | means any cash amount payable by a Member to LME Clear or by LME Clear to a Member, including: <ul style="list-style-type: none"> <li>(a) Settlement Payments;</li> <li>(b) Option Contract Premiums;</li> <li>(c) Option Exercise Payments;</li> <li>(d) payments of Eligible Cash by way of Collateral or Default Fund Contribution;</li> <li>(e) all cash settlement-types specified in Clearing Procedure E3.4; and</li> <li>(f) any other cash payment calculated by LME Clear and notified by LME Clear to the Member as being payable by the Member or by LME Clear in accordance with the Rules;</li> </ul> |
| <b>"Circular"</b>                                     | means a Notice which is given by LME Clear to all Members by way of publication on the Website;   |
| <b>"Clearing Client"</b>                              | means a Client that has established arrangements with a Member to clear Transactions with, or in respect of, one or more of its Indirect Clients;   |
| <b>"Clearing House Regulator"</b>                     | means the Bank of England, ESMA and any other Regulator having authority for regulating LME Clear or any aspect of its business;  |
| <b>"Clearing Procedures"</b>                          | means the Procedures appended to the Rules under the title "Clearing Procedures";   |
| <b>"Clearing Risk Committee"</b>                      | means the committee established by LME Clear to oversee the day-to-day risk management of LME Clear and to assist LME Clear's chief risk officer to support the work of the Board Risk Committee;   |
| <b>"Clearing System"</b>                              | means the formal arrangements, rules and procedures operated by LME Clear and the services provided by it for the clearing and settlement of Contracts, as described in the Rules and the   |

## Rule 1

Procedures (each as amended from time to time) as published from time to time by LME Clear;

**"Client"** means a person that has an agreement with a Member pursuant to which:

- (a) the Member enters into Transactions with or for that person; or
- (b) the Member agrees to take responsibility for the clearing via the Clearing System of Transactions entered into by such person,

(and which person may include a Non-Clearing Firm);

**"Client Account"** means an Account in the books and records of LME Clear established in accordance with Rule 4 (*Accounts*), to record Respective Entitlements in respect of Transactions cleared by a Member for one or more of its Clients;

**"Client Acknowledgement Form"** means a form, executed by a Member and a Client, in the form prescribed in Part A of Annex 6 (*Client Business Terms*);

**"Client Business"** means the business of a Member of entering into or clearing transactions in relation to Clients, which may, without limitation include:

- (a) the entering into Transactions by a Member with Clients;
- (b) the entering into Transactions by a Member (whether as principal or otherwise) with another counterparty in order to satisfy an order from, or another obligation to, a Client; or
- (c) the acceptance of responsibility by a Member for the clearing, via the Clearing System, of a Transaction on behalf of a Client;

**"Close of Business"** means the time on a Business Day from which LME Clear shall cease to receive new Transactions, which shall be as specified in Opening Hours Circulars, provided that LME Clear may decide to extend the Close of Business on any particular Business Day;

**"Closing Price"** has the relevant meaning set out in Clearing Procedure A6;

**"Close Out Amount"** has the meaning set out in Rule 10.13 (*LME Clear Default*);

**"Close Out Date"** has the meaning set out in Rule 10.13 (*LME Clear Default*);

**"Close Out Netting Notice"** means a Notice issued by a Member to LME Clear pursuant to and in accordance with Rule 10.13 (*LME Clear Default*);

## Rule 1

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| <b>"Collateral"</b>                    | means cash, securities, gold, LME Warrants, instruments and other types of asset provided (or to be provided) by a Member to LME Clear to satisfy its Margin Requirement;   |
| <b>"Collateral Limits"</b>             | means any limitation on the proportion or amount of any type of Collateral that may be provided by a Member to LME Clear in satisfaction of its Margin Requirements that are set out in Annex 2 ( <i>Eligible Currencies, Collateral and Haircuts</i> );  |
| <b>"Collateral Specifications"</b>     | means the provisions set out in Annex 2 ( <i>Eligible Currencies, Collateral and Haircuts</i> ) dealing with Collateral, including Haircuts and certain eligibility criteria;   |
| <b>"Collateral Value"</b>              | means at any time, in respect of all Eligible Collateral provided by a Member at that time, an amount (in the Base Currency) equal to the Market Value of that Eligible Collateral at that time minus any applicable Haircut;   |
| <b>"Compressible Account"</b>          | has the meaning set out in Rule 12 ( <i>Compression</i> );  |
| <b>"Compression"</b>                   | means the replacement of multiple Contracts, between a Member and LME Clear, with a smaller number of Contracts by the aggregation of Contracts having the same direction, together with the netting of Contracts having opposite directions, that is effected in accordance with and subject to the provisions of Rule 12 ( <i>Compression</i> ) and <b>"Compressed"</b> shall mean the effect of the application of such process; |
| <b>"Compression Request"</b>           | has the meaning set out in Rule 12 ( <i>Compression</i> );  |
| <b>"Compression Run"</b>               | means an implementation of Compression, at the Compression Time, in accordance with a Compression Proposal;   |
| <b>"Compression Time"</b>              | means the time at which Compression is recorded in the Clearing System as having taken effect;  |
| <b>"Complainant"</b>                   | means a Member that makes a Complaint;  |
| <b>"Complaint"</b>                     | means a complaint brought by a Member in accordance with Membership Procedure C;  |
| <b>"Concentration Bank"</b>            | means a bank appointed as a concentration bank by LME Clear to hold and process cash amounts received or held by LME Clear for any purpose. A list of the Concentration Banks shall be set out on the Website;  |
| <b>"Consultation Process"</b>          | has the meaning set out in Rule 2.2.5;  |
| <b>"Contingent Agreement to Trade"</b> | has the meaning set out in the LME Rules;   |

## Rule 1

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| <b>"Contract"</b>                         | means a binding agreement between LME Clear and a Member that is formed under and in accordance with Rule 6 ( <i>Acceptance</i> ), and which is to be performed or discharged in accordance with the Rules;  |
| <b>"Contract Settled Under LME Rules"</b> | has the meaning set out in Rule 7.2.1;   |
| <b>"Core Economic Terms"</b>              | <p>means, in respect of a Contract:</p> <ul style="list-style-type: none"> <li>(a) the Prompt Date;</li> <li>(b) the Eligible Product comprised by the Contract;</li> <li>(c) the type (but not quantity) of Underlying Asset; and</li> <li>(d) the type (but not quantity) of Settlement Currency,</li> </ul> <p>being those features of a Contract that are capable of being Compressed with another Contract in accordance with Rule 12 (<i>Compression</i>);</p> |
| <b>"Counterparty Loss"</b>                | means a Loss incurred by LME Clear, including the loss of any asset or cash, pursuant to a default by a Treasury Counterparty that is also a Defaulting Member;  |
| <b>"Cover Distribution Process"</b>       | has the meaning set out in Clearing Procedure D5;  |
| <b>"Credit Check"</b>                     | has the meaning set out in Clearing Procedure B3.10;   |
| <b>"Custodian"</b>                        | means a custodian with which LME Clear may deposit Collateral and/or Default Fund Contributions and/or any other assets or funds from time to time;  |
| <b>"Cut Off Time"</b>                     | has the meaning set out in Rule 10.10.9;   |
| <b>"Dedicated Own Resources"</b>          | means the amount of dedicated own resources required to be held by LME Clear from time to time in compliance with Article 35(1) of the EMIR Level 2 (CCP Requirements) Regulation;   |
| <b>"Default Event"</b>                    | has the meaning set out in Rule 10.2;  |
| <b>"Default Fire Drill"</b>               | means a test of LME Clear's Default Procedures, carried out pursuant to Default Procedure C2;  |
| <b>"Default Fund"</b>                     | means the relevant fund maintained by LME Clear in respect of a Service, to which each Member that participates in such Service is required to contribute under Rule 9 ( <i>Default Fund</i> );  |
| <b>"Default Fund Contribution"</b>        | <p>means, as the context may require:</p> <ul style="list-style-type: none"> <li>(a) the amount to be contributed by a Member to a Default Fund; or</li> </ul>   |

## Rule 1

- (b) the amount contributed at any time by a Member to a Default Fund,

in accordance with Rule 9 (*Default Fund*);

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| <b>"Default Loss"</b>                          | means any Loss incurred by LME Clear as a result of a failure by a Member to fulfil its obligations to LME Clear;  |
| <b>"Defaulting Member"</b>                     | has the meaning set out in Rule 10.3.4;  |
| <b>"Default Management Committee"</b>          | has the meaning set out in Default Procedure C5.1;   |
| <b>"Default Notice"</b>                        | means a notice issued by LME Clear (pursuant to Rule 10.3.3) declaring a Member to be a Defaulting Member;   |
| <b>"Default Period"</b>                        | has the meaning set out in Rule 10.10.6;   |
| <b>"Default Procedures"</b>                    | means the Procedures appended to the Rules, under the title "Default Procedures";  |
| <b>"Default Requirements"</b>                  | means the default requirements for the time being applicable under EMIR, Part VII of the Companies Act 1989 and the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001;  |
| <b>"Default-Specific Cap"</b>                  | has the meaning set out in Rule 10.10.4(a);  |
| <b>"Default-Specific Replenishment Notice"</b> | has the meaning set out in Rule 10.10.1(e);  |
| <b>"Defence"</b>                               | has the meaning set out in Membership Procedure A 2.1;   |
| <b>"Delivery Adjustment Settlement"</b>        | means a payment due to or from a Member in respect of a delivered Underlying Asset, which shall take effect as a post-delivery adjustment to the Settlement Payment; and such Delivery Adjustment Settlement shall, for the avoidance of doubt, represent a Payment Obligation for the party that is due to make such payment; |
| <b>"Delivery Obligation"</b>                   | means the obligation under a Contract for the Seller to deliver Underlying Assets to the Buyer;  |
| <b>"Delivery Position"</b>                     | means a Position in respect of a Contract under which the Seller has a Delivery Obligation;  |
| <b>"Designated Member Transferee"</b>          | means a Member that has, pursuant to any Automatic Porting Designation Document, agreed to be treated as a Designated Member Transferee in respect of a Client Account for the purpose of the application of the Automatic Porting Process;  |
| <b>"Direct Gross"</b>                          | means an Omnibus Segregated Client Account having the  |

## Rule 1

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| <b>Omnibus Segregated Client Account"</b>                   | features described in Rule 4.2.3(b);   |
| <b>"Direct Individual Segregated Client Account"</b>        | means an Individual Segregated Client Account that records the Contracts and their associated Collateral and Positions Registered by a Member in respect of a single Client of the Member;   |
| <b>"Direct Net Omnibus Segregated Client Account"</b>       | means an Omnibus Segregated Client Account having the features described in Rule 4.2.3(a);   |
| <b>"Discharged Rights and Obligations"</b>                  | has the meaning set out in Default Procedure D2.11;  |
| <b>"Disciplinary Committee"</b>                             | has the meaning set out in Membership Procedure A 2.1;   |
| <b>"Discounted Contingent Variation Margin" (or "DCVM")</b> | has the meaning set out in Clearing Procedure C4.2(b);   |
| <b>"DSS"</b>  | means the Detailed Service Specification document published by LME Clear on the Website, as such document may be updated by LME Clear from time to time;   |
| <b>"Eligible Cash"</b>                                      | means cash in an Eligible Currency and which complies with any criteria specified in the Rules including the Clearing Procedures;  |
| <b>"Eligible Collateral"</b>                                | means assets in the form of Eligible Cash, Eligible Securities, Eligible LME Warrants and Eligible Gold, and such other assets with such eligibility criteria as LME Clear may from time to time specify, and which comply with any criteria specified in the Rules including the Clearing Procedures;   |
| <b>"Eligible Compressible Contracts"</b>                    | means Contracts in those Eligible Products that are identified in Annex 1 ( <i>Eligible Products</i> ) as "Eligible Compressible Contracts";   |
| <b>"Eligible Currency"</b>                                  | means: <ul style="list-style-type: none"> <li>(a) in the context of any Cash Settlement to be performed in settlement of any Contract, the currency specified in the Collateral Specifications as being eligible for settlement of such Contract; or</li> <li>(b) in the context of Collateral provided or to be provided by a Member, any currency specified in the Collateral Specifications in which Eligible Collateral may be denominated;</li> </ul> |



## Rule 1

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| <b>"Eligible Gold"</b>                               | means Gold which complies with any criteria specified in the Rules including the Clearing Procedures;  |
| <b>"Eligible Product"</b>                            | means a contract that is eligible to be cleared via the Clearing System, the definitive list of which is set out in Annex 1 ( <i>Eligible Products</i> ), as amended by LME Clear from time to time;   |
| <b>"Eligible LME Warrants"</b>                       | means, at any time, LME Warrants relating to Eligible Metal which comply with any criteria specified in the Rules including the Clearing Procedures;   |
| <b>"Eligible Metal"</b>                              | means metal of a type that is specified in Annex 1 ( <i>Eligible Metal</i> );  |
| <b>"Eligible Securities"</b>                         | means securities denominated in Eligible Currencies, and which comply with any criteria specified in the Rules including the Clearing Procedures;  |
| <b>"EMIR"</b>  | means the EMIR Level 1 Regulation and the EMIR Level 2 Regulation, as amended from time to time;   |
| <b>"EMIR Level 1 Regulation"</b>                     | means Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, as amended from time to time;  |
| <b>"EMIR Level 2 Regulations"</b>                    | means: <ul style="list-style-type: none"> <li>(a) the EMIR Level 2 (Indirect Clearing) Regulation;</li> <li>(b) the EMIR Level 2 (CCP Requirements) Regulation; and the</li> <li>(c) EMIR Level 2 Capital Requirements;</li> </ul>   |
| <b>"EMIR Level 2 (Indirect Clearing) Regulation"</b> | means Commission Delegated Regulation (EU) No 149/2013 of 19 December 2012 supplementing the EMIR Level 1 Regulation with regard to regulatory technical standards on indirect clearing arrangements, the clearing obligation, the public register, access to a trading venue, non-financial counterparties, risk mitigation for OTC derivatives contracts not cleared by a CCP, as amended from time to time; |
| <b>EMIR Level 2 (CCP Requirements)</b>               | means Commission Delegated Regulation (EU) No 153/2014 of 19 December 2012 supplementing the EMIR Level 1 Regulation with regard to regulatory technical standards on requirements for central counterparties;   |
| <b>"EMIR Level 2 Capital Requirements"</b>           | means Commission Delegated Regulation (EU) No 152/2013 of 19 December 2012 supplementing the EMIR Level 1 Regulation with regard to regulatory technical standards on capital requirements for central counterparties;   |
| <b>"End of Day"</b>                                  | means, on any Business Day, the time following the completion by LME Clear of its netting and reconciliation processes in respect of Contracts and Positions that are open on that   |

## Rule 1

Business Day;

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| <b>"End of Day Margin Requirement"</b>    | means, in relation to any day, the amount of Collateral to be provided by a Member to LME Clear in accordance with Clearing Procedure C6.1, and calculated in accordance with Clearing Procedure D5.9 to 5.12;      |
| <b>"Enforcement Notice"</b>               | has the meaning set out in Membership Procedure A;  |
| <b>"End of Day Position"</b>              | has the meaning set out in Clearing Procedure B5.4;   |
| <b>"ESMA"</b>                             | means the European Securities Markets Authority (or any successor body);  |
| <b>"Exchange Traded Forward"</b>          | means any of the products listed in part 2.2 of Annex 1;  |
| <b>"Exchange Traded Future"</b>           | means any of the products listed in part 2.3 of Annex 1;  |
| <b>"Excess Collateral"</b>                | means, in relation to Collateral held by LME Clear at any time in respect of an Account, the amount, if any, by which its Collateral Value then exceeds the Margin Requirement then applicable to the same Account; |
| <b>"Execution Price"</b>                  | means the price at which the original Transaction was executed by the Member, as reported to LME Clear by the Approved Transaction Platform;  |
| <b>"Exerciser"</b>                        | has the meaning set out in Clearing Procedure B6.9;   |
| <b>"Exercise Result"</b>                  | has the meaning set out in Clearing Procedure B6.4;   |
| <b>"Exercise Time"</b>                    | has the meaning set out in Clearing Procedure B6.4;   |
| <b>"Excess Loss"</b>                      | has the meaning set out in Rule 10.10.1(d);   |
| <b>"Excess Release"</b>                   | has the meaning set out in Clearing Procedure D4.7;   |
| <b>"Ex-cleared Transfer Instruction"</b>  | has the meaning given to it in the LME Rules;   |
| <b>"Expiry Date"</b>                      | means the date on which a relevant Contract shall expire, as determined in accordance with the Product Specifications;  |
| <b>"Expiry Time"</b>                      | means the time on an Expiry Date on which a relevant Contract shall expire, as determined in accordance with the Product Specifications;  |
| <b>"Extended Porting Transfer Period"</b> | means a period that: <ul style="list-style-type: none"> <li>(a) is during a Default Period;</li> <li>(b) commences at the end of the prior Porting</li> </ul>   |

## Rule 1

Transfer Period and expires 24 Business Hours thereafter, unless LME Clear specifies another expiry time on the Website; and

- (c) is subsequent to, and therefore additional to, any prior Porting Transfer Period,

within which LME Clear may effect a Transfer in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*);

**"Failed Auction"** has the meaning set out in Default Procedure C6.8;

**"Failed Settlement Position"** means:

- (a) a failure by a party to a Contract to fulfil a Payment Obligation or a Delivery Obligation (as the case may be) on the date on which such obligation is due to be fulfilled; or
- (b) any other failure by a member to make a Cash Settlement due under or in accordance with the Rules;

**"Fees"** means any fees or charges payable by a Member to LME Clear under the Rules including any fees or charges including any interest or accommodation charges set out in Annex 3 (*Fees and Charges*), as amended by LME Clear from time to time;

**"File Based Compression"** means the application of a Compression Run in accordance with the process set out in Rule 12.2.1(a)(ii) and the remainder of Rule 12.2.1(b) to (h);

**"Financially Settling Contract"** means a Contract for an Eligible Product that is settled by the payment of a Settlement Payment and under which no Underlying Asset is to be delivered;

**"Final Day"** has the meaning set out in Rule 10.10.2(d);

**"Final Delivery Position"** has the meaning set out in Clearing Procedure B7.3;

**"Final Exercise Time"** means the final time by which an Option Holder may exercise an option under an Option Contract that requires manual exercise, as specified in the Clearing Procedures;

**"Force Majeure Event"** means any circumstance beyond the control and contemplation of LME Clear or a Member, which hinders or prevents the performance in whole or in part of any of its obligations under the Rules (other than, in the case of a Member, any obligation to make a payment to LME Clear) and will be deemed to include war, civil war or other action of military forces or armed conflict; terrorism or terrorist attack; riot, civil commotion, or protest; the inaccessibility of LME Clear's premises by LME Clear; sabotage or vandalism or malicious damage; nuclear, chemical or biological contamination; sonic boom; act of God; national

## Rule 1

emergency; fire, explosion, flood, storm, earthquake or epidemic; lack of energy supply; strike, labour dispute, lockout, work to rule or other industrial dispute; interruption or failure of utility service, including but not limited to electric power, gas or water; the closure, suspension or disruption of the operations of, or any default by, any Approved Transaction Platform or by any Settlement Agent, Settlement Bank, Precious Metal Clearer, Securities System Operator, Custodian, Warehouse or the LMEsword Depository; or any failure or insolvency of any Service Provider on which LME Clear relies in order to operate the Clearing System or otherwise perform its obligations under the Rules;

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| <b>"Former Member"</b>                       | has the meaning set out in Rule 3.13.7;   |
| <b>"Forward Dated Currency"</b>              | means a currency (such as Yen) where the settlement instruction issued on a given Business Day is for the execution of a payment, for value on a following Business Day;  |
| <b>"FSMA"</b>                                | means the Financial Services and Markets Act 2000, as amended from time to time;  |
| <b>"General Clearing Member" (or "GCM")</b>  | has the meaning set out in Rule 3.1.3;  |
| <b>"General Liquidity Requirement"</b>       | means any funding or liquidity requirement of LME Clear arising in relation to the operation of the Clearing System (and shall exclude any General Working Capital Requirement and any Member Liquidity Requirement); |
| <b>"General Working Capital Requirement"</b> | means any general company funding requirement (such as a working capital requirement) of LME Clear, which for the avoidance of doubt excludes any General Liquidity Requirement and any Member Liquidity Requirement; |
| <b>"Give-Up"</b>                             | means a Transaction agreed by a Member, where such Member agrees to give-up the Transaction to another Member, in accordance with the LME Rules;  |
| <b>"Give-Up Acceptance"</b>                  | means an instruction input into LMEsmart by an Accepting Member indicating its acceptance of a Transaction that is subject to a Give-Up;  |
| <b>"Give-Up Contract"</b>                    | has the meaning set out in Clearing Procedure B3.3;   |
| <b>"Give-Up Executor"</b>                    | means, in the context of a Give-Up, the Member that Gives-Up the Transaction;   |
| <b>"Give-Up Executor Instruction"</b>        | means an instruction input into LMEsmart by a Give-Up Executor indicating that a Transaction is to be subject to a Give-Up;   |
| <b>"Gold"</b>                                | means gold held in London complying with the rules of the London Bullion Market Association relating to good delivery and   |

## Rule 1

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|   | fineness in effect from time to time;  |
| <b>"Gold Collateral"</b>                                  | means Collateral in the form of Eligible Gold;   |
| <b>"Gold Custodian"</b>                                   | means such custodian for Gold as LME Clear may appoint from time to time;  |
| <b>"Gross Position Product"</b>                           | means an Eligible Product, the Positions on which shall be calculated on a gross basis, as identified in the table in Clearing Procedure B4.6;   |
| <b>"Gross Omnibus Segregated Client Account"</b>          | means: <ul style="list-style-type: none"> <li>(a) a Direct Gross Omnibus Segregated Client Account; or</li> <li>(b) an Indirect Gross Omnibus Segregated Client Account;</li> </ul>  |
| <b>"Group"</b>  | means in relation to a company, any company that is a Subsidiary of that company, any company that is its Holding Company, and any other company that is a Subsidiary of that Holding Company (including any Subsidiary of any such Subsidiary);   |
| <b>"Haircut"</b>  | means, in relation to any Collateral for the purpose of calculating its Collateral Value, the discount applicable to that Collateral as specified in the Collateral Specifications;  |
| <b>"Holding Company"</b>                                  | means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary;   |
| <b>"House Account"</b>                                    | means an Account in the books and records of LME Clear established in accordance with Rule 4.2.1;  |
| <b>"Identified Client"</b>                                | has the meaning set out in Rule 5.1.5;   |
| <b>"Independent Complaints Commissioner"</b>              | has the meaning set out in Membership Procedure A;   |
| <b>"Indirect Client"</b>                                  | means the client of a Clearing Client <sup>1</sup> ;   |
| <b>"Indirect Gross Omnibus Segregated Client Account"</b> | an Individual Segregated Client Account that records Contracts and their associated Collateral and Positions Registered by a Member in respect of one or more Indirect Clients, where such Indirect Clients are the clients of a single Clearing Client of the Member and having the features described in Rule 4.2.6; |
| <b>"Indirect Individual Segregated Client Account"</b>    | means an Individual Segregated Client Account that records Contracts and their associated Collateral and Positions Registered by a Member in respect of a single Indirect Client,  |

<sup>1</sup> This definition shall include an "indirect client" within the meaning of (i) Article 1(a) of the EMIR Level 2 (Indirect Clearing) Regulation (being "the client of a client of a clearing member", as such terms are defined in the EMIR Level 2 (Indirect Clearing) Regulation), which term is applicable under the indirect clearing provisions of both EMIR and MiFID II.

## Rule 1

where such Indirect Client is the client of a single Clearing Client of the Member;

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| <b>"Indirect Net Omnibus Segregated Client Account"</b> | means an Omnibus Segregated Client Account having the features described in Rule 4.2.3(c);  |
| <b>"Individual Clearing Member" (or "ICM")</b>          | has the meaning set out in Rule 3.1.3;  |
| <b>"Individual Segregated Client Account"</b>           | means a Client Account established in accordance with Rule 4.2.2(b);  |
| <b>"Initial Margin Requirement"</b>                     | has the meaning set out in Clearing Procedure C3.1;   |
| <b>"Instrument"</b>                                     | has the meaning set out in Clearing Procedure A5;   |
| <b>"Initial LMEprecious Members"</b>                    | has the meaning set out in Default Procedure B 1.3;   |
| <b>"Initial LMEprecious Period"</b>                     | has the meaning set out in Default Procedure B 1.3;   |
| <b>"In Scope Open Contracts"</b>                        | means Open Contracts falling within the scope of clearing services to be terminated pursuant to (i) a Resignation Notice; (ii) a Service Termination Notice; or (iii) a Service Withdrawal Notice;  |
| <b>"Intangible Fixed Assets"</b>                        | has the meaning set out in Membership Procedure A 2.1;  |
| <b>"Intellectual Property Rights"</b>                   | means patents, trade marks, rights in logos, get-up, trade names, internet domain names, rights in designs, copyright (including rights in computer software) and moral rights, database rights, semi-conductor topography rights, utility models, trade secrets, inventions, rights in know-how and other intellectual property or proprietary rights, in each case whether registered or unregistered and including applications for registration, and all rights or forms of protection having equivalent or similar effect to the foregoing which may now or in the future subsist in, apply to or are enforceable in, any jurisdiction in the world; |
| <b>"Intra-Day Margin Requirement"</b>                   | means, in relation to any day, the amount of additional Collateral to be provided by a Member to LME Clear in accordance with Clearing Procedure C6.2 and as determined in accordance with Clearing Procedure C6.2;   |
| <b>"Invoice Back"</b>                                   | has the meaning set out in Rule 7.8.1;  |
| <b>"Investment Securities"</b>                          | means any securities or other investments in which LME Clear invests or makes using Cash Cover as contemplated by Rule  |

## Rule 1

8.6.2;

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| <b>"LME"</b>                                   | means the recognised investment exchange and regulated market operated by The London Metal Exchange (FS Register number 207387);  |
| <b>"LME Aluminium Premium Contract"</b>        | means a Contract comprising an Eligible Product having the features specified in Annex 1 ( <i>Eligible Products</i> ) having the same name;   |
| <b>"LME Base Clearing Member"</b>              | means a Member that is permitted to clear Transactions in LME Base Products;  |
| <b>"LME Base Products"</b>                     | means those Eligible Products specified as such in Annex 1 ( <i>Eligible Products</i> );  |
| <b>"LME Base Service"</b>                      | means the availability of the Clearing System in respect of LME Base Products;  |
| <b>"LME Business Day"</b>                      | means a "Business Day" as defined in accordance with the LME Rules;   |
| <b>"LME Clear"</b>                             | means LME Clear Limited (registered in England and Wales under company number 07611628);  |
| <b>"LME Clear Compliance Department"</b>       | has the meaning set out in Membership Procedure A 2.1;  |
| <b>"LME Clear Data"</b>                        | means: <ul style="list-style-type: none"> <li>(a) LME Clear System Data; and</li> <li>(b) LME Clear Member Data;</li> </ul>   |
| <b>"LME Clear Default"</b>                     | has the meaning set out in Rule 10.13 ( <i>LME Clear Default</i> );   |
| <b>"LME Clear Insolvency Default"</b>          | has the meaning set out in Rule 10.13 ( <i>LME Clear Default</i> );   |
| <b>"LME Clear Member Data"</b>                 | means all data relating to Accounts, Transactions, Contracts, Positions, Collateral, Margin Requirements, or Fees relating to a Member which are provided to, or generated by, LME Clear under the Rules; |
| <b>"LME Clear Membership Application Form"</b> | has the meaning set out in Membership Procedure A;  |
| <b>"LME Clear Options Exercise Screen"</b>     | means the functionality made available by LME via the Website through which members can give instructions relating to the exercise of options under Options Contracts;                                    |
| <b>"LME Clear Party"</b>                       | has the meaning set out in Rule 2.3.1;  |
| <b>"LME Clear Payment"</b>                     | has the meaning set out in Rule 10.13 ( <i>LME Clear Default</i> );   |



## Rule 1

**Default"**

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| <b>"LME Clear Pledged Account"</b>                        | means the Account (as such term is defined in Part 10 of the LME Rules) in the name of LME Clear with LMEsword into which a Member is required to deliver LME Warrant Collateral;  |
| <b>"LME Clear System Data"</b>                            | means all data relating to the operation or design of the Clearing System which is provided to, or generated by, LME Clear;  |
| <b>"LME Contract"</b>                                     | means a Transaction that is made on the LME between two Members (and that is defined as a "Contract" under the LME Rules);   |
| <b>"LME Exchange Traded Products"</b>                     | means LME Base Products and LMEprecious Products;  |
| <b>"LME Index Settlement Price" (or "ISP")</b>            | means the "Settlement Price for the Index," defined in the LME Rules;  |
| <b>"LME Inter-Office Market"</b>                          | means the inter-office market for the agreement of Transactions between members of the LME and/or their clients via the telephone and other means of communication and/or through the services of a RIB;   |
| <b>"LMEmercury GUI"</b>                                   | means the real time clearing graphical use interface provided by LME Clear that shall enable each Member to access information relating to the Clearing System processes applied in respect of that Member and to input instructions (where relevant) to the Clearing System;                      |
| <b>"LMEmercury Materials"</b>                             | means the software known as "LMEmercury" or any future name for such software, and any documentation relating to this software, which is made available to the Member from time to time by LME Clear to enable the Member to use the Clearing System, and including the Operations GUI User Guide; |
| <b>"LME Monthly Average Settlement Price" (or "MASP")</b> | means the "Monthly Average Settlement Price" defined in the LME Rules;   |
| <b>"LME Notional Average Price" (or "NAP")</b>            | means the "Notional Average Price" defined in the LME Rules;   |
| <b>"LMEprecious Clearing Member"</b>                      | means a Member that is permitted to clear Transactions in LMEprecious Products;  |
| <b>"LMEprecious Commencement Date"</b>                    | has the meaning set out in Default Procedure B 1.3(d);   |
| <b>"LMEprecious Future"</b>                               | means an LMEprecious Product that is a future, as specified in Annex 1 ( <i>Eligible Products</i> );   |
| <b>"LMEprecious Initial</b>                               | has the meaning set out in Default Procedure B 1.3;  |



## Rule 1

**DF Floor"**

**"LMEprecious Option"** means an LMEprecious Product that is an option, as specified in Annex 1 (*Eligible Products*);

**"LMEprecious Products"** means those Eligible Products specified as such in Annex 1 (*Eligible Products*);

**"LMEprecious Service"** means the availability of the Clearing System in respect of LMEprecious Products;

**"LME Premium Warrant"** has the meaning set out in Clearing Procedure F2.1;

**"LME Premium Warrant Payment Obligation"** means the obligation of a Buyer under an LME Aluminium Premium Contract to deliver LME Warrants, in part satisfaction of the Payment Obligation in respect of such Contract;

**"LME Rules"** means the rules and regulations of the LME, as updated by the LME from time to time;

**"LMEsmart"** means the matching platform operated by the LME for matching Transactions in Eligible Products;

**"LMEsword"** has the meaning set out in Clearing Procedure F2.1;

**"LMEsword Depository"** means the Depository (as such term is defined in Part 10 of the LME Rules);

**"LMEsword Operating Procedures"** has the meaning set out in Clearing Procedure F2.1;

**"LMEsword Regulations"** has the meaning set out in Clearing Procedure F2.1;

**"LME Warrants"** has the meaning set out in Clearing Procedure F2.1;

**"LME Warrant Collateral"** means collateral in the form of Eligible LME Warrants;

**"Loss"** means all or any losses, liabilities, claims, costs or expenses of any nature, whether direct, indirect, special, consequential or otherwise, including (without limitation) all professional fees and disbursements and applicable taxes, including VAT thereon;

**"LPMCL"** means London Precious Metals Clearing Limited (registered in England and Wales under company number 04195299);

**"Major Currency"** has the meaning set out in the LME Rules;

**"Mandatory Bidders"** has the meaning set out in Default Procedure C6.4;

**"Mandatory CCP Provisions"** means the provisions listed and/or set out in Part B of Annex 6 (*Client Business Terms*);

## Rule 1

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| <b>"Manual Compression"</b>               | means the application of a Compression Run in accordance with the process set out in Rule 12.2.1(a)(i) and the remainder of Rule 12.2.1(b) to (h);  |
| <b>"Manual Exercise Option Contract"</b>  | means an Option Contract under which the option shall, if it is to be exercised, be exercised at the direction of the Option Holder (and which is not exercised automatically);   |
| <b>"Manual or File Based Compression"</b> | means a Manual Compression or a File Based Compression;   |
| <b>"Margin Requirement"</b>               | means the sum of the amounts to be provided by a Member to LME Clear, and maintained by such Member, each day pursuant to Rule 8.1;   |
| <b>"Market Value"</b>                     | means at any time the then current market value of an Instrument, Contract, Underlying Asset or Collateral (as the case may be) as determined by reference to the relevant index or metric specified in the Clearing Procedures;  |
| <b>"Member"</b>                           | means a person admitted to use the Clearing System in accordance with Rule 3 ( <i>Membership</i> ) and the Membership Procedure either as a GCM or an ICM;  |
| <b>"Member Default"</b>                   | means an instance of a single Member being declared a Defaulting Member by LME Clear pursuant to a Default Notice, due to one or more Default Events relating to that Defaulting Member;  |
| <b>"Member Additional DFC at risk"</b>    | has the meaning set out in Default Procedure C6.6;  |
| <b>"Member DFC at risk"</b>               | has the meaning set out in Default Procedure C6.6;  |
| <b>"Member Documentation"</b>             | means the agreement, documents and instruments which constitute the contractual relationship between a Member and LME Clear including these Rules, the Membership Agreement and any Security Documents;   |
| <b>"Member Interface"</b>                 | means the functionality made available to Members via the Website to access Reports and other Member-specific information;  |
| <b>"Member Liquidity Requirement"</b>     | means in relation to a Member an obligation or liquidity requirement of LME Clear incurred in relation to the operation of the Clearing System (including financing unsettled amounts in connection with the settlement of Open Contracts and other items processed through the facilities of LME Clear as a clearing house and/or central counterparty under the Rules and refinancing funds made available by a lender or services provider to LME Clear for the purpose of settling such transactions in accordance with the Rules); |

## Rule 1

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| <b>"Member Transferee"</b>                     | has the meaning set out in Rule 10.7.1;  |
| <b>"Member Transferor"</b>                     | has the meaning set out in Rule 10.7.1;  |
| <b>"Membership"</b>                            | means the status of being a Member;  |
| <b>"Membership Agreement"</b>                  | means the agreement, and any other documentation, in the form prescribed by LME Clear, pursuant to which a Member agrees to be bound by the Rules;   |
| <b>"Membership Criteria"</b>                   | means the criteria to be satisfied in order to qualify for, and maintain, Membership of LME Clear, as specified in Membership Procedures B3, B4 and B5;  |
| <b>"Membership Procedures"</b>                 | means the Procedures appended to the Rules under the title "Membership Procedures";  |
| <b>"MiFID II"</b>                              | <p>means the package of legislative measures comprising:</p> <ul style="list-style-type: none"> <li>(a) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments;</li> <li>(b) Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending EMIR; and</li> <li>(c) any delegated regulations made by the European Commission thereunder,</li> </ul> <p>as amended from time to time;</p> |
| <b>"Minimum Cash Requirement"</b>              | has the meaning set out in Clearing Procedure D5.20;   |
| <b>"Net Capital"</b>                           | has the meaning set out in Membership Procedure A;   |
| <b>"Net Liquidation Value" (or "NLV")</b>      | has the meaning set out in Clearing Procedure C4.2(d);   |
| <b>"Net Omnibus Segregated Client Account"</b> | means a Direct Net Omnibus Segregated Client Account or an Indirect Net Omnibus Segregated Client Account;   |
| <b>"Net Position Product"</b>                  | means an Eligible Product the Positions in which shall be calculated on a net basis, as identified in the table in Clearing Procedure B4.6;  |
| <b>"New Contract Position"</b>                 | means, on any Business Day, the Position arising under each new Open Contract that has been Accepted during the Business Day;  |
| <b>"Non-Clearing Firm"</b>                     | means a person that is not a Member, who is entitled to trade as   |

## Rule 1

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|   | a member or participant of an Approved Transaction Platform;   |
| <b>"Non-Identified Client"</b>              | has the meaning set out in Rule 5.1.6;   |
| <b>"Notice of Investigation" (or "NoI")</b> | has the meaning set out in Membership Procedure A 2.1;   |
| <b>"Notice"</b>                             | means a notice given under Rule 2.9 and <b>"Notify"</b> or <b>"Notification"</b> shall be construed accordingly;   |
| <b>"Office-Holder"</b>                      | has the meaning set out in Rule 10.3.4;  |
| <b>"Omnibus Segregated Client Account"</b>  | means a Client Account established in accordance with Rule 4.2.3;  |
| <b>"On-Exchange Business"</b>               | means the business of any Member of entering into arrangements for the clearing of: <ul style="list-style-type: none"> <li>(a) LME Contracts; or</li> <li>(b) any other form of Transaction executed or confirmed on an Organised Market, (as opposed to Transactions executed on an over-the-counter basis);</li> </ul> |
| <b>"Open Contract"</b>                      | means a Contract under which the Respective Entitlements, including the Payment Obligations or Delivery Obligations remain to be fully satisfied;  |
| <b>"Opening Hours Circular"</b>             | has the meaning set out in Clearing Procedure B2.7;  |
| <b>"Operations GUI User Guide"</b>          | means the user guide for the use of the LMEmercury GUI made available by LME Clear to Members, as updated by LME Clear from time to time;  |
| <b>"Option Contract"</b>                    | means a Contract that: <ul style="list-style-type: none"> <li>(a) requires the payment of an Option Contract Premium; and</li> <li>(b) that entitles the party that has paid the Option Contract Premium to exercise an option on the terms specified in the Product Specifications;</li> </ul>                          |
| <b>"Option Contract Premium"</b>            | means the premium payable under an Option Contract for the purchase of the option;   |
| <b>"Option Exercise Date"</b>               | means the date on which the option under an Option Contract is exercised by the Option Holder, which shall be: <ul style="list-style-type: none"> <li>(a) for Automatic Exercise Option Contracts, a date determined in accordance with the Product</li> </ul>   |

## Rule 1

Specifications; or

- (b) for Manual Exercise Option Contracts, the date on which the option is exercised;

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| <b>"Option Exercise Payment"</b> | means the amount payable to the Option Holder upon exercise of the option under an Option Contract that results in a Cash Settlement, which shall be determined by reference to the Option Reference Price in force for the Option Contract on the Option Exercise Date;  |
| <b>"Option Exercise Rules"</b>   | has the meaning set out in Clearing Procedure B6;   |
| <b>"Option Granter"</b>          | means the party under an Option Contract that is not the Option Holder;   |
| <b>"Option Holder"</b>           | means the party under an Option Contract having the right to exercise the option;   |
| <b>"Option Reference Price"</b>  | means the reference price for the exercise of an option under an Option Contract which is to be settled by Cash payment, as determined in accordance with the Product Specifications;   |
| <b>"Organised Market"</b>        | means: <ul style="list-style-type: none"> <li>(a) the LME;</li> <li>(b) any other "regulated market" or "recognised investment exchange" (as each such term is defined under FSMA);</li> <li>(c) any "multilateral trading facility" (as such term is defined under FSMA); or</li> <li>(d) any other organised stock market, derivatives market or commodities market;</li> </ul> |
| <b>"Original House Contract"</b> | has the meaning set out in Clearing Procedure B 3.3;  |
| <b>"OTC Bullion Contract"</b>    | has the meaning set out in Clearing Procedure F 4.1(a); <i>[Not currently in use]</i>   |
| <b>"OTC Bullion Trades"</b>      | means Transactions in "OTC Bullion Products" (as such are specified in Annex 1 ( <i>Eligible Products</i> )); <i>[Not currently in use]</i>   |
| <b>"OTC Business"</b>            | means the business of any Member of entering into arrangements for the clearing of OTC Contracts;   |
| <b>"OTC Contract"</b>            | means a contract between two Members, on OTC Prescribed Terms, formed otherwise than on or subject to the rules of an Organised Market;   |
| <b>"OTC Backloading Service"</b> | has the meaning set out in Clearing Procedure B 3.15;   |

## Rule 1

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| <b>"OTC Bullion Products"</b>       | means those Eligible Products specified as such in Annex 1 ( <i>Eligible Products</i> ); [ <i>Not currently in use</i> ]   |
| <b>"OTC Prescribed Terms"</b>       | means the terms specified for OTC Contracts in the Clearing Procedures and the Product Specifications;   |
| <b>"Parent Undertaking"</b>         | has the same meaning as set out in section 1162 of the Companies Act 2006;   |
| <b>"Partial Transfer"</b>           | has the meaning set out in Rule 10.7.6(a);   |
| <b>"Partial Transfer Window"</b>    | means a period determined by LME Clear in accordance with Rule 10.7.6 during a Default Period within which LME Clear will attempt to effect Partial Transfers for Requesting Clients in accordance with Rule 10.7 ( <i>Portability of Client Accounts</i> ) and Default Procedure D ( <i>Porting Procedure</i> );  |
| <b>"Participating Member State"</b> | means, at any time, each member state of the European Union whose lawful currency in force at that time is the euro, as adopted in accordance with legislation of the European Union relating to Economic and Monetary Union;  |
| <b>"Payment Obligation"</b>         | <p>means any obligation of a party under a Contract:</p> <ul style="list-style-type: none"> <li>(a) to make a payment to the other party; or</li> <li>(b) to otherwise account to the other party for value in exchange for the performance by such other party of its Delivery Obligation (notwithstanding that such obligation may be discharged by the offset of other obligations as opposed to an actual cash payment),</li> </ul> <p>and includes for the avoidance of doubt:</p> <ul style="list-style-type: none"> <li>(i) the obligation under a Physical Delivery Contract for the Buyer to pay the Settlement Payment to the Seller (which shall include, in the case of LME Aluminium Premium Contracts, the LME Premium Warrant Payment Obligation, which shall comprise an obligation to deliver LME Warrants, together with the payment of cash);</li> <li>(ii) the obligation under a Financially Settling Contract for a party to pay the Settlement Payment to the other party; and</li> <li>(iii) the obligation under an Option Contract to pay an Option Contract Premium;</li> </ul> |
| <b>"Per Account VM Profit"</b>      | has the meaning set out in Rule 10.10.2(b);  |

## Rule 1

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| <b>"Per Default Stabilisation Replenishment Cap"</b> | has the meaning set out in Rule 10.10.5(a);  |
| <b>"Permanent Capital"</b>                           | has the meaning set out in Membership Procedure A 2.1;   |
| <b>"Physical Delivery Contract"</b>                  | means a Contract for a Physically Settling Product;  |
| <b>"Physically Settling Product"</b>                 | means an Eligible Product that requires the delivery or acceptance by a party of an Underlying Asset; the Physically Settling Products are listed in Clearing Procedure B7.1;  |
| <b>"Porting Election Period"</b>                     | <p>means the period, commencing on the issue by LME Clear of a Default Notice in respect of a Member and expiring four (4) hours thereafter, within which all consents that are required under the Rules in order for any Transfer to be made in connection with a Client Account have been obtained from:</p> <ul style="list-style-type: none"> <li>(a) the Member Transferee; and</li> <li>(b) (where necessary in accordance with any Rule) any Client(s),</li> </ul> <p>and submitted to LME Clear;</p> |
| <b>"Porting Period"</b>                              | <p>means the period comprising:</p> <ul style="list-style-type: none"> <li>(a) a Porting Election Period; and</li> <li>(b) a Porting Transfer Period,</li> </ul> <p>and including any Extended Porting Transfer Period;</p>  |
| <b>"Porting Process"</b>                             | means the relevant process for the Transfer of Contracts, Positions and Collateral allocated to a Client Account, as specified in Rule 10.7 ( <i>Portability of Client Accounts</i> ) and including, in respect of those Client Accounts for which LME Clear is in receipt of accurate, complete and up to date Automatic Porting Designation Documents, the Automatic Porting Process;  |
| <b>"Porting Request Notice"</b>                      | means a Notice in the form prescribed by LME Clear issued pursuant to and in accordance with Rule 10.7 ( <i>Portability of Client Accounts</i> ) and Default Procedure D ( <i>Porting Procedure</i> );   |
| <b>"Porting Transfer Period"</b>                     | <p>means the period commencing on the issue by LME Clear of a Default Notice in respect of a Member and expiring:</p> <ul style="list-style-type: none"> <li>(a) 24 Business Hours thereafter; or</li> <li>(b) at such other later time as LME Clear may specify on the Website,</li> </ul>  |

within which LME Clear may effect a Transfer in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default

## Rule 1

Procedure D (*Porting Procedure*);

**"Position"**

means:

- (a) in relation to an Open Contract, the consolidated rights and liabilities of the parties to that Open Contract at the relevant point in time; and
- (b) in relation to an Account, the consolidated rights and liabilities arising out of Open Contracts recorded on such Account; and
- (c) in relation to an Allocation ID allocated to a Gross Omnibus Segregated Client Account, the consolidated rights and liabilities arising out of Open Contracts recorded to the Allocation ID in such Account;

**"Post-Compression Contracts"**

means those Contracts that shall come into effect between LME Clear and a Member upon Compression, which shall represent the Positions under the Eligible Compressible Contracts as Compressed by LME Clear in accordance with a Compression Proposal;

**"Precious Metal"**

means:

- (a) Gold;
- (b) Silver,

and each of (a) and (b) shall be a separate **"type of Precious Metal"**,<sup>2</sup>

**"Precious Metal Clearer"**

means an Approved Delivery Facility for the delivery of Precious Metal;

**"Premium Warrant Jurisdiction"**

means a geographical jurisdiction referring to the location of the issuing warehouses of a category of LME Premium Warrant, as specified in the LME Rules;

**"Price Alignment Interest"**

means interest charged, or paid, by LME Clear on Cash Contingent Variation Margin in order to avoid any potential distortion of the price of Eligible Products, at such rate as LME Clear may determine;

**"Price Set"**

has the meaning set out in Clearing Procedure A6.8;

**"Price Source"**

has the meaning set out in Clearing Procedure A6.6;

**"Procedures"**

means the procedures adopted by LME Clear from time to time and for the time being in force and appended to the Rules, including any and all Annexes, appendices and schedules to them;

<sup>2</sup> This definition will be amended to include further types of precious metal when new metals are included in the range of LMEprecious Products.



## Rule 1

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| <b>"Product Specifications"</b>                    | means the list of Eligible Products and the features thereof set out in Annex 1 ( <i>Eligible Products</i> );   |
| <b>"Prompt Date"</b>                               | has the meaning set out in the LME Rules and shall be determined, in relation to any Contract, by reference to the Product Specification for the Eligible Product to which the Contract relates;  |
| <b>"Purchase Position"</b>                         | means the Position held by a Buyer for (i) the purchase of an Underlying Asset and/or (ii) the payment of a Settlement Amount or (iii) the right to exercise an option;   |
| <b>"Realised Variation Margin" (or "RVM")</b>      | has the meaning set out in Clearing Procedure C4.2(a);  |
| <b>"Receive Entitlement"</b>                       | means an entitlement under a Contract for a Buyer to receive Underlying Assets from the Seller;   |
| <b>"Recognition Regulations"</b>                   | means the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001, as amended from time to time;   |
| <b>"Refund"</b>                                    | has the meaning set out in Rule 10.11 ( <i>Refunds</i> );   |
| <b>"Registered Intermediating Broker" or "RIB"</b> | means a member of the LME that is authorised to arrange Transactions between members of the LME and/or their clients, and holding the "RIB Membership" category under the LME Rules;  |
| <b>"Regulator"</b>                                 | means, in relation to any person, any regulatory body that has responsibility for regulating the conduct of that person's securities, clearing and / or banking business;   |
| <b>"Relevant Account"</b>                          | has the meaning set out in Rule 10.7.6(b);  |
| <b>"Relevant Default Fund"</b>                     | means, as the context may require, the Default Fund that relates to a Service in which the Member participates;   |
| <b>"Relevant DF Minimum Threshold"</b>             | means the minimum size of Default Fund that LME Clear is required to maintain at any time in order to satisfy its obligations under EMIR, being the higher of: <ul style="list-style-type: none"> <li>(a) the level required to satisfy the requirements of Article 42(3) of the EMIR Level 1 Regulation;</li> <li>(b) the level required to satisfy the requirements of Article 43(2) of the EMIR Level 1 Regulation; and</li> <li>(c) any minimum level established by LME Clear in accordance with Article 42(1) of the EMIR Level 1 Regulation to the extent that such minimum level is specified by LME Clear as applying notwithstanding any application of any part of the Default Fund towards any Default Loss;</li> </ul> |

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| <b>"Relevant Parties"</b>                | has the meaning set out in Membership Procedure A;  |
| <b>"Relevant Rate"</b>                   | means: <ul style="list-style-type: none"> <li>(a) in respect of sterling amounts, SONIA;</li> <li>(b) in respect of euro amounts, EONIA;</li> <li>(c) in respect of US Dollar amounts, the overnight Fed Funds rate; and</li> <li>(d) in respect of Japanese Yen amounts, the Mutan Call Rate;</li> </ul>   |
| <b>"Relevant Rights and Obligations"</b> | means, in relation to a party to a Transaction, that party's rights and obligations under the Transaction to make and/or receive cash payments and/or deliveries of Underlying Instruments and/or exercise any option;  |
| <b>"Remaining DFC"</b>                   | has the meaning set out in Default Procedure C6.6;  |
| <b>"Rent Date"</b>                       | means, in respect of an LME Warrant, the day on which rent falls due in respect of such LME Warrant, which date shall be 31 March in each calendar year unless (i) such day is not a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London (a <b>"London Business Day"</b> ) in which case it will fall on the immediately preceding London Business Day or (ii) as otherwise specified in respect of the relevant LME Warrant; |
| <b>"Requesting Client"</b>               | has the meaning set out in Rule 10.7.6(d);  |
| <b>"Report"</b>                          | means a report listed in Annex 4 ( <i>List of Available Reports</i> );  |
| <b>"Resignation Notice"</b>              | has the meaning set out in Rule 3.6.2;  |
| <b>"Resolution Authority"</b>            | has the meaning set out in Rule 10.13 ( <i>LME Clear Default</i> );   |
| <b>"Respective Entitlements"</b>         | has the meaning set out in Rule 4.1.3;  |
| <b>"Retiring Member"</b>                 | means any Member: <ul style="list-style-type: none"> <li>(a) that has lodged a Resignation Notice with LME Clear; and</li> <li>(b) in respect of which LME Clear has issued Notice that its Membership is to be terminated,</li> </ul> <p>and such Member shall remain a Retiring Member until the earlier of (i) the Termination Date; or (i) the withdrawal by the Member or LME Clear of the Resignation Notice or Notice of termination (as applicable);</p>  |

## Rule 1

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| <b>"Risk Appetite"</b>                    | means LME Clear's documented tolerances for different categories of risk, as defined by, and as revised from time to time by, LME Clear's Board;  |
| <b>"Risk Threshold"</b>                   | has the meaning set out in Clearing Procedure C6.2(a);  |
| <b>"Rule Change"</b>                      | has the meaning set out in Rule 2.2.1;  |
| <b>"Rule Change Notice"</b>               | has the meaning set out in Rule 2.2.2;  |
| <b>"Rules"</b>                            | means these rules and the Procedures (including any Annexes), as amended, supplemented or modified from time to time;   |
| <b>"Sale Position"</b>                    | means the Position held by a Seller for (i) the sale of an Underlying Asset, and/or (ii) the receipt of a Settlement Amount or (iii) the performance of obligations upon the exercise by an Option Holder of its option;  |
| <b>"Sanctions"</b>                        | any applicable law executing foreign policy, security, sanction, trade embargo, boycott, export control, foreign trade control, non-proliferation or anti-terrorism objectives or similar restrictions on any business with a sanctioned jurisdiction, certain types of business or activity, or specified persons that is imposed, administered or enforced from time to time by: (i) the European Union; (ii) the United Kingdom; (iii) the United States of America; (iv) the United Nations Security Council; or (v) any of their successors; |
| <b>"Secure Payment System" (or "SPS")</b> | means the system established by LME Clear to facilitate the payment of cash amounts between LME Clear and Members using Settlement Accounts at Approved Settlement Banks, as more specifically described in the Clearing Procedures;  |
| <b>"Securities Collateral"</b>            | means Collateral provided in the form of securities;  |
| <b>"Securities System Operator"</b>       | has the meaning set out in the Settlement Finality Procedure;   |
| <b>"Security Document"</b>                | means any document at any time pursuant to which a Member creates a Security Interest or other collateral arrangement in favour of LME Clear (excluding any collateral arrangement in favour of LME Clear on behalf of or on trust for Clients of the Member);  |
| <b>"Security Interest"</b>                | means any mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person or any other type of preferential arrangement (including title transfer and retention arrangements) having a similar effect;  |
| <b>"Seller"</b>                           | means whichever party (LME Clear or the Member) under a Contract has: <ul style="list-style-type: none"> <li>(a) the obligation to deliver the Underlying Asset;</li> </ul>   |

## Rule 1

and / or

(b) the right to receive payment of the Settlement Payment; or

(c) is the Option Granter under an Option Contract;

**"Service"** means the availability of the Clearing System in respect of a distinct category of products and identified as a separate service by LME Clear, and including the following distinct, separate services:

(a) the LME Base Service;

(b) the LMEprecious Service; and

(c) any other distinct clearing service, specified as such by LME Clear from time to time;

**"Service Agent"** has the meaning set out in Rule 2.13.3;

**"Service Provider"** means any provider of services to LME Clear or any member of LME Clear's Group;

**"Service Termination Notice"** has the meaning set out in Rule 3.7.2;

**"Service Termination Date"** means the date on which the termination of a Service in respect of a Member becomes effective, in accordance with Rule 3.7 (*Termination of a Service by a Member*), Rule 3.10 (*Withdrawal of Services by LME Clear*) or Rule 3.12 (*Consequences of Suspension or Termination*), as applicable;

**"Service Withdrawal"** has the meaning set out in Rule 3.11 (*Withdrawal of Services by LME Clear*);

**"Service Withdrawal Notice"** has the meaning set out in Rule 3.11(a) (*Withdrawal of Services by LME Clear*);

**"Settlement Account"** means a bank account maintained by a Member or by LME Clear with an Approved Settlement Bank to be used for making and receiving cash payments between LME Clear and a Member via the SPS and in respect of which LME Clear has been granted authority to direct payments;

**"Settlement Agent"** means any entity appointed by LME Clear or a Member to act on its behalf or to assist in the discharge of any Delivery Obligation or Payment Obligation;

**"Settlement Bank"** means a credit institution through which the settlement of cash payments may be effected;

**"Settlement Business Day"** has the meaning given to it in the LME Rules;

**"Settlement"** means a Contract that requires settlement by the payment of a Settlement Payment on the Settlement Date, as specified in the

## Rule 1

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| <b>Contract"</b>                            | Product Specifications;  |
| <b>"Settlement Currency"</b>                | means the currency in which a Contract for an Eligible Product shall be settled, which is determined by the terms of the original Transaction;   |
| <b>"Settlement Date"</b>                    | means the date on which a Contract is required to be settled, as determined for each type of Contract in accordance with the relevant timetable set out in the Clearing Procedures;                |
| <b>"Settlement Finality Procedure"</b>      | means the Procedure appended to the Rules under the title "Settlement Finality Procedure";   |
| <b>"Settlement Finality Regulations"</b>    | means the Financial Markets and Insolvency (Settlement Finality) Regulations 1999, as amended from time to time;   |
| <b>"Settlement Instructions"</b>            | has the meaning set out in Rule 7.3.1;   |
| <b>"Settlement Payment"</b>                 | means the amount payable under a Settlement Contract, determined by the Settlement Price for that Contract on the Settlement Date, as adjusted to reflect the current Position under the Contract; |
| <b>"Settlement Price"</b>                   | has the meaning set out in Clearing Procedure A6.5;  |
| <b>"Settlement to Market Process"</b>       | means the process set out in Clearing Procedure B5;  |
| <b>"Significant LMEprecious Member"</b>     | has the meaning set out in Default Procedure B 1.3(d);   |
| <b>"Silver"</b>                             | means silver complying with the rules of London Bullion Market Association relating to good delivery in effect from time to time;  |
| <b>"SPAN"</b>                               | means the "Standard Portfolio Analysis of Risk" methodology for calculating risk in relation to financial instruments, as developed by the Chicago Mercantile Exchange;                            |
| <b>"SPS Mandate Forms"</b>                  | means the direct debit authorities, in the form prescribed by LME Clear that the Member shall put in place with each Approved Settlement Bank, in accordance with Clearing Procedure E2;           |
| <b>"Stabilisation Replenishment Notice"</b> | has the meaning set out in Rule 10.10.5;   |
| <b>"Strike Price Gradation"</b>             | has the meaning set out in the LME Rules and notices issued thereunder from time to time;  |
| <b>"Subsidiary"</b>                         | means a subsidiary within the meaning of section 1159 of the Companies Act 2006;   |
| <b>"Substitution of</b>                     | has the meaning set out in Clearing Procedure D4.7;  |

## Rule 1

**Cash"****"Substitution of Non-cash Assets"**

has the meaning set out in Clearing Procedure D4.7;

**"Tax"**

means any tax, levy, impost, duty or other charge or withholding of a similar nature imposed by any competent authority in any jurisdiction, including any interest, penalty, charge and/or expense payable in connection with any failure to pay or any delay in paying any of the same;

**"Terminated Services"**

has the meaning set out in Rule 3.8 (*Exposure Limiting Resignation*);

**"Termination Date"**

means the date on which the termination of a Member's Membership becomes effective, in accordance with Rule 3.6 (*Withdrawal from Membership*), Rule 3.10 (*Termination by LME Clear of a Member's Membership*), Rule 3.11 (*Withdrawal of Services by LME Clear*) or Rule 3.12 (*Consequences of Suspension or Withdrawal*), as applicable;

**"TOM"**

has the meaning set out in notices issued by LME under the LME Rules;

**"Total Member VM Profits"**

has the meaning set out in Rule 10.10.2(a);

**"Transaction"**

means any transaction in an Eligible Product agreed between two counterparties (including where such transaction is arranged by a RIB);

**"Transaction Data"**

means the information provided by an Approved Transaction Platform to LME Clear in respect of a Transaction, identifying such information as LME Clear may prescribe from time to time;

**"Transfer"**

has the meaning set out in Rule 10.7.1 (*Portability of Client Accounts*) and shall include, where the context demands, a Partial Transfer;

**"Transfer Order"**

means an instruction given by or on behalf of LME Clear or a Member that is of the kind specified in the Settlement Finality Procedure;

**"Transfer Time"**

has the meaning set out in Default Procedure D2.8;

**"Treasury Counterparty"**

has the meaning set out in Rule 10.14 (*Allocation of Non-Default Losses*);

**"Unaffected Party"**

means whichever of LME Clear or a Member is not the Affected Party;

**"Unallocated Gold Account"**

means an account held with the Gold Custodian in the name of LME Clear recording the amount of Gold which the Gold Custodian has a contractual obligation to transfer to LME Clear (or, in the case of a debit balance, which LME Clear has a contractual obligation to transfer to the Gold Custodian) and

## Rule 1

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|  | shall include any sub-account opened within it;   |
| <b>"Unclosed Metal"</b>                | has the meaning set out in Rule 10.10.2(d)(ii);   |
| <b>"Underlying Asset"</b>              | means the asset, commodity, currency, metal, property, document, right, interest or financial instrument: <ul style="list-style-type: none"> <li>(a) that is to be delivered under a Physically Settled Contract; or</li> <li>(b) by reference to which the Settlement Price of a Financially Settled Contract is to be determined in accordance with the Clearing Procedures;</li> </ul> and may, for the avoidance of doubt, include LME Warrants or metal;                                       |
| <b>"Underlying Client Trade"</b>       | means a contract between: <ul style="list-style-type: none"> <li>(a) a Member and a Client; or</li> <li>(b) a Client and an Indirect Client; or</li> <li>(c) a Client and any other party,</li> </ul> representing a trade in an Eligible Product, on corresponding terms to a Contract between the Member and LME Clear, that comes into effect in accordance with the LME Rules and/or any terms of business between the relevant parties in (a), (b) or (c) upon the formation of such Contract; |
| <b>"Underlying Forward"</b>            | has the meaning set out in Clearing Procedure B6.6;   |
| <b>"United Kingdom" or "UK"</b>        | means The United Kingdom of Great Britain and Northern Ireland;   |
| <b>"US Business Day"</b>               | means a Business Day which is also a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York;   |
| <b>"Variation Margin Requirements"</b> | has the meaning set out in Clearing Procedure C4.1;   |
| <b>"VAT"</b>                           | means, in relation to any jurisdiction within the European Union, the tax imposed by the Council Directive of the European Union (2006/112/EC) and any national legislation implementing that directive or its predecessor directives, including the United Kingdom Value Added Tax Act 1994 together with legislation supplemental thereto and, in relation to any other jurisdiction, the equivalent tax (if any) in that jurisdiction;   |
| <b>"VM Haircut"</b>                    | has the meaning set out in Rule 10.10.2(b);   |
| <b>"Voluntary Bidders"</b>             | has the meaning set out in Default Procedure C6.4;  |



## Rule 1

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| <b>"Voluntary Close Out Date"</b>        | has the meaning set out in Rule 3.13.4(a);  |
| <b>"Voluntary Close Out Date Notice"</b> | has the meaning set out in Rule 3.13.4(a);  |
| <b>"Warehouse"</b>                       | has the meaning set out in the LME Rules;   |
| <b>"Warehouse Contract"</b>              | has the meaning set out in the LME Rules;   |
| <b>"Warrant Movement"</b>                | means the net movement of LME Warrants to be transferred between LME Clear and a Member on any given day, as determined in accordance with Clearing Procedure B7; |
| <b>"Warrant Transfer Instruction"</b>    | means an instruction issued by LME Clear or a Member, via LMEsword, for the delivery of LME Warrants; and   |
| <b>"Website"</b>                         | means the website of LME Clear.   |

## 1.2 INTERPRETATION

### 1.2.1 Unless a contrary indication appears, any reference in the Rules to:

- (a) **"LME Clear"**, any **"Member"**, or **"Client"** shall be construed so as to include its successors in title, permitted assigns and permitted Member Transferees;
- (b) **"assets"** includes present and future properties, revenues and rights of every description and, in relation to an Account, includes the Collateral held to cover the position on such Account;
- (c) **"continuing"** means, in relation to a Default Event, that such event has not been remedied or waived;
- (d) Any agreement, document or instrument is a reference to that agreement, document or instrument as amended, novated, supplemented, extended, restated (however fundamentally and whether or not more onerously) or replaced from time to time;
- (e) **"including"** and **"in particular"** (and any other word or phrase with a similar meaning) shall be construed to mean "including, without prejudice to the generality of the foregoing" and "in particular, but without prejudice to the generality of the foregoing" respectively and where any example is given it shall be construed so that the example is "without limitation";
- (f) **"indebtedness"** includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
- (g) **"person"** includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);
- (h) **"property"** includes any interest (legal or equitable) in personal or real property and any thing in action;



## Rule 1

- (i) "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation;
- (j) "**securities**" includes stock, debentures, debenture stock, loan stock, bonds and other investments (as listed in Part II, Schedule 2 of FSMA), whether certificated or uncertificated, including all depository interests representing any of them;
- (k) "**equivalent**" cash or securities shall take the same meaning as "equivalent financial collateral" as defined in the Financial Collateral Arrangements (No 2) Regulations 2003 (as amended from time to time);
- (l) a provision of law is a reference to that provision as amended or re-enacted; and
- (m) a time of day is a reference to London time.

**1.2.2** Any reference in the Rules to "**euro**", "**€**" or "**EUR**" is to the single currency of Participating Member States; "**sterling**", "**£**" or "**GBP**" is to the lawful currency for the time being of the United Kingdom; "**US\$**", "**dollars**", "**US dollars**" or "**USD**" is to the lawful currency for the time being of the United States of America; "**Yen**", "**¥**" or "**JPY**" is to the lawful currency for the time being of Japan; and "**renminbi**", "**CN¥**", "**CNH**" or "**RMB**" is to the lawful currency for the time being of the People's Republic of China.

**1.2.3** No reference in these Rules to Applicable Law or Applicable Clearing Regulations shall be construed as restricting or negating the applicability of any provision of the EMIR Level 1 Regulation or the EMIR Level 2 Regulations or the Financial Services and Markets Act 2000 or any subordinate legislation, rules or guidance thereunder or any obligation of LME Clear, a Member, a Client or an Indirect Client under the EMIR Level 1 Regulation or the EMIR Level 2 Regulations or the Financial Services and Markets Act 2000 or any subordinate legislation, rules or guidance thereunder.

**1.2.4** Any reference to the singular shall be construed to include the plural (and vice versa).

**1.2.5** Rule headings and sub-headings are for ease of reference only.

**1.2.6** Any reference to a "**Category**" of member or other type of membership under the LME Rules shall have the meaning given in the LME Rules.

## Rule 2

**RULE 2 - GENERAL PROVISIONS****2.1 RULES AS A BINDING AGREEMENT**

**2.1.1** The following documents constitute a binding contract between each Member and LME Clear (the "**Binding Membership Terms**");

- (a) the Member Documentation; and
- (b) any other document given contractual force pursuant to the Rules or which is expressed by its terms to form part of the Rules.

**2.1.2** The Rules shall create binding contractual rights and obligations between LME Clear and the Member in respect of each Contract and each Member agrees to perform its obligations in respect of each Contract in accordance with the Rules.

**2.1.3** Each Member acknowledges and agrees that these Rules shall bind the Member to the same extent as if it had executed a master agreement between LME Clear and the Member applicable to all its transactions processed under these Rules. Each such transaction is accepted by LME Clear in reliance upon the fact that all transactions hereunder constitute a single business and contractual relationship and that each transaction is made in consideration of each other transaction.

**2.1.4** Each Member agrees to perform all of its obligations in respect of each transaction hereunder and (except insofar as otherwise expressly stated under these Rules in relation to the segregation of different Account(s)) agrees and accepts (i) that a default in the performance of any such obligation shall constitute a default by it in respect of all transactions hereunder, (ii) that LME Clear shall be entitled to set off claims and apply property held by it in respect of any transaction against obligations owing to it in respect of any other transaction hereunder and (iii) that payments, deliveries and other transfers made by either of them in respect of any transaction shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any such other transactions hereunder, and the obligations to make any such payments, deliveries and other transfers may be applied against each other and netted.

**2.1.5** The Rules are intended to create contractual relations between only LME Clear and the Members. Except in relation to LME Clear Parties as specified in Rule 2.3.1, none of the provisions of the Rules is intended to, or will, confer a benefit on, or be enforceable by any third party pursuant to the Contracts (Rights of Third Parties) Act 1999 or otherwise. For the avoidance of doubt, this means that Clients and Indirect Clients have no rights to enforce any provision of the Rules (except, in the case of Clients in the limited circumstances set out in Rule 10.7 (*Porting*) and Rule 10.5.1(c)).

**2.1.6** Failure by a Member to comply with any of the Rules or with any decision of LME Clear made pursuant to the Rules shall constitute a breach of the Rules.

**2.1.7** The Rules permit LME Clear to bring into account any Counterparty Loss for the purposes of determining any liabilities owed by a Defaulting Member to LME Clear under these Rules.

**2.1.8** The Board of LME Clear and any Committee of the Board are authorised to interpret the Rules. The interpretation of the Board or Committee shall be binding and final.

**2.1.9** LME Clear may publish certain materials relating to matters described in the Rules in Annexes. For the avoidance of doubt, Annexes, when published, form part of the Rules

## Rule 2

and shall constitute Binding Membership Terms. LME Clear shall not include in any Annex any matter to which (were Rule 2.2.6(m) not to apply) the Consultation Process shall apply in the event of any change to such matter.

## 2.2 AMENDMENTS TO RULES

**2.2.1** LME Clear may at any time amend or cancel any Rule, or adopt new Rules (each being a **"Rule Change"**) in accordance with the following provisions.

### Rule Change Notice

**2.2.2** Subject to Rule 2.2.5 below, any proposed Rule Change shall be notified to Members in a Notice issued by LME Clear (a **"Rule Change Notice"**), specifying:

- (a) the text of the Rule Change;
- (b) an explanation of the reasons for the Rule Change and its intended effect; and
- (c) the date on which the Rule Change shall become effective.

LME Clear shall give Members reasonable notice prior to the Rule change becoming effective. Such notice shall, subject to Rules 2.2.3, 2.2.4 and 2.2.10 below, not be less than thirty (30) days prior to the date on which the Rule Change shall become effective, unless:

- (i) the Rule Change has been subject to consultation in accordance with Rule 2.2.5 below and there have, in LME Clear's reasonable opinion, been no material changes to the version consulted upon, in which case such notice shall not be less than seven (7) days prior to the date on which the Rule Change shall become effective; or
- (ii) the Rule Change falls within Rule 2.2.6(a), (b), (d) or (e) or the Board determines that it is otherwise urgently required to prevent imminent material detriment to the interests of LME Clear and/or its Members, in which case LME Clear shall provide such prior Notice of the Rule Change as is reasonable and practicable in the circumstances.

**2.2.3** In the event that a Rule Change:

- (a) significantly increases a Members' exposure to LME Clear under any indemnity under the Rules; or
- (b) significantly increases the time it would take a Member to terminate its Membership; or
- (c) materially increases the Fees or introduces new categories of Fees,

the date on which the Rule Change shall become effective, as specified in the Rule Change Notice, shall not be less than in the case of (a) or (b), sixty (60) Business Days, or, in the case of (c), twenty (20) Business Days, after the date of issue of the Rule Change Notice, unless the Rule Change falls within Rule 2.2.6(a), (d) or (e) or the Board determines that it is otherwise urgently required to prevent imminent material detriment to the interests of LME Clear and/or its Members, in which case LME Clear shall provide such prior notice of the Rule Change as is reasonable and practicable in the circumstances.

## Rule 2

- 2.2.4** In the event that any Rule Change will affect any right of a Member to terminate its Membership, LME Clear shall not allow such Rule Change to take effect until the Member has been given a reasonable period, following notification by LME Clear that the Rule Change is to be adopted, within which to give Notice to LME Clear to terminate its Membership.

### Consultation Process

- 2.2.5** Subject to Rules 2.2.6 and 2.2.7, LME Clear shall consult with Members on each proposed Rule Change prior to issuing a Rule Change Notice. The consultation shall involve the following (the "**Consultation Process**"):

- (a) LME Clear shall allow Members a reasonable period to comment on the Rule Change, having regard to the nature of the Rule Change and its potential impact on Members, which period shall ordinarily be not less than fifteen (15) Business Days, unless LME Clear, acting in good faith, considers there to be reasonable grounds for imposing a shorter period;
- (b) LME Clear shall give due consideration to such comments before adopting the Rule Change; and
- (c) LME Clear shall notify Members of any material change that LME Clear makes to the Rule Change in order to address such comments.

- 2.2.6** LME Clear shall not be required to apply the Consultation Process, in respect of any Rule Change which:

- (a) in LME Clear's reasonable opinion, is required to enable LME Clear to comply with its obligations under Applicable Law or any requirement or direction imposed on LME Clear by a Clearing House Regulator or is desirable to maintain LME Clear's status as a recognised clearing house under FSMA or an authorised central counterparty under the EMIR Level 1 Regulation;
- (b) in LME Clear's reasonable opinion, is minor, administrative or technical in nature or will otherwise not materially affect the rights and obligations of Members;
- (c) relates to the Fees;
- (d) in LME Clear's reasonable opinion (and as approved by the Board), is necessary to prevent a material disruption to, or manage a significant risk to, the business of LME Clear or the operation of the Clearing System (including as a result of a Default Event or a Force Majeure Event);
- (e) in LME Clear's reasonable opinion (and as approved by the Board) is urgently required to protect the interests of one or more Members, provided that such Rule Change shall cease to be effective at the end of a period specified in the Rule Change Notice unless (i) LME Clear has, prior to the end of such period, applied the Consultation Process in respect of such Rule Change and notified Members that it shall continue to remain in force, or (ii) the Rule Change would otherwise fall within any other category specified in this Rule 2.2.6;
- (f) relates to the description of Eligible Products or the Product Specifications of any Eligible Product;
- (g) relates to the form, intent, nature or frequency of issue of any Reports to be provided by LME Clear;

## Rule 2

- (h) sets out the prescribed form or content of any documentation to be executed by any Member or its Clients under the Rules;
- (i) relates solely to changes necessary to enable LME Clear to accommodate a new Eligible Product;
- (j) relates solely to changes necessary to enable LME Clear to accommodate a new Approved Transaction Platform;
- (k) relates to any control frameworks applied by LME Clear in relation to Collateral;
- (l) relates to the limits, specifications or Haircuts applied by LME Clear in relation to Collateral; or
- (m) relates to the content of any Annex or any amendment, replacement or addition of any Annex.

Notwithstanding (c) above, LME Clear shall not introduce a Rule Change that would have the effect of introducing a fee or charge or levy in relation to Transfers made under Rule 10.7 (*Portability of Client Accounts*) unless it has first applied the Consultation Process in respect of such Rule Change.

- 2.2.7** LME Clear may consult on a Rule Change with only a limited number of Members in circumstances where LME Clear reasonably believes that the Rule Change will affect only those Members.

#### **Additional Rule Change Requirements**

- 2.2.8** No Rule Change shall affect any right or liability of LME Clear or any Member that may have accrued under the Rules prior to the Rule Change coming into effect.
- 2.2.9** LME Clear may not amend the Product Specifications with retroactive effect, unless and to the extent that the change is necessary in order to ensure that the LME Clear Rules and Product Specifications operate in a consistent manner with the LME Rules.
- 2.2.10** LME Clear may amend, substitute or add any Annex to the Rules on the provision of such prior Notice to the Members as is reasonable and practicable in the circumstances.
- 2.2.11** Any Rule Change that relates to a change in the control frameworks applied by LME Clear in order to determine the limits or Haircuts in relation to Collateral shall be considered by the Board Risk Committee before a Rule Change Notice is issued to Members unless LME Clear, acting in good faith, determines that it would be inappropriate to do so.
- 2.2.12** Notwithstanding Rules 2.2.6(c) and 2.2.6(m), LME Clear shall consult with Members prior to the introduction of any fee in respect of Transfers.

## Rule 2

**2.3 LIABILITY AND INDEMNITY**

**2.3.1** Neither LME Clear nor any member of its Group, nor any person acting as a director, officer, employee, consultant or agent of LME Clear (each an "**LME Clear Party**") shall be liable for any losses, damages, claims, liabilities, costs or expenses (whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or any other legal theory) arising from:

- (a) the exercise by LME Clear or any failure by LME Clear to exercise any right or discretion under the Rules;
- (b) any negligence on the part of LME Clear or any LME Clear Party;
- (c) the suspension or closure of LME Clear;
- (d) the suspension or closure of an Approved Transaction Platform;
- (e) any failure of any communication system, technology or technical system for the transmission of information between LME Clear and an Approved Transaction Platform;
- (f) any failure of any communication system, technology or technical system for the transmission of information between LME Clear and a Member;
- (g) any failure by LME Clear or an Approved Transaction Platform to transmit any information to one another;
- (h) any error or discrepancy in any information provided by an Approved Transaction Platform to LME Clear or any delay in the transmission of such information to LME Clear;
- (i) a Force Majeure Event;
- (j) any acts or omissions of an Approved Transaction Platform, including any error in the provision of Transaction Data or any error in the establishment of any Settlement Price;
- (k) the performance of any obligation of any Member, Client, Indirect Client or any other person including where LME Clear acts on behalf of any such Member, Client, Indirect Client or other person at their request;
- (l) any dispute relating to the existence, terms or validity of any Contract;
- (m) any exercise by LME Clear of its powers under Rule 7.9.2 (*Postponed Delivery*);
- (n) any Service Withdrawal;
- (o) the application of the Option Exercise Rules and / or the exercise of any option under an Option Contract, whether pursuant to an automatic or manual exercise of LME Clear's rights under any such Option Contract; or
- (p) subject to Rule 2.3.2 below, any act or omission or the insolvency of any third party, including any Settlement Agent, Settlement Bank, Approved Delivery Facility, Custodian, the LMEsword Depository, Warehouse, Securities System Operator, investment agent or manager, investment or transaction counterparty, or other Service Provider that may be involved in any step or act in the

## Rule 2

performance, or discharge, by any party of its rights or obligations under a Contract or in the settlement of any Contract.

**2.3.2** The exclusion of liability in Rule 2.3.1(p) above:

- (a) shall include any act or omission of a third party that performs any function on behalf of LME Clear where LME Clear is required under Applicable Clearing Regulations to delegate to, or otherwise utilise the services of, a third party in order to perform such function;
- (b) shall include any act or omission of a third party that provides services to LME Clear, or performs functions ancillary to the performance by LME Clear of its obligations under the Rules, where such third party does not perform any obligation of LME Clear under these Rules on behalf of LME Clear as its delegate; and
- (c) save as specified in (a) above, shall not be construed so as to exclude LME Clear from any liability in respect of any obligation of LME Clear under these Rules that is performed by any such third party on LME Clear's behalf as its delegate.

**2.3.3** The LME Clear Parties shall not have any liability to any other person(s) for any indirect, special, incidental, speculative or consequential loss or damage of any kind, loss of goodwill, business, business opportunity, anticipated savings or profits arising pursuant to its operation of the Clearing System, whether arising from negligence, breach of contract, tort or breach of statutory duty and whether or not the relevant LME Clear Party has been made aware of the likelihood of any such loss or damage.

**2.3.4** Except to the extent provided under Rule 2.1.5, under no circumstances shall LME Clear or any other LME Clear Party have any liability under the Rules or otherwise to any person who is not a Member.

**2.3.5** Each Member shall indemnify and hold harmless each LME Clear Party against any and all losses, damages, claims, liabilities, costs or expenses (whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or any other legal theory) incurred by the LME Clear Party arising directly out of or in connection with such Member's:

- (a) wrongful acts or omissions, negligence, wilful default, fraud, breach of statutory duty; or
- (b) breach of the Rules, the Membership Agreement, any Contract or any Applicable Law,

save to the extent that the losses, damages, claims, liabilities, costs or expenses arise as a result of the fraud, fraudulent misrepresentation, negligence, wilful default or bad faith of the LME Clear Party. The Member shall not be liable to an LME Clear Party under this indemnity for loss of goodwill, loss of business opportunity or loss of anticipated savings or profits.

**2.3.6** Each Member shall also indemnify LME Clear on demand against any transaction tax, registration and other similar Tax and all court, notarial and other fees payable in connection with the execution, delivery or performance of any Payment Obligation or Delivery Obligation with such Member or for the purpose of enforcing the Rules, the Procedures and/or any obligation of such Member or obtaining any judgment against it or enforcing any such judgment.

**2.3.7** Nothing in the Rules shall limit or exclude the liability of any LME Clear Party for:



## Rule 2

- (a) fraud, fraudulent misrepresentation or wilful default on the part of an LME Clear Party;
- (b) death or personal injury as a result of such LME Clear Party's negligence; or
- (c) any matter for which it would be unlawful under Applicable Law for such LME Clear Party to exclude or limit or to attempt to exclude or limit its liability.

**2.3.8** This Rule 2.3 is without prejudice to the provisions of section 291 of FSMA (*Liability in relation to recognised body's regulatory functions*).

## **2.4 FORCE MAJEURE**

**2.4.1** An Affected Party will not be deemed to be in breach of the Rules or otherwise liable to the Unaffected Party in any way (including for any losses arising directly or indirectly) for any failure or delay in performing any of its obligations under the Rules that is caused by any Force Majeure Event, provided that the Affected Party complies with its obligations under Rule 2.4.2.

**2.4.2** On the occurrence of a Force Majeure Event:

- (a) the Affected Party will give Notice to the Unaffected Party specifying the nature and extent of the Force Majeure Event promptly on becoming aware of the Force Majeure Event (and, where the Affected Party is LME Clear, this obligation may be discharged by the publication of a Circular by LME Clear);
- (b) the Affected Party shall promptly take reasonable and appropriate steps as are necessary to bring the Force Majeure Event to an end, find a solution by which its obligations under the Rules may be performed despite the continuance of the Force Majeure Event or to mitigate the severity of the Force Majeure Event;
- (c) without prejudice to the generality of (b) above, the Affected Party shall implement the relevant elements of the business continuity and/or disaster recovery procedures maintained by the Affected Party in accordance with its obligations under Applicable Law or otherwise; and
- (d) the Affected Party shall keep the Unaffected Party informed of the circumstances relating to the Force Majeure Event and its progress in resolving the issues affecting its performance of its obligations under the Rules (and, where the Affected Party is LME Clear, this obligation may be discharged by the publication of a Circular by LME Clear).

**2.4.3** On the occurrence of any Force Majeure Event affecting LME Clear, LME Clear shall be entitled to take such action as it considers to be necessary or desirable to manage the continued operation of the Clearing System or in respect of any obligations of LME Clear or the Members under the Rules. Where a decision regarding such action is not already reserved to the Board, LME Clear shall, where reasonably practicable, consult with the Board prior to taking any such action. Such action may include:

- (a) requiring Members to comply with any instructions issued by LME Clear in respect of Contracts affected by the Force Majeure Event;
- (b) taking such action as may be permitted under Rule 10 (*Default*); or
- (c) delaying the time by which LME Clear or any Member(s) shall perform their obligations in respect of any Contract(s).



## Rule 2

- 2.4.4** In the event that LME Clear determines that circumstances have arisen falling within Rule 17 (*Emergencies*) of Part 3 of the LME Rules, LME Clear may take such action as it considers appropriate to manage such circumstances, which may include the actions contemplated by that provision of the LME Rules. This is without prejudice to LME Clear's other rights under these Rules.

## **2.5 TIMING OF OPTION EXERCISE**

- 2.5.1** LME Clear may, in its sole discretion and by the provision of Notice to Members, amend the timings applying to any exercise by Option Holders of their rights under Option Contracts where LME Clear considers it necessary to protect the integrity of the Clearing System, the stability of the financial system or the orderliness of the markets supported by LME Clear.

- 2.5.2** LME Clear shall exercise its discretion under Rule 2.5.1 following a decision of;

- (a) its Executive Committee where the amended Final Exercise Time will take place on the same Business Day as the original Final Exercise Time; or
- (b) its Executive Committee and its Board Risk Committee where the original Final Exercise Time will take place on any other day.

- 2.5.3** Any amendment effected by LME Clear under Rule 2.5.1 above will mean that the relevant Exercise Result will occur at the amended Expiry Time or Exercise Time rather than the Expiry Time or Exercise Time set out in Clearing Procedure B6.5 or B6.6 and such amendment will apply equally to all Option Contracts due to expire on the relevant Expiry Date.

## **2.6 CONFIDENTIALITY**

- 2.6.1** Subject to Rule 2.6.2, LME Clear shall treat as confidential all information received from a Member that concerns the business and affairs of a Member or an Applicant, or its Clients or Indirect Clients (including any information relating to any Contract).

- 2.6.2** LME Clear may disclose any information which is subject to the confidentiality obligations in Rule 2.6.1:

- (a) to any Regulator that has responsibility for regulating LME Clear or an Approved Transaction Platform;
- (b) to any Regulator that has responsibility for regulating the Member;
- (c) to an Approved Transaction Platform, to the extent that such information is relevant to the performance by the Approved Transaction Platform of its functions under its own rules or terms of service, or its obligations under Applicable Law, or its contractual obligations to LME Clear;
- (d) to any Settlement Bank, Settlement Agent, Approved Delivery Facility, Custodian, LMEsword Depository, Warehouse, Securities System Operator, Service Provider or Organised Market that reasonably requires access to such information in order to discharge its functions for LME Clear or the Member, subject to appropriate confidentiality requirements;
- (e) to a trade repository authorised by an appropriate Regulator to receive and manage information regarding the Member, any Transaction, or any Contract, to

## Rule 2

the extent necessary to enable LME Clear to discharge any duty to which it is subject to report such information to a trade repository;

- (f) to the Member or Applicant itself;
- (g) where LME Clear acquires or develops the information independently of any information or document provided by the Member;
- (h) to any member of LME Clear's Group, or to any employees, officers, consultants, professional advisers or agents of any of them, in connection with the operation of the Clearing System, risk management processes or for the purposes of internal Group control or accounting, subject to appropriate confidentiality requirements;
- (i) to any other Member for the purposes of a potential transfer, novation or assignment of a Contract or Collateral to such Member in accordance with the Rules;
- (j) to third parties appointed or engaged by LME Clear or a Member in connection with the operation of LME Clear's complaint-handling or Member-discipline processes, where and to the extent that such third parties reasonably need to receive such information in order to discharge their functions in support of such processes, including professional advisers, the Independent Complaints Commissioner and any member of an Appeal Committee;
- (k) with the consent of the Member;
- (l) to potential acquirers (and their advisers) of LME Clear or a Holding Company of LME Clear or of the businesses of LME Clear, provided that each such potential acquirer has entered into a confidentiality undertaking with respect thereto;
- (m) in a document in relation to a takeover offer conducted under the rules of The Panel on Takeovers and Mergers or any equivalent body in any other relevant jurisdiction;
- (n) if and to the extent the information has come into the public domain through no fault of LME Clear;
- (o) to LME Clear's insurer(s), provided that any such insurer has entered into a confidentiality undertaking with respect thereto;
- (p) where necessary for the discharge of LME Clear's obligations under Applicable Law; or
- (q) where LME Clear considers it appropriate to disclose such information for the purpose of discharging LME Clear's obligations under the Rules having due regard to the confidential nature of the information, and taking reasonable care to ensure that the recipient of such information is aware of its confidential nature.

**2.6.3** Subject to Rule 2.6.4, each Member shall treat as confidential all information concerning the business and affairs of LME Clear.

**2.6.4** A Member may disclose any information which is subject to the confidentiality obligations in Rule 2.6.3:

## Rule 2

- (a) to any Regulator that has responsibility for regulating the Member where required to do so pursuant to any direction, rule or requirement of the Regulator or by Applicable Law;
- (b) to LME Clear itself;
- (c) where the Member develops the information independently of any information or document provided by LME Clear;
- (d) to the Member's Parent Undertaking(s), or to employees, officers, consultants, professional advisers or agents of the Member or its Parent Undertaking(s) solely to the extent that such persons need to receive such information in order to assist the Member in properly performing its obligations or exercising its rights under these Rules, and subject, in all cases to their agreement to treat such information as strictly confidential;
- (e) with the consent of LME Clear;
- (f) if and to the extent the information has come into the public domain through no fault of the Member;
- (g) where necessary for the discharge of the Member's obligations under Applicable Law; or
- (h) where the Member considers it appropriate to disclose such information for the purpose of discharging the Member's obligations under the Rules having due regard to the confidential nature of the information, and taking reasonable care to ensure that the recipient of such information is aware of its confidential nature.

**2.7 INTELLECTUAL PROPERTY RIGHTS****2.7.1** As between the Members and LME Clear, all rights, title, interest and Intellectual Property Rights in:

- (a) LME Clear Data; and
- (b) the Clearing System; and
- (c) any databases held on, or used by, the Clearing System,

shall be the property of LME Clear or its licensors. To the extent a Member acquires any right, title, interest or Intellectual Property Rights in the same:

- (i) it hereby assigns all such right, title, interest and Intellectual Property Rights (including by way of a present assignment of any future copyright or similar rights) to LME Clear for the full duration of such right, title, interest and Intellectual Property Rights; and
- (ii) it shall ensure that it has acquired all the necessary assignments, consents, waivers and permissions required to ensure that LME Clear is free to use the LME Clear Data in accordance with Rule 2.7.2(a).

**2.7.2** Each Member acknowledges and agrees that:

- (a) LME Clear Data may be provided by LME Clear to any Member and any third party, including any Organised Market in any jurisdiction, and may be used by LME Clear or such other persons for any commercial or other purpose, subject, in

## Rule 2

the case of LME Clear Member Data, to the restrictions in Rule 2.6 (*Confidentiality*); and

- (b) in certain circumstances LME Clear Data may contain, be derived from or be supplemented by data which is proprietary to a third party and has been licensed to LME Clear ("third party data"). Where the use of such third party data is subject to specific restrictions or additional licence terms imposed by the third party licensor, each Member shall comply with such restrictions and/or licence terms as notified to the Member by LME Clear from time to time.

### 2.7.3 LME Clear hereby grants to each Member:

- (a) a non-exclusive, worldwide, perpetual, royalty-free licence, with the right to sub-license, use, copy, modify, distribute and otherwise exploit the LME Clear Member Data for the purpose of using the Clearing System in connection with its proprietary business or Client Business, subject in each case to the restrictions in Rule 2.6 (*Confidentiality*) or notified under it; and
- (b) a licence to use the Clearing System, to the extent necessary for each Member to comply with, and exercise its rights under, the Binding Membership Terms.

### 2.7.4 The provisions of this Rule 2.7 are in addition, and without prejudice to, the express terms of any licence granted in the Membership Agreement.

### 2.7.5 Each Member acknowledges and agrees that it will not use LME Clear Data or any other third party data provided or made available by LME Clear other than as expressly provided under this Rule 2.7 or under the Membership Agreement.

## 2.8 DATA PROTECTION

### 2.8.1 In this Rule 2.8:

- (a) the terms "**personal data**", "**process**", "**controller**" and "**data subject**" have the meanings given to such terms in the General Data Protection Regulation (EU2016/679) ("**GDPR**"); and
- (b) "**LME Clear Personal Data**" means all personal data:
  - (i) provided to LME Clear by the Members, Clients or Indirect Clients and their respective personnel; or
  - (ii) created, generated or processed by LME Clear,
 in each case in connection with: (1) the operation of the Clearing System, or (2) LME Clear or a Member's compliance with or performance of the Binding Membership Terms.

### 2.8.2 LME Clear may:

- (a) use and update any information or personal data provided by or on behalf of the Member relating to the Member's use of the Clearing System to maintain records about, and provide services to, any Members for the time being and from time to time;
- (b) disclose such information and personal data to Service Providers and persons acting as their agents for the same purposes; and

## Rule 2

- (c) otherwise use and disclose LME Clear Personal Data in accordance with the LME Group Privacy Statement (as updated from time to time), the current version of which can be found at [www.lme.com/en-GB/About/Legal/Privacy-Statement](http://www.lme.com/en-GB/About/Legal/Privacy-Statement),

provided that all such use and disclosure (including use by any such subcontractor or agent) shall be subject to the restrictions set out in the Rules.

**2.8.3** LME Clear and any person to whom personal data is provided in accordance with the Rules may process it outside the European Economic Area or transfer it outside the European Economic Area for processing, provided that:

- (a) LME Clear or the transferor takes reasonable steps to ensure that such personal data is afforded a level of protection equivalent to that applicable to personal data processed within the European Economic Area; and
- (b) such processing or transfer is not otherwise contrary to Applicable Law.

**2.8.4** LME Clear shall be the data controller in relation to LME Clear Personal Data. To the extent that any LME Clear Personal Data contains personal data in respect of a Member's personnel, such Member shall ensure that:

- (a) it has notified such personnel that such LME Clear Personal Data is being provided to LME Clear for processing in the manner, to the extent permitted and for the purposes set out in Rules 2.8.2 and 2.8.3; and
- (b) any disclosure of such LME Clear Personal Data by such Member to LME Clear is not contrary to Applicable Law.

**2.8.5** The LME Group Privacy Statement contains information about how each data subject may apply to receive a copy of the personal data held by LME Clear in respect of them, or otherwise exercise the rights granted to them under the GDPR.

## **2.9 NOTICES**

**2.9.1** Subject to Rule 2.9.4, a notice given under or in connection with the Rules (a "**Notice**"):

- (a) shall be in writing and in English;
- (b) shall be sent:
  - (i) in the case of a Notice sent by LME Clear to a Member, unless otherwise specified in the Rules or the Procedures, to the contact details last designated by the Member; or
  - (ii) in the case of a Notice sent by a Member to LME Clear, unless otherwise specified in the Rules or the Procedures, to the contact details specified by LME Clear from time to time;
- (c) unless otherwise specified in the Rules or the Procedures, shall be sent by a method listed in Rule 2.9.2; and
- (d) unless otherwise specified in the Rules or the Procedures, is deemed received as set out in Rule 2.9.2.

**2.9.2** The table below sets out:

- (a) delivery methods for sending a Notice in accordance with the Rules; and

## Rule 2

- (b) for each delivery method, the corresponding delivery date and time when delivery of the Notice is deemed to have taken place provided that all other requirements in this Rule 2.9 have been satisfied and subject to the provisions in Rule 2.9.3:

| <b>Delivery method</b>   | <b>Deemed delivery date and time</b>                            |
|--|---|
| Delivery by hand.  | On signature of a delivery receipt.                             |
| Pre-paid first class recorded delivery post or other next Business Day delivery service. | 9.00 am on the second Business Day after posting.               |
| Pre-paid airmail.  | 9.00 am on the fifth Business Day after posting.                |
| Fax.   | At the time of transmission.                                    |
| Document exchange (DX).  | 9.00 am on the second Business Day after being put into the DX. |
| Email.   | At the time of transmission.                                    |
| Circular.  | At the time of publication on the Website.                      |

**2.9.3** For the purpose of Rule 2.9.2 and calculating deemed delivery:

- (a) all references to time are to local time in the place of deemed delivery; and
- (b) if deemed delivery would occur in the place of deemed delivery on a day which is not a Business Day, deemed delivery is deemed to take place at 9.00 am on the next Business Day.

**2.9.4** Notwithstanding Rule 2.9.1 to 2.9.3, the publication of a Circular shall amount to good and sufficient delivery of a Notice by LME Clear to all Members. A Circular shall be deemed to be delivered on the date and time on which it is published on the Website.

**2.9.5** This Rule 2.9 does not apply to the service of any proceedings or other documents in any legal action or, where applicable, any arbitration or other method of dispute resolution.

**2.9.6** A Default Notice or a Notice requiring Members to contribute towards an Excess Loss pursuant to Rule 10.10.2 shall be issued by:

- (a) the publication of a Circular on the Website; and/or
- (b) email addressed to all Members.

LME Clear may, subsequent to issuing such Notice, send a written copy of the Notice to Members. Provided that a Notice is issued pursuant to (a) or (b) above, any failure by LME Clear to issue both forms of Notice specified by (a) and (b) above shall not invalidate the effect of the Notice.

**2.9.7** For the avoidance of doubt:

- (a) a Default Notice; or

## Rule 2

- (b) a Notice requiring Members to contribute towards any Excess Loss pursuant to Rule 10.10.2,

shall be effective from the earlier of (i) the time and date on which it is published on the Website and (ii) the time of transmission of the email.

- 2.9.8** Any reference in these Rules to the form, time or date of "receipt" of a Notice shall be construed as the form, time or date of "delivery" of a Notice in accordance with this Rule 2.9.

## **2.10 METHODS OF COMMUNICATION**

- 2.10.1** LME Clear shall be entitled to act and otherwise rely upon any communication (whether or not in writing) which purports, and which LME Clear believes in good faith:

- (a) to be issued by or on behalf of a Member; and
- (b) to have been approved by an individual who is authorised by that Member,

and which (in the case of an electronic communication) satisfies the requirements of any applicable requirements of LME Clear in relation to the security and integrity of information which is transmitted electronically.

- 2.10.2** Notwithstanding Rule 2.10.1, LME Clear may in its absolute discretion delay taking action in respect of any communication while it seeks to verify that such communication has been duly authorised, and LME Clear shall not be liable in any event for any loss or damage which may be incurred by a Member or other person as a result of any such delay.

- 2.10.3** Each Member shall be allotted a unique identifying mnemonic which must be included as specified by LME Clear in communications issued in connection with the operations of the Clearing System.

## **2.11 WAIVER**

- 2.11.1** No waiver by LME Clear of any right or remedy provided by the Rules or by Applicable Law against a Member shall be effective unless it is in writing addressed to the Member or to Members generally, and expressed to be a waiver of LME Clear's rights in the relevant matter.

- 2.11.2** A failure by LME Clear to exercise, or a delay in exercising, a right or remedy provided by the Rules or by Applicable Law shall not constitute a waiver of the right or remedy or a waiver of other rights or remedies.

- 2.11.3** No single or partial exercise by LME Clear of a right or remedy provided by the Rules or by Applicable Law shall prevent the further exercise of the right or remedy or the exercise of another right or remedy.

- 2.11.4** A waiver by LME Clear of any breach of the Rules by a Member or any other default in respect of the Rules shall not constitute a waiver of a subsequent or prior breach or any other default in respect of the Rules.

## **2.12 SEVERABILITY**



## Rule 2

If a provision of the Rules is found to be wholly or partly illegal, invalid or unenforceable in any respect:

- (a) then to the extent it is illegal, invalid or unenforceable, that provision will be given no effect and will be treated as though it were not included in the Rules, but the validity or enforceability of the remaining provisions of the Rules shall not be affected; and
- (b) LME Clear shall notify Members of any alternative provision to be included in the Rules in substitution for such provision.

## 2.13 GOVERNING LAW AND JURISDICTION

**2.13.1** The Rules and any non-contractual obligations of any kind arising out of or in relation to these Rules are governed by, and shall be interpreted and construed in accordance with, English Law.

**2.13.2** The courts of England shall have exclusive jurisdiction to settle any dispute arising out of or in connection with these Rules. Each Member irrevocably submits to that jurisdiction for the exclusive benefit of LME Clear and waives any objection on the grounds of venue or *forum non conveniens* or any similar grounds.

**2.13.3** Any Member that is not incorporated or registered in England and Wales shall at all times appoint and maintain an agent for service of process in England and Wales ("**Service Agent**"). Any such Member shall not revoke the authority of a Service Agent unless it has first notified LME Clear of its replacement Service Agent. If a Service Agent ceases to be able to act as such or ceases to have an address within the jurisdiction of the English courts, the Member shall promptly appoint another Service Agent (with an address for service within the jurisdiction of the English courts). Nothing in the Rules, the Procedures, the Membership Agreement or any Contract shall affect the right of LME Clear to serve process in any other manner permitted by law. Any Member that has appointed a Service Agent pursuant to this Rule 2.13.3 shall ensure that LME Clear is at all times in receipt of the full name and address of such Service Agent.

## 2.14 WAIVER OF SOVEREIGN IMMUNITY

Any Applicant or Member that is a government body or agency, a state-owned or controlled entity or an entity that is otherwise entitled to benefit from any immunity from suit or equivalent protections customarily or legally available to states or their representative bodies under the law of any jurisdiction hereby:

- (a) consents generally in accordance with the State Immunity Act 1978 to the issue of any proceedings or to relief being given against it by way of injunction or order for specific performance or for the recovery of any property whatsoever and to its property being subject to any process for the enforcement of any order or judgment or any process effected in the course of or as a result of any action *in rem*; and
- (b) irrevocably waives and shall not claim any immunity from suits and proceedings and from all forms of execution or attachment (including attachment prior to judgment and attachment in aid of execution) to which it or its property is now or may hereafter become entitled in accordance with the laws of any jurisdiction and declares that such waiver shall be effective to the fullest extent permitted by such laws.

## 2.15 DELEGATION BY LME CLEAR



## Rule 2

LME Clear may appoint any person to assist it in the performance of any obligation of LME Clear under the Rules, or to take any step or action or complete any process required, permitted or otherwise contemplated under the Rules. Any such appointment shall be without prejudice to any obligation that LME Clear has to any Member under the Rules.

**2.16 EXERCISE OF DISCRETION BY LME CLEAR**

Unless a contrary indication appears, where in these Rules it states that LME Clear "may" do something or take such step as it considers appropriate or where in these Rules any discretion, power or right is conferred on LME Clear, it shall be interpreted to mean that LME Clear may do that thing, or take that step or exercise that discretion, power or right conclusively and in its sole, absolute and unfettered discretion and without consultation or notice to any other person. LME Clear shall exercise such discretion in a manner designed to promote and maintain integrity, high standards and fair dealing in accordance and consistent with Applicable Laws.

**2.17 CURRENCY CONVERSION**

**2.17.1** For the purpose of exercising any rights under these Rules, LME Clear may, in its discretion, convert any monies standing to the debit or credit of a Member's Accounts (including any Client Accounts) into such other currency or currencies as it thinks appropriate, such conversion to be effected at such rate or rates of exchange as LME Clear may reasonably determine.

**2.17.2** In relation to any debt owed by LME Clear to a Member or any sum to be otherwise paid by LME Clear to a Member, LME Clear may satisfy that debt or pay that sum in another currency or currencies as it thinks appropriate, such conversion to be effected at such rate or rates of exchange as LME Clear may reasonably determine.

**2.17.3** Any amounts payable by a Member to LME Clear shall be paid in the currency specified in the Rules or the relevant Product Specification. Notwithstanding the foregoing, LME Clear may, upon Notice to a Member, permit the Member to make a payment required under the Rules, or the relevant Product Specification, in a currency other than that specified in the Rules or the relevant Product Specification. In the event that any payment is made by a Member to LME Clear in any currency other than that specified in the Rules or the relevant Product Specification, the Member shall indemnify LME Clear against any loss that LME Clear incurs as a result of the conversion of the payment into the specified currency.

**2.17.4** LME Clear shall not exercise its powers under Rule 2.17.2 to convert into renminbi any amounts that are due to be paid to a Member in any currency other than renminbi.

**2.18 SET-OFF**

**2.18.1** LME Clear may at any time and from time to time (and without notice) set off any indebtedness due to it by a Member against any indebtedness owed by it to the Member regardless of the place of payment or currency of either indebtedness. If the indebtedness of the Member and the indebtedness of LME Clear are in different currencies, LME Clear may convert either indebtedness (at its spot rate of exchange and otherwise in accordance with its usual practice) for the purpose of the set-off.

**2.18.2** Each Member that is also a Treasury Counterparty agrees that, where such Member is a Defaulting Member then, for the purposes of Rule 2.18.1, LME Clear shall be entitled to treat:

## Rule 2

- (a) any Counterparty Loss as "indebtedness" owed by the Member to LME Clear, notwithstanding that such Counterparty Loss may have arisen under, or otherwise be governed by the terms of any separate agreement between the Member and LME Clear; and
- (b) such Counterparty Loss as a Loss arising under these Rules to the extent necessary to enable LME Clear to:
  - (i) apply its rights of set-off under these Rules; and
  - (ii) to bring such Counterparty Loss into account for the purposes of applying LME Clear's rights under Rule 10 (*Default*),

except that any such Counterparty Loss shall be applied against the Member's House Account and shall not be taken into account when determining the Losses attributable to, or any net settlement applied to, any Client Account.

**2.18.3** LME Clear shall not exercise its rights under Rule 2.18.1 in a manner inconsistent with Rule 4.3 (*Account Segregation*).

**2.18.4** Without any prejudice to any other rights or remedies of LME Clear (including under Rule 2.18.1 and any Security Document), LME Clear may at any time and from time to time (and without notice) take any Collateral provided by a Member and apply it against any indebtedness due to it by that Member.

## **2.19 DISCLOSURE OF ADVICE**

**2.19.1** There is no obligation on LME Clear to disclose to a Member any advice or opinions received by LME Clear from its external or internal legal or other advisers. LME Clear may from time to time disclose any such advice or opinions to an individual Member or to all or a group of Members generally, whether in full or extracts. If a Member receives any such disclosed advice or opinion, the Member agrees that the disclosure is for information only and that it is not entitled to, and it agrees not to, rely on the advice or opinion. In disclosing any such advice or opinion to the Member, LME Clear makes no representation about its accuracy or its adequacy or appropriateness for the purposes or needs of the Member, and to the extent that it is necessary or appropriate, the Member agrees to take its own legal advice on the matters contained therein. Each Member acknowledges that in receiving any such full or extracted disclosure it will not have the benefit of any correspondence, discussions and background to the advice or opinion and in particular may not have sight of all qualifications, observations and assumptions that may be relevant to the disclosed advice or opinion. Each Member agrees that neither LME Clear nor any of its internal or external legal or other advisers shall in any way be responsible or liable to the Member in relation to any such disclosed advice or opinion, and no duty of care shall arise between the Member and LME Clear or any such adviser.

## **2.20 RECORDING OF TELEPHONE CALLS**

LME Clear may record:

- (a) telephone calls between representatives of Members and LME Clear; and
- (b) the telephone number from which representatives of Members call LME Clear, together with the time, date and the content of the call,

and may maintain records relating to (a) and (b) above, in each case in accordance with LME Clear's policy on telephone recording and Applicable Law.

Rule 2

- 2.20.2** Each Member must have procedures in place to notify any representative who may call LME Clear on behalf of such Member or any Client that such calls may be recorded.

## Rule 3

**RULE 3 - MEMBERSHIP****3.1 MEMBERSHIP CATEGORIES AND APPLICATION PROCESS****Applications for Membership**

**3.1.1** LME Clear shall permit access to the Clearing System to those persons:

- (a) who qualify for admission as Members under the Rules;
- (b) who apply to LME Clear for Member status;
- (c) whose applications are approved by LME Clear in accordance with the Membership Procedure; and
- (d) who have complied with the obligations under the Rules for the provision of Collateral and a Default Fund Contribution.

**3.1.2** All applications for Membership shall be made in accordance with Membership Procedure.

**3.1.3** Each Member may be categorised either as:

- (a) an "**Individual Clearing Member**" or "**ICM**", which shall be permitted only to clear Transactions or Contracts on its own behalf; or
- (b) a "**General Clearing Member**" or "**GCM**", which may clear Transactions or Contracts on its own behalf and in respect of Client Business.

**3.1.4** Any sub-categories of Member shall be as described in the Membership Procedures.

**3.1.5** Each Applicant shall satisfy the Membership Criteria in order for LME Clear to consider its application for Membership.

**3.1.6** Nothing in the Rules shall create any form of contractual or non-contractual relationship between LME Clear and any Client or any other third party in respect of any Contract. The Member shall contract with LME Clear as principal and not as agent for any Client or any other third party.

**Participation in Services**

**3.1.7** Each Member may participate in one or more Services, subject to satisfying any requirements imposed by LME Clear for the use of each such Service, in accordance with these Rules and LME Clear having approved the Member to participate in each such Service in accordance with Membership Procedure B.

**3.2 ON-GOING MEMBERSHIP REQUIREMENTS**

**3.2.1** Each Member shall at all times continue to satisfy the Membership Criteria (including, in the case of a Bridge Institution, any conditions that have been imposed in lieu of meeting the Membership Criteria in accordance with Membership Procedure B:3.3).

**3.2.2** A Member shall at all times:

- (a) observe high standards of integrity and fair dealing, and observe high standards of market conduct as reflected in the Applicable Law from time to time;

## Rule 3

- (b) organise and control its internal affairs in a responsible manner, keep proper records, and have adequate arrangements to ensure that its staff and directors are suitable, fit and proper persons, adequately trained, sufficient in numbers, and properly supervised and that it has well-defined procedures as regards compliance with the Rules;
- (c) maintain such systems and controls, procedures and contractual terms with its Clients as are appropriate to ensure that the Member and any Client of such Member can at all times comply with any requirements imposed by, and systems operated by, the LME or LME Clear regarding the verification that the Member has sufficient Collateral;
- (d) retain all relevant documentation, and provide LME Clear with copies thereof on request, in relation to all Contracts entered into by them; and
- (e) deal with LME Clear in an open and cooperative manner and keep LME Clear promptly informed of anything concerning the Member which might reasonably be expected to be disclosed to it.

**3.2.3** Each Member shall comply with:

- (a) the Net Capital requirements specified in Membership Procedure B5;
- (b) the reporting requirements specified in Membership Procedure B6;
- (c) the notification requirements specified in Membership Procedure B7;
- (d) the requirements for Authorised Representatives specified in Membership Procedure B8;
- (e) any credit standards applied by LME Clear, from time to time, to the Member or to Members generally; and
- (f) any other requirements specified in the Membership Procedures from time to time.

**3.2.4** Nothing in this Rule 3.2 shall require a Member to disclose any information if it is unlawful for it to do so, provided that if it is unlawful to provide particular information at a particular time, it shall:

- (a) take appropriate action to obtain any necessary consent(s) to disclose such information to LME Clear; and
- (b) provide the information as soon as it becomes lawful for it to do so.

**3.2.5** Each Member shall co-operate with any request by LME Clear for such Member to participate in any test of LME Clear's default management processes. Each Member shall participate in at least one such test per calendar year. LME Clear shall provide reasonable advance Notice of the scheduling of any such test in which the member shall be required to participate.**3.2.6** All information provided by a Member to LME Clear shall be in English unless LME Clear specifically requests otherwise.

## Rule 3

**3.3 SUPERVISION AND AUDIT RIGHTS OF LME CLEAR**

**3.3.1** LME Clear shall be entitled at any time to inspect and take copies of the records, trading information, books of account and other documentation, in whatsoever medium retained, of Members (including any documentation maintained by or in the possession of the Member for any other person) for the purpose of ensuring compliance with the Rules. Where documentation of a Member is maintained for it by a third party, the Member shall procure that access is provided to such documentation as if it were in the possession of the Member. LME Clear shall (i) act reasonably in the exercise of its rights under this Rule 3.3.1 and (ii) shall provide reasonable notice of any exercise of such rights.

**3.3.2** Representatives of LME Clear shall be entitled at any time to attend at the premises of any Member for the purpose of assessing the Member's compliance with the Rules and the Member shall ensure that all cooperation is afforded. LME Clear shall provide reasonable notice to a Member in advance of any such visit.

**3.3.3** LME Clear may cooperate with any governmental or international agencies, any investment exchanges, any clearing houses, any rating agencies and self-regulatory and other regulatory or enforcement organisations in such manner as LME Clear thinks fit, including where LME Clear is required to do so under Applicable Law and shall, in particular, be permitted to divulge to any of the aforesaid persons or bodies any information for the time being in the possession of LME Clear regarding any Member's financial condition or clearing activity, including any information obtained pursuant to the Rules where:

- (a) required or requested by such persons or bodies, provided that such persons or bodies have authority or responsibility for supervising or otherwise regulating the conduct or affairs of the Member;
- (b) LME Clear is required to do so under Applicable Law; or
- (c) LME Clear is directed or requested to do so by a Clearing House Regulator.

**3.3.4** LME Clear may request financial or other information regarding any Member, Client or Indirect Client from any Approved Transaction Platform and the Member shall consent (and shall use reasonable endeavours to procure that any such Client or Indirect Client shall consent) to the provision by the Approved Transaction Platform of the same.

**3.4 FEES AND CHARGES**

**3.4.1** Each Member shall pay such Fees to LME Clear as shall be determined by LME Clear in accordance with Clearing Procedure G and Annex 3 (*Fees and Charges*), as updated by LME Clear from time to time.

**3.4.2** LME Clear may amend Annex 3 (*Fees and Charges*) from time to time by the publication of a Circular, which shall, subject to Rule 2.2.6, come into effect from such time as LME Clear may specify in that Circular.

**3.4.3** Clearing Procedure G4 sets as the basis on which LME Clear will invoice Members.

**3.5 TERMINATION OR SUSPENSION OF MEMBERSHIP GENERALLY**

**3.5.1** A Member's Membership may be:

- (a) terminated by the Member in accordance with Rule 3.6 (*Withdrawal from Membership*);

## Rule 3

- (b) suspended by LME Clear in accordance with Rule 3.9 (*Suspension of a Member by LME Clear*);
- (c) terminated by LME Clear pursuant to a Default Event in accordance with Rule 3.10 (*Termination by LME Clear of a Member's Membership*); or
- (d) terminated by LME Clear pursuant to a Service Withdrawal applicable to a category of Members to which the Member belongs in accordance with Rule 3.11 (*Withdrawal of Services by LME Clear*).

**3.5.2** Where a Member is participating in more than one Service, the Member's participation in that Service may be terminated without affecting its participation in any other Service, in accordance with Rule 3.7 (*Termination of a Service by a Member*).

### **3.6 WITHDRAWAL FROM MEMBERSHIP**

**3.6.1** Subject to the following Rules, a Member may at any time give Notice of its intentions to withdraw from Membership.

**3.6.2** A Member desiring to withdraw from Membership shall lodge a Notice in writing to that effect (a "**Resignation Notice**") with LME Clear.

**3.6.3** A Member that has lodged a Resignation Notice shall provide to LME Clear:

- (a) an explanation of the reasons for the Member's resignation; and
- (b) such further information as LME Clear may reasonably request regarding such circumstances of the Member's resignation.

Any failure to provide such explanation or information shall not prejudice the efficacy of the Resignation Notice.

**3.6.4** Following receipt of a Resignation Notice, LME Clear shall issue to the Member a Voluntary Close Out Date Notice in accordance with Rule 3.13.4 below.

**3.6.5** Subject to Rule 3.13.6 below, the effective date of termination of a Member's Membership shall be the next Business Day after the Business Day on which the Default Fund is next recalculated following the date on which all Open Contracts to which the Member is a party have been settled, transferred, closed-out, liquidated or otherwise discharged in accordance with the Rules. Such Business Day shall be the Termination Date. LME Clear shall, promptly upon the settlement, transfer, close-out, liquidation or discharge of the Member's final Open Contract, Notify the Member of the date on which the relevant Default Fund shall next be recalculated. Where the Member participates in more than one Service, this Rule 3.6.5 shall apply where the later of the relevant Default Funds is next recalculated following the date on which all Open Contracts to which the Member is a party have been settled, transferred, closed out or liquidated.

**3.6.5A** Notwithstanding Rule 3.6.5 above, where, upon the termination of a Member's Membership its Default Fund Contribution (in respect of one or more Services) will be transferred to another Member (or Members) in accordance with Rule 6.13 (*Transfer of Contracts in the Absence of Default*), the effective date of termination of the Member's Membership will be as agreed between LME Clear and the Member in order to facilitate such transfer(s). Such date shall be the Termination Date for the purposes of these Rules.



## Rule 3

- 3.6.6** The provision of Notice by LME Clear of a Termination Date pursuant to Rule 3.6.5 shall be effective solely to confirm the Termination Date and shall in no way limit or restrict LME Clear from enforcing any rights, or making any claim, against a Member in respect of any Contract, or in respect of any obligations of the Member under the Rules that have not been fully discharged prior to the Termination Date (including for the avoidance of doubt, any rights of LME Clear, or any obligations of the Member, under Rule 3.13 below).
- 3.6.7** In the event that a Member lodges a Resignation Notice in accordance with Rule 3.6.2, such Member may not, within the three-month period following the date on which such Resignation Notice was delivered, (i) submit any application to LME Clear for Membership or (ii) withdraw such Resignation Notice. LME Clear may waive any such restriction or time limit in its absolute discretion.
- 3.6.8** In the event that a Member lodges a Resignation Notice during a Default Period:
- (a) such Resignation Notice will not be treated as received by LME Clear until the Default Period has ended; in which case it shall be treated as having been made before the Cut Off Time in accordance with Rule 10.10.9(b); and
  - (b) Rule 3.8 (*Exposure Limiting Resignation*) shall apply with respect to the Member's continuing obligations in the period prior to the Termination Date.

**3.7 TERMINATION OF A SERVICE BY A MEMBER**

- 3.7.1** Subject to the following Rules, a Member may at any time give Notice of its intentions to terminate its participation in a Service.
- 3.7.2** A Member desiring to terminate its participation in a Service, whilst remaining a participant in any other Service, shall lodge a Notice in writing to that effect (a "**Service Termination Notice**") with LME Clear.
- 3.7.3** In the event that a Termination Notice specifies that all Services in which the Member participates are to be terminated, such Service Termination Notice shall be treated as a Resignation Notice in accordance with Rule 3.6.2.
- 3.7.4** Subject to Rule 3.13.6 below, the effective date of termination of a Member's participation in a Service shall be the next Business Day after the Business Day on which the relevant Default Fund for that Service is next recalculated following the date on which all In Scope Open Contracts to which the Member is a party have been settled, transferred, closed-out, liquidated or otherwise discharged in accordance with the Rules. Such Business Day shall be the Service Termination Date. LME Clear shall, promptly upon the settlement, transfer, close-out, liquidation or discharge of the Member's final In Scope Open Contract, Notify the Member of the date on which the relevant Default Fund shall next be recalculated.
- 3.7.5** The provision of Notice by LME Clear of a Service Termination Date pursuant to Rule 3.7.4 shall be effective solely to confirm the Service Termination Date and shall in no way limit or restrict LME Clear from enforcing any rights, or making any claim, against a Member in respect of any Contract, or in respect of any obligations of the Member under the Rules that have not been fully discharged prior to the Service Termination Date (including for the avoidance of doubt, any rights of LME Clear, or any obligations of the Member, under Rule 3.13 below).
- 3.7.6** In the event that a Member lodges a Service Termination Notice in accordance with Rule 3.7.2, such Member may not, within the three-month period following the date on which such Service Termination Notice was delivered, (i) submit any application to LME Clear



## Rule 3

for participation in the terminated Service or (ii) withdraw such Service Termination Notice. LME Clear may waive any such restriction or time limit in its absolute discretion.

**3.7.7** In the event that a Member lodges a Service Termination Notice during a Default Period:

- (a) such Service Termination Notice will not be treated as received by LME Clear until the Default Period has ended, in which case it shall be treated as having been made before the Cut Off Time in accordance with Rule 10.10.9(b); and
- (b) Rule 3.8 (*Exposure Limiting Resignation*) shall apply with respect to the Member's continuing obligations in the period prior to the Termination Date.

**3.8 EXPOSURE LIMITING RESIGNATION**

**3.8.1** If a Member lodges a Resignation Notice or a Service Termination Notice with LME Clear either (i) within a Default Period or (ii) between the end of a Default Period and the Cut Off Time applicable under Rule 10.10.9, then such Member will:

- (a) in respect of the Services within the scope of the Resignation Notice or Service Termination Notice (the "**Terminated Services**"):
  - (i) be entitled, after the lodging of such Resignation Notice or Service Termination Notice, to submit further Transactions to LME Clear for Acceptance only for the purpose of closing its open Positions;
  - (ii) maintain the additional Collateral required under Rule 10.10.9(d) in respect of its Account, which Collateral may be applied by LME Clear only in or towards the discharge of such Member's own liabilities to LME Clear (if it defaults in performing those liabilities);
  - (iii) not be required to pay any additional amount towards its Default Fund Contribution under Rule 10.10.9(c) for the Relevant Default Fund(s) for such Terminated Services;
- (b) in respect of any Default Loss that may arise in relation to the Terminated Services in respect of any other Member that has become a Defaulting Member prior to the Termination Date or Service Termination Date (as applicable):
  - (i) be liable to contribute towards any such Default Loss solely to the extent that the Member's Default Fund Contribution for the Relevant Default Fund shall be available to be applied towards the discharge of the Default Loss in accordance with Rule 10.10.1(d); but
  - (ii) (save to the extent specified in (i) above) not be liable to contribute any further towards any such Default Loss, and accordingly:
    - (1) the Member shall not be required to contribute towards any Default-Specific Replenishment Notice issued by LME Clear pursuant to Rule 10.10.1(e) in respect of the Relevant Default Fund(s) (and, for the avoidance of doubt, LME Clear shall not take account of the Member or the Member's Default Fund Contribution when determining the pro-rata allocations of the outstanding balance of any Default Loss for the purpose of Rule 10.10.1(e));

## Rule 3

- (2) the Member shall not be required to contribute towards any Stabilisation Replenishment Notice issued by LME Clear pursuant to Rule 10.10.5 in respect of the Relevant Default Fund(s);
- (c) remain liable to contribute towards any Non-Default Loss in accordance with Rule 10.14 (*Allocation of Non-Default Losses*) and, as a consequence, the Member and its initial margin shall be taken into account when determining the NDL Percentages of the Members who are liable to contribute towards the Non-Default Loss;
  - (d) cease to:
    - (i) be a Member on the Termination Date, as such date is determined in accordance with Rule 3.6.5; or
    - (ii) be a participant in the Service on the Service Termination Date, as such date is determined in accordance with Rule 3.7.4; and
  - (e) remain liable for its own obligations under the Rules and, for the avoidance of doubt, in the event that such Member becomes a Defaulting Member at any time prior to the Termination Date or Service Termination Date, LME Clear shall be entitled to exercise any rights it may have under these Rules including, where a Default Loss arises in respect of such Defaulting Member, any rights that LME Clear may have under these Rules in respect of the such Defaulting Member's Collateral and Default Fund Contribution.
- 3.8.2** Collateral provided by way of additional margin by a Member under Rule 10.10.9(d) which has given a Termination Notice under Rule 10.10.8(b) will be returnable to it only after LME Clear is satisfied that all positions on the Accounts of such Member have been discharged in full and that all risk to LME Clear arising from such Member's Membership of the Clearing System has ceased to exist.
- 3.8.3** A Member that has given a Termination Notice under Rule 10.10.9(b) may not subsequently re-apply for Membership within a period of ninety (90) days following the Termination Date, unless LME Clear agrees otherwise. If a Member that has given a Termination Notice under Rule 10.10.9(b) subsequently applies to renew its Membership, LME Clear may impose such minimum conditions and standards as it deems appropriate.
- 3.9 SUSPENSION OF A MEMBER BY LME CLEAR**
- 3.9.1** LME Clear may, at any time, suspend access by a Member to any aspect of the Clearing System, either with regard to a particular Transaction, Contract or Service or to multiple Transactions, Contracts or Services or with regard to all Transactions and Contracts and Services generally, with immediate effect (or with effect from such later time as LME Clear may specify) if any Default Event has occurred in relation to such Member, or any event or circumstance has occurred which would, with the expiry of a grace period, the giving of notice, the making of any determination under the Rules or any combination of the foregoing, constitute an Default Event.
- 3.9.2** The suspension of a Member pursuant to Rule 3.9.1 shall continue for so long as LME Clear shall determine and shall end on such date and on such conditions as LME Clear shall determine.
- 3.9.3** LME Clear may, acting reasonably, impose any restrictions or conditions that it deems reasonable and appropriate as a condition for ending such suspension.

## Rule 3

**3.9.4** Without prejudice to the generality of Rules 3.8.2 or 3.9.3, LME Clear may end a suspension if it determines that the reason for the suspension no longer exists, or that:

- (a) the suspended Member is in full compliance with its obligations under the Rules; and
- (b) the Member's use of the Clearing System will not threaten the orderly operation or integrity of the Clearing System or the interests of other Members.

### **3.10 TERMINATION BY LME CLEAR OF A MEMBER'S MEMBERSHIP**

**3.10.1** LME Clear may terminate the Membership of a Member, or a Member's participation in any Service, or terminate the access by such Member to any aspect of the Clearing System with immediate effect (or with effect from such later time as LME Clear may determine) if any Default Event has occurred in relation to such Member, whether or not such Member has first been suspended.

**3.10.2** A Member shall, forthwith upon becoming aware of the occurrence of any event or circumstance referred to in Rule 3.10.1, inform LME Clear in writing of such event or circumstance and the Member will not (except with the prior consent of LME Clear) submit any further Transactions for Acceptance.

**3.10.3** The effective date of termination specified by LME Clear in a Notice provided pursuant to Rule 3.10.1 above shall be the Termination Date. For the avoidance of doubt, LME Clear may specify in such Notice that such Termination Date shall be the next Business Day after the Business Day on which the relevant Default Fund is next recalculated following the date of the Notice.

### **3.11 WITHDRAWAL OF SERVICES BY LME CLEAR**

In the event that LME Clear determines that it shall cease to offer and provide clearing services, or any part of its clearing services, in respect of any group or category of Member, or in respect of any Service (a "**Service Withdrawal**"):

- (a) LME Clear shall Notify the Members affected by the Service Withdrawal that such Service Withdrawal is to take effect (such Notice being a "**Service Withdrawal Notice**");
- (b) such Service Withdrawal Notice shall specify the date from which the Service Withdrawal shall take effect, provided that no such Service Withdrawal may be less than thirty (30) Business Days' following the date of such Service Withdrawal Notice unless LME Clear is required to apply a shorter period pursuant to Applicable Law or the directions of a Clearing House Regulator;
- (c) from the date that such Service Withdrawal takes effect, the Members affected by the Service Withdrawal shall no longer be eligible to submit Transactions in respect of Services falling within the scope of the Service Withdrawal to LME Clear for clearing in accordance with these Rules;
- (d) where the Service Withdrawal relates to all Services in which the Member participates, it shall be treated as a termination of the Membership of the Member in accordance with Rule 3.10; and
- (e) where the Service Withdrawal relates to a specific Service in which the Member participates, but not all such Services, the Service Termination Date for such Service shall be determined in accordance with Rule 3.13.4 below.

## Rule 3

**3.12 NOTIFICATION OF SUSPENSION OR TERMINATION**

**3.12.1** If LME Clear suspends or ceases to act for a Member with respect to a particular Transaction or Contract or to multiple Transactions or Contracts or with regard to all Transactions and Contracts generally, it shall promptly inform such Member and publish a Circular setting out its decision, specifying the date on which such suspension or cessation took effect.

**3.12.2** LME Clear may, in accordance with its obligations under Applicable Law, inform:

- (a) the appropriate Regulators; and
  - (b) any Approved Transaction Platform of which the Member is a member,
- of any action it has taken or proposes to take pursuant to Rules 3.9 or 3.10.

**3.12.3** Without prejudice to LME Clear's rights under the Rules (and Rule 10 (*Default*) in particular), suspension or termination of a Member shall not affect the continuation in force of Contract arising from any prior Acceptance of a Transaction.

**3.13 CONSEQUENCES OF SUSPENSION OR TERMINATION****General**

**3.13.1** Suspension or termination shall not affect any rights or obligations arising prior to or continuing during or after the date of the suspension or the Termination Date, which arise in consequence of the suspension or termination or which relate to the Member's period of Membership and all such rights and obligations shall continue to be subject to the Rules.

**3.13.2** LME Clear shall not be liable to the Member for any Loss incurred by the Member arising out of the exercise by LME Clear of its powers of suspension or termination pursuant to the Rules.

**3.13.3** LME Clear shall be entitled to take all or any such action set out in Rule 10 (*Default*) (or as may otherwise be permitted under the Rules) as LME Clear may think appropriate, notwithstanding such suspension or termination.

**Close-Out and Liquidation of Open Positions**

**3.13.4** In the event that (i) a Member issues a Resignation Notice, (ii) LME Clear Notifies a Member that its Membership is subject to a Service Withdrawal, (iii) a Member issues a Service Termination Notice, or (iv) LME Clear Notifies a Member that a Service in which it participates is subject to a Service Withdrawal:

- (a) LME Clear shall issue to the Member a Notice specifying the date by which all In Scope Open Contracts to which the Member is a party must have been settled, transferred, closed-out, liquidated or otherwise discharged in accordance with the Rules (such date being the "**Voluntary Close Out Date**" and such Notice being a "**Voluntary Close Out Date Notice**").
- (b) the Voluntary Close Out Date shall be:
  - (i) within a reasonable period following the date on which the Resignation Notice, Service Termination Notice or Service Withdrawal Notice was issued, having regard to:

## Rule 3

- (1) the number and size of the Member's open Positions, a timescale that is reasonable to enable the Member to settle, transfer, close-out, liquidate or otherwise discharge its obligations in respect of such open Positions; and
  - (2) where the Member is a General Clearing Member, a timescale that is reasonable to enable the Clients of the Member to establish alternative clearing arrangements with another General Clearing Member; and
- (ii) in any event, not later than ninety (90) days following the date on which (as applicable):
  - (1) the Resignation Notice or Service Termination Notice was lodged with LME Clear; or
  - (2) the Service Withdrawal Notice was issued by LME Clear;
- (c) the Member shall take such actions as LME Clear may specify in order to satisfy or discharge any of the Member's remaining obligations under the Rules on or prior to the Voluntary Close Out Date;
- (d) in the event that a Member fails to satisfy or discharge its remaining obligations by the Voluntary Close Out Date, LME Clear shall be entitled to close out and liquidate any or all of the Member's In Scope Open Contracts;
- (e) on the next Business Day following the day on which the Member's last remaining In Scope Open Contract is settled, transferred, closed-out, liquidated or otherwise discharged, LME Clear shall issue Notice to the Member specifying the same and specifying the date on which the relevant Default Fund will be next recalculated;
- (f) the Termination Date (or, where the termination relates only to a specific Service, the Service Termination Date) shall be the next following Business Day, after the Business Day on which the relevant Default Fund is next recalculated following the date Notified by LME Clear pursuant to (e) above; and
- (g) and for the avoidance of doubt, to the extent legally possible, LME Clear shall be entitled, in accordance with Rule 2.18 (*Set-off*) to set off against any sum payable to the Member pursuant to the close-out and liquidation of Contracts pursuant to (d) above, any indebtedness owed by the Member to LME Clear.

**Delay of Termination Date**

**3.13.5** The Termination Date or Service Termination Date (as applicable) may not be earlier than the date on which all In Scope Open Contracts to which the Member is a party have been settled, transferred, closed-out, liquidated or otherwise discharged in accordance with the Rules.

**3.13.6** LME Clear may (i) withhold or delay the provision to the Member of notice of the Termination Date or Service Termination Date (as applicable) pursuant to Rule 3.6.5, 3.7.4 or 3.13.4(e) or (ii) postpone any Termination Date or Service Termination Date (as applicable) notified to the Member pursuant to Rule 3.10 or 3.11 if:

- (a) it considers it necessary in the interests of maintaining the integrity of the Clearing System or the stability of the financial system, in which case the Termination Date or Service Termination Date may be delayed for a maximum of thirty (30) days;

## Rule 3

- (b) it is requested to do so by an Approved Transaction Platform used by the Member and LME Clear considers such request to be reasonable in the circumstances, in which case the Termination Date or Service Termination Date may be delayed for a maximum of thirty (30) days; or
- (c) it is requested or instructed to do so by a Regulator.

**Continuing Disciplinary Action**

**3.13.7** A Member who ceases to be a Member (a "**Former Member**") shall remain subject to:

- (a) Rule 3.15 (*Discipline*) and Membership Procedure D (*Discipline*); and
- (b) Rule 3.16 (*Appeal*) and Membership Procedure E (*Appeal*),

in respect of acts or omissions while he was a Member and in respect of any investigation or disciplinary proceedings relating thereto as if he were a Member for the longer of:

- (c) the period of twelve months from the Termination Date; or
- (d) the period during which any disciplinary proceedings continue against him, being proceedings started by LME Clear no later than twelve months after the date on which he ceased to be a Member, subject to any extension of the period under Rule 3.13.9.

**3.13.8** Disciplinary proceedings following a Member's resignation may be started by giving notice to the Former Member of an investigation no later than twelve months after the Termination Date.

**3.13.9** In the event that LME Clear concludes that there are, or may be matters which should be investigated and in respect of which disciplinary proceedings may be taken, the period referred to in Rule 3.13.7 shall be extended until such time as such additional disciplinary proceedings are completed (including the payment of any fine or application of any other sanction imposed).

**Return of Asset Cover**

**3.13.10** The return of Asset Cover to a Former Member shall be made in accordance with Rule 8.8.

**Timing of Recalculation of Default Fund**

**3.13.11** For the avoidance of doubt, the frequency of the recalculation of the Default Fund is specified in Default Procedure B.

**3.14 COMPLAINTS**

All Complaints shall be made and resolved in accordance with Membership Procedure C.

**3.15 DISCIPLINE**

LME Clear may investigate a Member and commence disciplinary proceedings against a Member in the circumstances specified by, and in accordance with the requirements of, Membership Procedure D.

**3.16 APPEAL**

### Rule 3

Any appeal against:

- (a) a decision regarding an application for Membership; or
- (b) a decision by the Disciplinary Committee,

shall be made in accordance with the requirements of Membership Procedure E.



## Rule 4

**RULE 4 - ACCOUNTS****4.1 OBLIGATION TO MAINTAIN ACCOUNTS**

**4.1.1** LME Clear shall permit each Member to establish in the books and records of LME Clear:

- (a) a House Account (or, where permitted by LME Clear, multiple House Accounts); and
- (b) where the Member is a General Clearing Member, one or more Client Accounts.

**4.1.2** Each Transaction that is Accepted in accordance with Rule 6 (*Acceptance*) and any Contracts resulting from such Acceptance shall be allocated by LME Clear to an Account, subject to and in accordance with Rule 6 (*Acceptance*).

**4.1.3** Each Account shall be used to record the respective rights, liabilities and obligations of LME Clear and the Member arising in respect of Contracts allocated to such Account ("**Respective Entitlements**"), including for the avoidance of doubt, rights, liabilities and obligations in respect of:

- (a) the Contracts resulting from the Acceptance of Transactions in accordance with Rule 6 (*Acceptance*);
- (b) all Positions associated with such Contracts;
- (c) all Collateral required or held by LME Clear in relation to such Contracts; and
- (d) any other rights or obligations of LME Clear or the Member in relation to such Contracts and the matters described in (a) to (c) above.

**4.2 ACCOUNT OPTIONS****House Account**

**4.2.1** Each Member shall establish at least one House Account. A House Account may only be used to record the Respective Entitlements arising in respect of Contracts resulting from Transactions effected on the Member's own behalf.

**Types of Client Account**

**4.2.2** A General Clearing Member may establish one or more Client Accounts in respect of its Client Business. The General Clearing Member may elect to establish one or more of the following types of Client Account:

- (a) one or more of the following types of Omnibus Segregated Client Account
  - (i) Direct Net Omnibus Segregated Client Account; and/or
  - (ii) Direct Gross Omnibus Segregated Client Account; and/or
  - (iii) Indirect Net Omnibus Segregated Client Account; and/or
- (b) one or more of the following types of Individual Segregated Client Account:
  - (i) Direct Individual Segregated Client Account; and/or
  - (ii) Indirect Individual Segregated Client Account; and/or



## Rule 4

- (iii) Indirect Gross Omnibus Segregated Client Account.

### **Omnibus Segregated Client Accounts**

**4.2.3** An Omnibus Segregated Client Account may be used to record the Respective Entitlements arising in respect of Contracts resulting from Transactions effected or cleared by a General Clearing Member on behalf of one or more Clients. The different types of Omnibus Segregated Client Account are distinguished as follows.

- (a) In a Direct Net Omnibus Segregated Client Account:
  - (i) the Positions of the Member in respect of each Client allocated to the Account may be subject to netting or aggregation at the Account-level in accordance with the position management provisions in Clearing Procedure B:4 and B:5; and
  - (ii) Margin Requirements shall be calculated at an Account-level in accordance with Clearing Procedure C.
- (b) In a Direct Gross Omnibus Segregated Client Account:
  - (i) the Positions of the Member in respect of each Client allocated to the Account shall be separately identifiable and shall be subject to netting or aggregation at a per-Client level (as defined by Allocation IDs) in accordance with the position management provisions in Clearing Procedure B:4 and B:5; and
  - (ii) separate Margin Requirements shall be calculated, in accordance with Clearing Procedure C, in respect of:
    - (1) each of the Allocation IDs for which Positions are maintained in accordance with (i) above; and
    - (2) Positions without an Allocation ID; and
  - (iii) the Margin Requirement for the Account shall be the aggregate of the Margin Requirements calculated pursuant to (ii) above, together with any additional margin requirements imposed by LME Clear in respect of the Account and/or Allocation IDs pursuant to the Rules and Procedures.
- (c) In an Indirect Net Omnibus Segregated Client Account:
  - (i) the Positions of the Member in respect of each Indirect Client allocated to the Account may be subject to netting or aggregation at the Account-level in accordance with the position management provisions in Clearing Procedure B:4 and B:5; and
  - (ii) Margin Requirements shall be calculated at an Account-level.

### **Individual Segregated Client Accounts**

**4.2.4** Each Direct Individual Segregated Client Account may only be used to record the Respective Entitlements arising in respect of Transactions effected or cleared by a General Clearing Member on behalf of a single Client.

**4.2.5** Each Indirect Individual Segregated Client Account may only be used to record the Respective Entitlements arising in respect of Transactions effected or cleared by a

## Rule 4

General Clearing Member on behalf of a single Clearing Client which relate to a single Indirect Client.

**4.2.6** Each Indirect Gross Omnibus Segregated Client Account may only be used to record the Respective Entitlements arising in respect of Transactions effected or cleared by a General Clearing Member on behalf of a single Clearing Client which relate to one or more Indirect Clients. In an Indirect Gross Omnibus Segregated Client Account:

- (a) the Positions of the Member in respect of each Indirect Client allocated to the Account shall be separately identifiable and shall be subject to netting or aggregation at a per-Indirect Client level (as defined by Allocation IDs) in accordance with the position management provisions in Clearing Procedure B:4 and B:5; and
- (b) separate Margin Requirements shall be calculated, in accordance with Clearing Procedure C, in respect of:
  - (i) each of the Allocation IDs for which Positions are maintained in accordance with (a) above; and
  - (ii) Positions without an Allocation ID; and
- (c) the Margin Requirement for the Account shall be the aggregate of the Margin Requirements calculated pursuant to (b) above, together with any additional margin requirements imposed by LME Clear in respect of the Account and/or Allocation IDs pursuant to the Rules and Procedures.

#### **Additional Requirements and Restrictions**

**4.2.7** Client Accounts are subject to certain restrictions on the use of Collateral set out in Rules 8 (*Margin Requirement and Collateral*) and 10 (*Default*).

**4.2.8** Client Accounts are subject to certain additional provisions set out in Rule 5 (*Client Business and Portability Arrangements*).

**4.2.9** A Member shall remain liable for all obligations owed to LME Clear in respect of each Account established by that Member.

#### **Administrative Accounts**

**4.2.10** LME Clear may establish in respect of a Member one or more Administrative Accounts, each such Account designated either as a House Account or a Client Account, depending on its usage:

- (a) in order to facilitate Give-Ups;
- (b) in order to allocate Contracts resulting from Transactions effected or cleared by a General Clearing Member on behalf of a Client, where LME Clear considers that it has not received the correct information to allocate the Contract to a specific Client Account; or
- (c) for such other administrative purposes as LME Clear considers appropriate.

Administrative Accounts shall be treated in the same manner as other Accounts and shall be subject to the application of Margin Requirements.

### **4.3 ACCOUNT SEGREGATION**

## Rule 4

**4.3.1** LME Clear shall treat each Account maintained for a Member separately from each other Account maintained for that Member for the purposes of:

- (a) recording the Respective Entitlements referable to each Account;
- (b) recording and accounting for any Excess Collateral referable to that Account;
- (c) where applicable, the netting of positions referable to Transactions or Contracts allocated to that Account;
- (d) the exercise of any right by LME Clear under the Rules to combine or consolidate balances on Accounts or any set-off rights;
- (e) the allocation or discharge of Losses, including Default Losses; and
- (f) the exercise of rights or obligations pursuant to Rule 10.7 (*Portability of Client Accounts*).

**4.3.2** Each Account established by a Member shall be segregated in the books and records of LME Clear from each other Account, so that: (a) the Respective Entitlements arising in respect of Contracts allocated to any one Account and (b) any Excess Collateral allocated to any one Account, shall be segregated and distinguished from the Respective Entitlements and Excess Collateral allocated to any other Account established by that Member.

**4.3.3** Where a Member has one or more Accounts, the arrangements under Rule 8 (*Margin Requirement and Collateral*) for the calculation of the Member's Margin Requirement shall be applied separately to each such Account.

**4.3.4** Rules 4.3.1, 4.3.2 and 4.3.3 shall be subject to any right of LME Clear to combine any two or more Accounts for the purpose of, and pursuant to, Rule 10 (*Default*).

#### **4.4 POSITION MANAGEMENT**

**4.4.1** Contracts recorded to each Account shall be subject to position management in accordance with requirements specific to the Eligible Products held within such Account. Clearing Procedure B4 and B5 specify further the basis on which different types of Eligible Product will be subject to position management.

#### **4.5 LEGALLY COMPLIANT ACCOUNT STRUCTURES**

**4.5.1** Subject to Rule 4.5.2 below, it is the sole responsibility of each Member to determine and establish the appropriate number and types of Accounts with LME Clear in order to enable the Member to satisfy its legal and regulatory obligations and its obligations under the Rules. This includes:

- (a) any obligation of a Member to record Respective Entitlements to a Client Account, or to establish separate Omnibus Segregated Client Accounts or Individual Segregated Client Accounts, in order to comply with any client money requirements under Applicable Law applying to the Member;
- (b) any obligation of a Member to record Respective Entitlements arising from Transactions or Contracts effected or cleared for a Client or any Indirect Client, to an Omnibus Segregated Client Accounts or Individual Segregated Client Account, in order to comply with the provisions of the EMIR Level 1 Regulation and / or the

## Rule 4

EMIR Level 2 (Indirect Clearing) Regulation and/or MiFID II applying to the Member; or

- (c) any obligation of a Member to ensure that Collateral provided by Clients is recorded or segregated in such a manner as enables the Member to be able to identify the person to whom such Collateral (or equivalent assets) is returnable upon release from any charge created over it by the Member in favour of LME Clear (pursuant to Rule 8.5).

**4.5.2** Each General Clearing Member must offer, at least, a choice of one Client Account providing individual client segregation and one Client Account providing omnibus client segregation (in the manner set out in Articles 39 and 48 of the EMIR Level 1 Regulation) to each Client and potential Client. Where a General Clearing Member is subject to a non-EU insolvency regime which could interfere with the provision of individual client segregation or omnibus client segregation, it may meet this obligation by offering Client Accounts to be established by another General Clearing Member, subject to the establishment of any operational and technical procedures and contractual terms that LME Clear may determine are necessary in order to ensure that such clearing arrangement can be operated in accordance with these Rules.

**4.5.3** LME Clear has no obligation, under the Rules or otherwise, to verify, confirm or otherwise ensure that a Member has adopted an appropriate account structure.

## Rule 5

**RULE 5 - CLIENT BUSINESS AND PORTABILITY ARRANGEMENTS****Background**

The provisions set out below describe the basis on which a Member may establish and maintain Client Accounts in respect of its Clients and the arrangements to be established in respect of such Client Accounts in order to support the application of the Porting Process. Further provisions specifying the basis on which LME Clear shall implement the Porting Process are set out in:

- (i) Rule 10.7 (*Portability of Client Accounts*); and
- (ii) Default Procedure D (*Porting Procedure*).

**5.1 AVAILABILITY OF PORTING TO CLIENT ACCOUNTS**

**5.1.1** The Porting Process may be applied in respect of any Client Account where:

- (a) LME Clear is in receipt of all relevant documentation and information to enable LME Clear to determine that all Clients allocated to the account, and their nominated Member Transferee, each agree to the application of the Porting Process including:
  - (i) in relation to a Client Account to which the Automatic Porting Process applies, the Automatic Porting Designation Documents; and
  - (ii) in relation to any other Client Account, a Porting Request Notice issued in accordance with Rule 10.7;
- (b) the conditions and requirements set out in this Rule 5, Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*) are satisfied; and
- (c) all Clients allocated to such Client Account are either:
  - (i) Identified Clients; or
  - (ii) otherwise identified by LME Clear in accordance with Rule 10.7.8.

**5.1.2** Where:

- (a) a Client Account is maintained by a Member in respect of Identified Clients; and
- (b) prior to LME Clear issuing a Default Notice in respect of such Member, all the Clients allocated to that Client Account have lodged with LME Clear Automatic Porting Designation Documents in respect of that Client Account in accordance with the requirements specified in Section 1 of Default Procedure D (*Porting Procedure*),

then LME Clear will apply the Automatic Porting Process in respect of such Client Account.

**5.1.3** For the avoidance of doubt LME Clear will permit the Transfer of positions and assets from a Client Account only to a single Member Transferee that consents to receive such assets and positions during the Porting Election Period, in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*).

**5.1.4** Notwithstanding that this Rule 5, Rule 10.7 and Default Procedure D (*Porting Procedure*) specify conditions and requirements for the application of the Porting Process, LME Clear

## Rule 5

may apply the Porting Process where such conditions and requirements are not fully satisfied, in accordance with and subject to its general discretion pursuant to Rule 10.7.9.

### Identified Clients and Non-Identified Clients

**5.1.5** A Client allocated to a Client Account shall be an **"Identified Client"** in respect of that Client Account where the Member or the Client has provided to LME Clear such up to date and accurate information regarding:

- (a) the identity of such Client; and
- (b) such other details regarding the authorised representatives of such Client as may be specified by LME Clear from time to time,

such that LME Clear considers, acting reasonably, that it has sufficient information to enable LME Clear to determine the true identity of such Client.

**5.1.6** Any Client that is allocated to a Client Account that is not an Identified Client shall be a **"Non-Identified Client"**.

**5.1.7** In the event that, at the time that LME Clear issues a Default Notice in respect of the Member responsible for a Client Account, one or more Non-Identified Clients are allocated to such Client Account, LME Clear shall, acting reasonably, determine whether it can apply the Porting Process in relation to such Client Account in accordance with the requirements specified in Rule 10.7.8. In the event that LME Clear determines that it has insufficient information regarding all the Clients allocated to the Client Account to enable it to apply the Porting Process in accordance with Rule 10.7.8, LME Clear shall be under no obligation under these Rules to apply the Porting Process in respect of such Client Account or to otherwise act upon any Porting Request Notice received by LME Clear in respect of such Client Account.

**5.1.8** Each Member acknowledges that the inclusion within a Client Account of a Non-Identified Client will, subject to Rule 10.7.8, impair the ability of all Clients allocated to such Account to apply the Porting Process in the event that such Member becomes a Defaulting Member. Accordingly,

- (a) where the Clients allocated to a Client Account include Non-Identified Clients, the Member must notify all such Clients that the Porting Process may not be available to such Clients unless they become Identified Clients or LME Clear determines otherwise in the circumstances described in Rule 5.1.7 above; and
- (b) where both Identified Clients and Non-Identified Clients are allocated to a Client Account, the Member must notify the Identified Clients that:
  - (i) the Porting Process may not be available to such Clients, notwithstanding that they may have submitted Automatic Porting Designation Documents to LME Clear, unless and until all Clients in that Client Account become Identified Clients or LME Clear determines otherwise in the circumstances described in Rule 5.1.7 above; and
  - (ii) an alternative means of enabling the Porting Process to apply in respect of each such Identified Client would be to establish an Individually Segregated Client Account in order to record the Positions and Collateral in respect of Client Business cleared for such Client.

## Rule 5

**5.1.9** Where a Member receives notice from all Clients allocated to an Omnibus Segregated Client Account maintained by that Member that such Clients wish to be Identified Clients, the Member must provide to LME Clear the information specified in Rule 5.1.5 in respect of all Clients allocated to that Account.

**5.1.10** Any Client allocated to an Individual Segregated Client Account must be an Identified Client. A Member may not establish an Individual Segregated Client Account in respect of a Non-Identified Client.

## **5.2 ESTABLISHMENT OF APPROPRIATE CONTRACT TERMS WITH CLIENTS**

**5.2.1** A Member must not conduct any Client Business in respect of a Client (or an Indirect Client) unless:

- (a) the Member has executed with such Client binding contractual terms recording the basis on which the Member will provide clearing services for that Client or (where applicable) any Indirect Client;
- (b) the Member has:
  - (i) executed or has in place with such Client or Indirect Client either:
    - (1) a Client Acknowledgement Form in the form specified in Part A of Annex 6 (*Client Business Terms*); or
    - (2) contractual terms which incorporate the Mandatory CCP Provisions as specified in Part B of Annex 6 (*Client Business Terms*) (which may, for the avoidance of doubt, be incorporated by reference) or which are equivalent to the Mandatory CCP Provisions in all material respects (and LME Clear will regard as compliant with this paragraph (2) any contractual terms that have the effect of providing that transactions between the Member and the Client are subject to the rules of the clearing house through which transactions may be cleared by the Member for or on behalf of such Client); or
  - (ii) provided written notification to its Client:
    - (1) that LME Clear will be acting as the clearing house for Transactions effected on or matched via the systems of the Exchange;
    - (2) directing such Client to the sections of the Website on which LME Clear has published the Mandatory CCP Provisions; and
    - (3) making it clear that the Client's receipt of clearing services from the Member is subject to the application of those Mandatory CCP Provisions;
- (c) the Member has notified the Client, and required the Client to notify any Indirect Client, of the basis on which the Rules applicable to Client Contracts and Client Accounts shall be applied in respect of the Client (and, where applicable, the Indirect Client) and the Positions and Collateral allocated to such Client Accounts;



## Rule 5

- (d) the Member complies with any additional documentary requirements that LME Clear may specify from time to time in relation to General Clearing Members. Any such requirements shall be set out in an Annex; and
- (e) the Member has established such contractual arrangements with its Client that are specified in the LME Rules to enable the formation of Underlying Client Trades at the Acceptance Time and to ensure compliance with such other requirements as may be specified in the LME Rules.

**5.2.2** Without prejudice to Rule 5.2.1, each Member must ensure that:

- (a) each Client allocated to an Omnibus Segregated Client Account;
- (b) the Client allocated to a Direct Individual Segregated Client Account; or
- (c) the Client and each Indirect Client allocated to an Indirect Individual Segregated Client Account; or
- (d) the Client allocated to an Indirect Net Omnibus Segregated Account or an Indirect Gross Omnibus Segregated Account,

is aware and understands that:

- (i) in the event that a Default Event occurs in respect of the Member, LME Clear shall be entitled, upon receipt of a Porting Request Notice from such Client or Clients, to apply the Porting Process in respect of such Account in accordance with Rule 10.7; and
- (ii) where all Clients allocated to the relevant Client Account have lodged with LME Clear Automatic Porting Designation Documents in accordance with Rule 5.4.1 and Part 1 of Default Procedure D (*Porting Procedure*), LME Clear shall be entitled, without any requirement to seek any further consent from the Client (or, where relevant, any Indirect Client) to implement the Automatic Porting Process on behalf of such Client, in accordance with Rule 10.7; and
- (iii) LME Clear shall, subject to and in accordance with Rule 2.1.5, not have any obligations or liability under these Rules to any person who is not a Member; and
- (e) each Client allocated to an Indirect Net Omnibus Segregated Account or an Indirect Gross Omnibus Segregated Account is aware of the necessity of ensuring that each Indirect Client allocated to such Account is aware of, and understands, the matters described in (i), (ii) and (iii) above; and
- (f) each Client allocated to an Indirect Individual Segregated Client Account or Indirect Gross Omnibus Segregated Client Account: (i) is aware and understands that in the event of a Client Termination Event in respect of the Client allocated to such Account(s), any transfer or re-allocation of the Positions and Collateral recorded to such Account(s) shall be effected subject to, and in accordance with, Rule 10.12 (*Indirect Client Porting*); and (ii) is aware of the necessity of ensuring that each Indirect Client allocated to such Account is aware of, and understands, the matters described in (i).

**5.2.3** LME Clear will consider a Member to have complied with its obligations under Rules 5.2.1(c) and Rule 5.2.2 if a Member has directed its Clients to the relevant sections of the



## Rule 5

Website on which LME Clear publishes its Rulebook, the Mandatory CCP Provisions and the disclosure document published by LME Clear pursuant to its obligations under EMIR, including by making reference to such Website in the disclosure document that such Member is required to prepare pursuant to Article 39(7) of EMIR.

### 5.3 MEMBER OBLIGATIONS IN SUPPORT OF CLIENT ACCOUNTS

#### 5.3.1 A Member in respect of whom LME Clear has established a Client Account shall:

- (a) not submit to LME Clear any Transaction in respect of a Client or any Indirect Client(s) (being client(s) of a single Client) allocated to a Client Account unless and until the Member has established contractual terms that comply with the requirements specified in Rule 5.2 and only for so long as such terms remain in force;
- (b) at all times ensure that:
  - (i) any Transactions submitted to LME Clear; and
  - (ii) any Collateral provided to LME Clear

in respect of Client Business conducted by the Member for a Client shall be accurately and separately identified and allocated to the relevant Client Account maintained by the Member for such Client;
- (c) provide to, and maintain with, LME Clear at all times an accurate, current and complete list of all Identified Clients in respect of which Transactions are executed that result in Contracts and Positions being recorded on such Client Account;
- (d) use its best endeavours to ensure that LME Clear has at all times up to date details of the representatives of the Identified Clients allocated to a Client Account who are authorised to make binding decisions and instructions on behalf of such Identified Client (including the contact details for such representatives);
- (e) maintain accurate and up-to-date records of the Contracts, Positions and Collateral relating to each Client in respect of which Transactions or their corresponding Contracts are recorded on such Client Account and the Collateral it has provided to LME Clear in respect of such Contracts;
- (f) promptly provide such information as LME Clear may reasonably request in respect of such Client Account and the Clients to which it relates (including the Transactions in respect of which Contracts are recorded and Collateral provided);
- (g) use its best endeavours to ensure that each such Client provides to LME Clear such information about itself and its Transactions as LME Clear may reasonably request. For the avoidance of doubt, it shall be reasonable for LME Clear to request information directly from a Client in the event that LME Clear requires such information in order to discharge any obligation or perform any function under these Rules and the Member is unable or unwilling to provide such information to LME Clear within a timescale acceptable to LME Clear;
- (h) at all times be in compliance with the requirements of Rule 5.2.1;
- (i) provide to or, where applicable, execute with, each Client allocated to such Client Account any notice or documentation specified by LME Clear in accordance with

## Rule 5

any Annex, together with any updates to such notices or documentation specified by LME Clear from time to time.

**5.3.2** LME Clear shall not be under any obligation to facilitate the application of the Porting Process in respect of a Client Account in the event that LME Clear has any reason to doubt that:

- (a) all Clients allocated to such Client Account are Identified Clients; or
- (b) it has accurate, current and up-to-date records of the Clients, Contracts, Positions and Collateral allocated to a Client Account.

This Rule 5.3.2 shall at all times be subject to the Rule 10.7.8 and the general discretion of LME Clear thereunder.

**5.3.3** Without prejudice to the Member's obligations under Rule 5.3.1, each Member that has established a Client Account must provide LME Clear with such updated details regarding:

- (a) its Clients; and
- (b) any other matters specified in Rule 5.3.1,

as may reasonably be requested by LME Clear as part of its annual due diligence processes in respect of the Member and its Accounts.

#### **Allocation IDs**

**5.3.4** A Member in respect of whom LME Clear has established a Gross Omnibus Segregated Client Account must, in respect of each Contract allocated to such Account (and its associated Positions and Collateral), notify LME Clear of the Allocation ID against which such Contract should be recorded by LME Clear. Such notification must be made in within the timescales, and using the format, specified by LME Clear in the DSS. It shall be the sole responsibility of the Member to notify LME Clear of the correct Allocation ID for each Contract and LME Clear shall have no responsibility, or liability to any person for, recording any Contract (or its associated Position or Collateral), in a Gross Omnibus Segregated Client Account in accordance with the Allocation ID notified to LME Clear by the Member.

**5.3.5** In the event that a Contract is allocated to a Gross Omnibus Segregated Client Account and has not yet been assigned to an Allocation ID, it shall be held as an unallocated Contract until the Member has provided details of the Allocation ID against which the Contract should be recorded. Following a Default Event, the Member may request that such unallocated Contracts be allocated to an Allocation ID, and LME Clear in its sole discretion shall have the right but not the obligation to assign the unallocated Contract to the Allocation ID that has been notified to LME Clear by the Member.

## **5.4 AUTOMATIC PORTING PROCESS**

### **Submission of Automatic Porting Designation Documents**

**5.4.1** In the event that an Identified Client allocated to a Client Account wishes to participate in the Automatic Porting Process, such Client must ensure that it submits to LME Clear Automatic Porting Designation Documents, in accordance with Section 1 of Default Procedure D (*Porting Procedure*), that are completed, executed and submitted to LME Clear by:

## Rule 5

- (a) the Client itself; and
- (b) (where the Client Account is an Omnibus Segregated Client Account) each other Client allocated to the Client Account; and
- (c) the Designated Member Transferee for such Client or Clients.

**5.4.2** Where requested by the Client or Clients allocated to a Client Account maintained by a Member, the Member shall facilitate the completion and execution of the Automatic Porting Designation Documents by each Client allocated to the Client Account and their Designated Member Transferee and shall submit to LME Clear the completed Automatic Porting Designation Document on such Client or Clients' behalf.

**5.4.3** Each Member acknowledges that, in the event that the Client or Clients allocated to a Client Account maintained by that Member submit to LME Clear Automatic Porting Designation Documents in accordance with this Rule 5.4 and Section 1 of Default Procedure D (*Porting Procedure*), LME Clear shall be entitled to implement the Automatic Porting Process upon such Member becoming a Defaulting Member.

#### **Obligations of Designated Member Transferee**

**5.4.4** Each Member that has agreed to be identified as a Designated Member Transferee for any Client(s) in the Automatic Porting Designation Documents lodged with LME Clear must ensure that it has established, and maintains in place, appropriate contractual arrangements with such Client(s) to enable such Designated Member Transferee to commence the provision of clearing services to such Client(s) immediately upon completion of any Transfer. For the avoidance of doubt, such contractual arrangements must be in compliance with the requirements set out in Rule 5.2 (*Establishment of Appropriate Contract Terms with Clients*).

#### **Termination or Change of Arrangements Supporting Automatic Porting Designation Document**

**5.4.5** A Designated Member Transferee shall notify LME Clear immediately in the event that the Designated Member Transferee or any Client allocated to a Client Account gives notice to terminate the terms on which the Designated Member Transferee is appointed by the Client to act as its Designated Member Transferee for that Client Account.

**5.4.6** In the event that LME Clear receives written notice from:

- (a) a Client allocated to a Client Account indicating that it no longer wishes to participate in the arrangements specified in the latest Automatic Porting Designation Document received by LME Clear in respect of that Client Account; or
- (b) the Designated Member Transferee identified in the latest Automatic Porting Designation Document received by LME Clear in respect of a Client Account indicating that it no longer wishes to act as Designated Member Transferee for such Client Account or that notice has been given by itself or any Client to terminate the terms on which it is appointed by the Client to act as its Designated Member Transferee for that Client Account,

then such Client Account shall, subject to Rule 5.4.7 below, immediately cease to be treated as eligible for the application of the Automatic Porting Process until such time as LME Clear receives updated Automatic Porting Designation Documents in respect of such Client Account in accordance with Rules 5.4.1 and Section 1 of Default Procedure D (*Porting Procedure*).

## Rule 5

**5.4.7** Subject to Default Procedure D1.3, LME Clear shall be entitled not to treat as valid any notice made under Rule 5.4.5 or 5.4.6 that is received less than one (1) Business Day prior to the Member that has established the relevant Client Account becoming a Defaulting Member.

**5.5 CLIENT MONEY**

**5.5.1** Where a Member holds cash in respect of a Client as client money in accordance with the Client Assets chapter of the UK Financial Conduct Authority's Handbook (the "**CASS Rules**"), it shall be the responsibility of the Member to provide to LME Clear such notifications as may be required pursuant to the CASS Rules.

**5.5.2** It shall be the responsibility of any such Member to ensure that where a Client Account is to be treated as a "client transaction account" under the CASS Rules, the Member must only record to such Client Account, Contracts and Collateral that are required and/or permitted under the CASS Rules to be allocated to such Client Account. Clause 7 of the Membership Agreement shall apply in respect of any such Client Account.

## Rule 6

**RULE 6 - ACCEPTANCE****6.1 INTRODUCTION**

**6.1.1** This Rule 6 sets out the basis on which LME Clear will accept Transactions into the Clearing System and create Contracts with Members in respect of such Transactions.

**6.1.2** The Clearing Procedures set out further detail on the arrangements for the acceptance of Transactions and the clearing of Contracts.

**6.1.3** Without prejudice to the specific provisions set out below and in the Clearing Procedures:

- (a) Transactions that meet the Acceptance Criteria shall be Accepted into the Clearing System and shall form Contracts, in accordance with Rule 6.5;
- (b) Contracts shall be subject to the application of the clearing processes specified in this Rule 6 and the Clearing Procedures, including the application of netting to Accounts reflecting Members' Positions in respect of such Contracts and, where applicable, the daily marking-to-market or settlement to market of such Contracts;
- (c) Contracts shall only be transferred, modified, cancelled or otherwise amended where, and to the extent permitted by the Rules or the Clearing Procedures; and
- (d) Contracts shall be subject to settlement or delivery in accordance with the provisions of Rule 7 (*Settlement and Contract Performance*).

**6.2 APPROVED TRANSACTION PLATFORMS**

**6.2.1** LME Clear will clear such Transactions in accordance with Transaction Data submitted to LME Clear by the Approved Transaction Platform.

**6.3 TRANSMISSION AND PROCESSING OF TRANSACTION DATA**

**6.3.1** Transaction Data shall be submitted to LME Clear by an Approved Transaction Platform in such format and containing such identifying details and additional information as LME Clear may specify from time to time in relation to the type of Transaction. LME Clear shall not be obliged to accept any Transaction Data that does not meet such requirements.

**6.3.2** Clearing Procedure B2 specifies the processes that LME Clear shall apply to determine how it shall deal with Transaction Data that does not meet its requirements.

**6.4 OPEN OFFER AND ACCEPTANCE CRITERIA**

**6.4.1** LME Clear shall assume rights and obligations in respect of each Transaction as provided in Rule 6.5 at the time when the Transaction is deemed to be Accepted (pursuant to Rule 6.4.3 below) by LME Clear.

**6.4.2** LME Clear makes an open offer to Members to enter into Contracts in respect of a Transaction. Such offer is conditional only upon the satisfaction of the Acceptance Criteria.

**6.4.3** Upon satisfaction of the Acceptance Criteria, at the time specified in Clearing Procedure B3.2:

- (a) a Transaction shall be deemed to be accepted into the Clearing System ("**Acceptance**"); and

## Rule 6

- (b) Contracts shall automatically and immediately come into effect between LME Clear and each Member responsible for the Transaction, in accordance with Rule 6.5,

and the time at which Acceptance occurs shall be the "**Acceptance Time**".

## 6.5 FORMATION OF CONTRACTS

Upon Acceptance of a Transaction:

- (a) Subject to (b) below:
  - (i) where a Member is (or is clearing the transaction for a Client which is) the seller, it shall (acting as principal) acquire as seller rights against, and assume obligations towards, LME Clear as buyer on the terms of the Relevant Rights and Obligations, and a Contract shall be deemed to come into effect between LME Clear and the Member reflecting such terms; and/or
  - (ii) where a Member is (or is clearing the transaction for a Client which is) the buyer, it shall (acting as principal) acquire as buyer rights against, and assume obligations towards, LME Clear as seller on the terms of the Relevant Rights and Obligations, and a Contract shall be deemed to come into effect between LME Clear and the Member reflecting such terms; or
- (b) where the Transaction is between a Member and its Client, two Contracts shall be deemed to come into effect between LME Clear and the Member:
  - (i) a Contract where LME Clear shall assume the position of the buyer and the Member shall assume the position of the seller, on the terms of the Relevant Rights and Obligations; and
  - (ii) a Contract where LME Clear shall assume the position of the seller and the Member shall assume the position of the buyer, on the terms of the Relevant Rights and Obligations.

## 6.6 ALLOCATION OF CONTRACTS

- 6.6.1 LME Clear shall allocate the Contracts arising pursuant to Rule 6.5 to the Account(s) specified by the Member in the Transaction Data.
- 6.6.2 In the event that LME Clear considers that any Transaction Data has incorrectly allocated a Contract to an Account, LME Clear may allocate such Contract to an Administrative Account.
- 6.6.3 Notwithstanding Rule 6.6.1, any Contract formed pursuant to a Transaction made in the Ring shall be allocated to the Member's House Account.
- 6.6.4 LME Clear has no obligation, under the Rules or otherwise, to verify, confirm or otherwise ensure that a Member has allocated a Contract to an appropriate Account.
- 6.6.5 Where a Transaction is subject to a Give-Up, Clearing Procedure B3 shall apply to determine how the Contracts allocated to an Account in respect of such Give-Up shall be treated upon acceptance of the Give-Up.

## Rule 6

- 6.6.6** Where a Contract is allocated to a Gross Omnibus Segregated Client Account, LME Clear shall record the Allocation ID referable to such Contract in accordance with the information notified to LME Clear by the Member pursuant to the DSS.

**6.7 TREATMENT OF UNDERLYING CLIENT TRADES**

Where any Contract between LME Clear and a Member arises in respect of any Transaction that is with or for a Client and one or more corresponding contracts in respect of such Transaction comes into effect between the Member and its Client (or between such Client and any underlying Indirect Client) (such corresponding contracts being the Underlying Client Trade):

- (a) the execution of such Underlying Client Trade shall be governed by the LME Rules and/or any terms of business between such Member, Client and/or Indirect Client, and not by these Rules; and
- (b) nothing in these Rules shall be treated as creating any right or obligation for LME Clear under the Underlying Client Trade.

**6.8 LME CLEAR NOT ON RISK UNTIL ACCEPTANCE**

For the avoidance of doubt:

- (a) LME Clear shall be under no obligation to treat a Transaction as giving rise to any Contract in the event that the Transaction has not been Accepted; and
- (b) LME Clear shall be under no obligation to any Member or any other party, and shall accept no risk, in respect of any Transaction that has not been Accepted.

**6.9 POST-ACCEPTANCE OBLIGATIONS**

- 6.9.1** The Member shall comply with any obligations relating to any Transaction that is Accepted pursuant to this Rule 6, and which are required to be performed following such Acceptance, in accordance with the LME Rules and/or these Rules (including the Clearing Procedures).

- 6.9.2** Any failure by a Member to comply with the obligations specified under Rule 6.9.1 shall not invalidate any Contract that has formed upon Acceptance, but may constitute an Act of Misconduct for the purposes of these Rules, or a breach of the LME Rules.

**6.10 ACCOUNTS**

Accounts shall be subject to the application of such processes as are specified in the Clearing Procedures and the Respective Entitlements of LME Clear and each Member under each Open Contract, and the Positions that reflect such rights and obligations, shall be subject to the processes described in the Clearing Procedures.

**6.11 POSITION MAINTENANCE AND DAILY SETTLEMENT TO MARKET**

- 6.11.1** LME Clear shall record and maintain all Positions referable to an Account in accordance with Clearing Procedure B4 (*Position Update and Maintenance and Settlement to Market*).

- 6.11.2** The Clearing Procedures specify:

- (a) those Contracts that shall be subject to maintenance on a gross, net or aggregated basis and the basis on which such processes shall be applied;



## Rule 6

- (b) those Contracts that shall be subject to daily settlement to market and the basis on which LME Clear shall conduct such daily settlement to market; and
- (c) the basis on which Aggregated Contracts may be subject to a regular close out process.

**6.11.3** Where specified in the Clearing Procedures, LME Clear shall effect the daily settlement to market of Open Contracts.

**6.11.4** Where any Contract is subject to netting, aggregation or close-out in accordance with the position management provisions set out in Clearing Procedure B4 (*Position Update and Settlement to Market*) and/or Clearing Procedure B5 (*Settlement to Market Process*) the Member that is party to such Contract shall:

- (a) comply with the procedures specified by LME Clear as applicable to the implementation of such processes, including ensuring that any instructions issued by the Member to LME Clear are compliant with any restrictions applying to the Contracts that may be subject to such processes;
- (b) ensure that the Member makes any notifications to any trade repository or Regulator regarding the effect of such netting on any Transaction or Contract to which the Member is a party as may be required of such Member pursuant to Applicable Law;
- (c) ensure that any Client is promptly notified of the implementation of any netting or aggregation in relation to any Contract that relates to any Underlying Client Trade to which that Client is a party; and
- (d) take all necessary and appropriate steps to ensure that, upon the netting or aggregation of any Contracts, a corresponding netting or aggregation takes effect in respect of any Underlying Client Trades that remain in force between the Member and any other party, or between any Client and any other party, and that are cleared by such Contracts. Without limitation to the foregoing, the Member shall ensure that the terms governing any such Transaction shall specify that such netting or aggregation shall take effect automatically upon such netting or aggregation, in order to avoid the creation of a mis-match between the positions between the counterparties to the relevant Transaction and the netted or aggregated Positions.

## **6.12 MEMBERS AS PRINCIPALS**

**6.12.1** Each Member shall act as principal (and not as agent) in relation to each Contract entered into with LME Clear.

**6.12.2** Except to the extent specifically set out in the Rules, LME Clear shall not be obliged to recognise the interest of any person that is not a Member in any Account, Contract or Relevant Entitlement. Any record maintained by LME Clear of the interest of any Client or Indirect Client in any Transaction, Contract or Collateral, allocated to a Client Account shall be for administrative purposes only, and shall not be treated as giving rise to any rights or entitlements by any such Client or Indirect Client that are enforceable against LME Clear.

**6.12.3** For the avoidance of doubt, except as specifically set out in Rule 2.1.5, LME Clear shall have no obligations of any kind (whether in contract, tort or pursuant to any duty of care) to any Client or Indirect Client and shall be under no obligation to act on the instructions of, or at the request of any such Client or Indirect Client.



## Rule 6

**6.13 TRANSFER OF CONTRACTS IN THE ABSENCE OF DEFAULT**

**6.13.1** A Member may request that all of its rights and liabilities under an Open Contract recorded on a House Account or a Client Account, including all open Positions and Collateral associated with such Contract, shall be transferred to another Member.

**6.13.2** Any request pursuant to Rule 6.13.1 above shall be made by the Member that is responsible for the relevant Account. LME Clear will not be under any obligation to consider or act on any request received from any Client or Indirect Client in respect of which the Member has established such Account.

**6.13.3** LME Clear shall only effect a transfer requested under Rule 6.13.1 above where the following conditions are met:

- (a) the rules of the Approved Transaction Platform on which the original Transaction was executed or confirmed:
  - (i) do not prohibit the transfer of such Contract; and
  - (ii) permit the transferee Member to become a party to such Contract;
- (b) where the rules of the Approved Transaction Platform on which the original Transaction was executed or confirmed impose procedural requirements or conditions to any such transfer, all such requirements and conditions shall be fully satisfied;
- (c) the Approved Transaction Platform has been notified by LME Clear of the requested transfer and has not notified LME Clear of any objection, on reasonable grounds, to such transfer taking effect;
- (d) where the transfer is allocated to a Client Account:
  - (i) the transfer is reflected in a Client Account of the transferee Member that is allocated to the same Client(s); and
  - (ii) there is no change to the identity of the Client(s) to which the relevant Contracts are allocated;
- (e) the transferee Member consents to such transfer;
- (f) the transferee Member is a non-defaulting Member;
- (g) LME Clear, has the information required to enable it to calculate the amounts to be transferred and is satisfied as to its accuracy;
- (h) LME Clear is satisfied that sufficient additional Collateral will, on the transfer being effected or, if necessary, in advance, be provided to it by the transferee Member and, immediately prior to the transfer of an Open Contract, no LME Warrant Collateral is associated with such Contract;
- (i) the transferee Member and the transferor Member demonstrate to the reasonable satisfaction of LME Clear that any Underlying Client Trade that corresponds to the Open Contract that is to be transferred shall also be transferred simultaneously with the transfer of the Open Contract, (whether by novation or otherwise), such that any Client is able to enforce against the transferee Member the terms of the Underlying Client Trade that corresponds to such transferred Open Contract. LME Clear may require the transferee Member and the transferor Member to

## Rule 6

provide written representations to the effect that such Underlying Client Trade shall be so transferred; and

- (j) LME Clear agrees to the transfer. For the avoidance of doubt, and without limitation to LME Clear's discretion, LME Clear will not agree to the transfer in the event that it considers that the transfer would:
  - (i) not be reasonably practicable to achieve under the technical or operational arrangements used by LME Clear in relation to the Contracts or Accounts that are subject to the transfer request;
  - (ii) be contrary to the interests of LME Clear;
  - (iii) cause LME Clear to breach any requirement or order of any Regulator, or any Applicable Law;
  - (iv) result in LME Clear failing to hold sufficient Collateral in respect of the risks represented by the Positions of either Member; or
  - (v) would create an unacceptable risk to LME Clear or its Members or to the stability of the market in any Instrument.

In the event that the conditions specified above are satisfied, both the transferor Member and the transferee Member will co-operate with LME Clear to ensure the prompt completion of such transfer.

#### 6.14 NO TRANSFER OF RIGHTS AND OBLIGATIONS

Except as may be permitted pursuant to Rule 6.13 above, and subject to the application of Rule 10.7 (*Portability of Client Accounts*) in respect of a Defaulting Member, no Member may assign, novate or otherwise transfer any of its rights or obligations under the Rules without the prior written consent of LME Clear, which consent LME Clear may withhold.

#### 6.15 CANCELLATION OF CONTRACTS

##### 6.15.1 LME Clear may cancel any Contract in the event that:

- (a) LME Clear reasonably considers that such Contract or the performance by any party of its obligations under such Contract would:
  - (i) be unenforceable or voidable by any person in law;
  - (ii) contravene any Applicable Law including, on the grounds of illegality, fraud, the performance of regulated activities by a person that does not have the necessary regulatory permissions or authorisations, money laundering (or suspicion thereof), insider dealing, market abuse, or breach of any Sanctions; or
  - (iii) be contrary to the rules of any Approved Transaction Platform or the cancellation of such Contract is necessary to enable the Approved Transaction Platform to maintain an orderly market in the Eligible Products traded on such Approved Transaction Platform; or
- (b) the Transaction to which the Contract relates has been the subject of an intra-day cancellation request by the Member pursuant to the Rules of the Approved Transaction Platform and is cancelled in accordance with such Rules; or

## Rule 6

- (c) the Contract has been allocated to an Administrative Account of a Member for the purpose of facilitating a Give-Up and such Give-Up has subsequently been accepted by another Member.

**6.15.2** In the event that LME Clear proposes to cancel any LME Contract in accordance with Rule 6.15.1 above, LME Clear shall take all reasonable steps to consult with, and co-operate with, the LME with a view to LME Clear and the LME applying a co-ordinated approach to the cancellation of the LME Contract that is consistent with both the LME Rules and the Rules.

**6.15.3** In the event that LME Clear cancels any Contract in accordance with Rule 6.15.1 above, LME Clear may take such action as LME Clear considers reasonably necessary to preserve the integrity of the Clearing System or the orderly performance of the market in the Eligible Products including:

- (a) requiring any other Contract that arose from the same Transaction as the cancelled Contract to also be cancelled, and for the original Transaction to be re-instated as between the original counterparties;
- (b) requiring the Member that was party to the cancelled Contract to enter into a replacement Contract for the same or materially equivalent terms; or
- (c) entering into one or more contracts on its own account in order to balance its obligations in respect of any other Contract or Contracts.

## **6.16 CONTRACTS AS BINDING OBLIGATIONS**

**6.16.1** Subject to Rule 6.16.2 below, a Contract that has come into effect under the Rules shall remain open and shall bind the parties until such time as:

- (a) it is settled in accordance with the Rules;
- (b) it expires in accordance with its terms;
- (c) it is transferred to another Member in accordance with the Rules;
- (d) it is closed out, liquidated or otherwise discharged in accordance with the Rules; or
- (e) it is cancelled in accordance with the Rules.

**6.16.2** Nothing in this Rule 6.16 shall be construed so as to limit or prevent LME Clear from applying daily settlement to market processes in relation to relevant Contracts in accordance with Clearing Procedure B. For the avoidance of doubt, the settlement to market process shall involve the daily close-out of relevant Open Contracts, and the creation of new Open Contracts reflecting the relevant Position.

**6.16.3** Subject to Rule 6.16.2, no variation, amendment, waiver or surrender of any terms, rights or obligations under any Contract shall be effective without the prior written consent of LME Clear.

## **6.17 REPORTS**

**6.17.1** LME Clear shall make available to each Member Reports relating to the Member's rights and obligations under or in respect of Contracts formed pursuant to this Rule 6, containing such information and at such frequencies as are specified in Annex 4 (*List of Available Reports*).

Rule 6

**6.17.2** The Member shall comply with the requirements set out in the Clearing Procedures in relation to the Member's use and verification of such Reports.

## Rule 7

**RULE 7 - SETTLEMENT AND CONTRACT PERFORMANCE****7.1 INTRODUCTION**

**7.1.1** This Rule 7 sets out the basis on which Open Contracts shall be settled or otherwise discharged.

**7.1.2** Members' obligations under this Rule 7 shall be read and interpreted in conjunction with Clearing Procedures.

**7.1.3** Members shall perform their obligations in respect of each Contract in accordance with the Clearing Procedures.

**7.2 TYPES OF SETTLEMENT****Contracts Settled under LME Rules**

**7.2.1** Contracts arising as a consequence of the Acceptance of Transactions shall settle or otherwise be discharged in accordance with:

- (a) the relevant provisions of the LME Rules; and
- (b) any additional requirements specified for such Contracts in the Clearing Procedures,

(such Contracts being "**Contracts Settled Under LME Rules**"). LME Clear and the Member shall comply with the LME Rules and the Clearing Procedures in relation to the settlement and / or discharge of Contracts Settled under LME Rules. In the event of any conflict between the LME Rules and these Rules in respect of any matter that falls within the scope of any Rule or provision of these Rules, these Rules shall prevail.

**Contracts that are not Contracts Settled Under LME Rules**

**7.2.2** In accordance with the Clearing Procedures, Contracts that are not Contracts Settled Under LME Rules shall be settled in the following ways:

- (a) Physical Delivery Contracts shall be settled, on the Settlement Date, by:
  - (i) the Buyer making a Settlement Payment to the Seller, in cash in the relevant Settlement Currency; and
  - (ii) the Seller delivering to the Buyer such quantity of Underlying Assets as are specified by the terms of the Contract,

in accordance with Rule 7.5 below;

- (b) Financially Settling Contracts shall be settled, on the Settlement Date, by:
  - (i) the payment of a Settlement Payment by the party to the Contract that has the Payment Obligation; and
  - (ii) the expiry of the Contract in accordance with its terms;
- (c) Option Contracts shall be discharged upon:
  - (i) expiry; or

## Rule 7

- (ii) exercise of the option by the Option Holder, whether such exercise occurs automatically or at the election of the Option Holder, in accordance with Rule 7.6 below and the Clearing Procedures.

### 7.3 ISSUE OF SETTLEMENT INSTRUCTIONS

- 7.3.1 On each Business Day, LME Clear shall issue to each Member instructions to perform the Cash Settlements and Delivery Obligations due to be performed by that Member ("**Settlement Instructions**"). The requirements, timing and process for the issue of Settlement Instructions shall be as set out in the Clearing Procedures.
- 7.3.2 For the avoidance of doubt, Settlement Instructions may include instructions to a Member to make a payment on the day on which the Settlement Instruction is issued (including an instruction to provide Collateral in respect of an Intra-Day Margin Requirement).

### 7.4 CASH SETTLEMENT ARRANGEMENTS

- 7.4.1 Each Member shall, on each Business Day, settle all Cash Settlements due to or from the Member to LME Clear in accordance with the Settlement Instructions issued by LME Clear and within the timeframes specified in the Clearing Procedures.
- 7.4.2 Clearing Procedure E sets out the specific requirements applying to Cash Settlements. Members shall at all times comply with the requirements of Clearing Procedure E.

### 7.5 PHYSICAL DELIVERY

- 7.5.1 A Member shall not be eligible to become a party to a Physical Delivery Contract in relation to any Underlying Asset unless it has in place, at all times, all necessary arrangements with an Approved Delivery Facility that is specified in the Clearing Procedures as being approved for such Underlying Asset.
- 7.5.2 Rule 7.5.3 below applies only in respect of Physical Delivery Contracts that are not Contracts Settled Under LME Rules.
- 7.5.3 Upon the Settlement Date for a Physical Delivery Contract the Member and LME Clear shall settle their respective Delivery Positions in accordance with the following:
  - (a) where the Member is the Seller:
    - (i) the Member shall deliver to LME Clear the Underlying Asset that is required to be delivered under the terms of the Contract and in such quantities and in such form as are required pursuant to the Member's Delivery Obligation;
    - (ii) unless LME Clear directs the Member otherwise, the Member shall ensure that an Approved Delivery Facility shall deliver, from the Member's account with the relevant Approved Delivery Facility to LME Clear's account with a relevant Approved Delivery Facility, the Underlying Asset required to be delivered in accordance with (i) above; and
    - (iii) LME Clear shall make, or direct the relevant Approved Settlement Bank to make, a Settlement Payment to the Member's Settlement Account at the relevant Approved Settlement Bank in such Settlement Currency and of such amount as is required pursuant to LME Clear Payment Obligation and the Member shall accept such Settlement Payment in discharge of

## Rule 7

LME Clear's Payment Obligation and shall ensure that its Approved Settlement Bank accepts such Settlement Payment; or

- (b) where the Member is the Buyer:
  - (i) the Member shall pay to LME Clear the Settlement Payment in such Settlement Currency and of such amount as is required pursuant to the Members Payment Obligation;
  - (ii) unless LME Clear directs otherwise, the Member shall direct its Approved Settlement Bank to make, a Settlement Payment in accordance with (i) above to LME Clear's Settlement Account. Such payment shall be a Cash Settlement and shall be discharged in accordance with Rule 7.4 above; and
  - (iii) LME Clear shall direct a relevant Approved Delivery Facility to deliver, from LME Clear's account with the Approved Delivery Facility to the Member's account with an Approved Delivery Facility, the Underlying Asset that is required to be delivered under the terms of the Contract and in such quantities and in such form as are required pursuant to LME Clear's Delivery Obligation. The Member shall accept such delivery in discharge of LME Clear's Delivery Obligation and shall ensure its Approved Delivery Facility accepts such Underlying Asset.

**7.5.4** The settlement obligations specified in Rule 7.5.3 above shall be performed in accordance with the procedures, requirements and timescales specified in the Clearing Procedures.

**7.5.5** LME Clear may refuse to accept delivery of an Underlying Asset in settlement of an Open Contract in the event that such acceptance would result in a breach of Applicable Law.

## **7.6 OPTION CONTRACTS**

**7.6.1** This Rule 7.6 applies only in respect of Option Contracts that are not Contracts Settled Under LME Rules. (Clearing Procedure B6 shall apply to Contracts Settled under LME Rules).

**7.6.2** Upon the Option Premium Date the Option Holder under an Option Contract shall pay to the other party under the Contract the Option Contract Premium. Such payment shall be discharged as a Cash Settlement in accordance with:

- (a) Rule 7.4 above; and
- (b) any other requirements applicable to such Option Contract specified in the Clearing Procedures.

**7.6.3** The option under an Automatic Exercise Option Contract will be deemed to be exercised by the Option Holder on the Option Exercise Date, in accordance with the Clearing Procedures. Any Member that is an Option Holder under an Automatic Exercise Option Contract shall have no right to abandon, disclaim, refuse or otherwise prevent the exercise of such option.

**7.6.4** An option under a Manual Exercise Option Contract may be exercised by the Option Holder, subject to and in accordance with the procedural requirements and time limits specified in the Clearing Procedures.

## Rule 7

**7.6.5** Upon the exercise of an option under an Option Contract that requires the payment of an Option Exercise Payment, such payment shall become due and payable to the Option Holder by the other party under the Contract on the Option Exercise Date. Such payment shall be discharged as a Cash Settlement in accordance with:

- (a) Rules 7.4 above; and
- (b) any other requirements applicable to such Option Contract specified in the Clearing Procedures.

**7.6.6** Upon the exercise of an option under an Option Contract that provides for the creation of one or more new Contracts, then upon the Option Exercise Date:

- (a) the Option Contract shall be discharged; and
- (b) one or more new Contracts shall be deemed to take effect between LME Clear and the Member, in accordance with and on such terms as are specified in the Clearing Procedures.

**7.6.7** In the event that an option under a Manual Exercise Option Contract is not exercised by the Final Exercise Time, the Contract shall, unless LME Clear determines that the Final Exercise Time shall be postponed, immediately expire and shall cease to have any further binding effect.

**7.6.8** The settlement obligations specified in this Rule 7.6 shall be performed in accordance with the procedures, requirements and timescales specified in the Clearing Procedures (including, for the avoidance of doubt, Clearing Procedure B6 (*Option Exercise and Assignment*)).

## **7.7 FAILURE TO SETTLE**

**7.7.1** All payments and deliveries required to be made pursuant to this Rule 7 shall be made:

- (a) on the Settlement Date; or
- (b) on the Option Exercise Date, where the relevant Option Contract requires a payment or delivery to be made on its exercise; and
- (c) in accordance with such additional procedural requirements,

that in each case are to be determined in relation to the relevant Contract in accordance with the Clearing Procedures. A Member shall ensure that any Cash Settlements or Delivery Obligations in respect of a Contract are performed in accordance with such specified requirements.

**7.7.2** A Member that fails to ensure that its Cash Settlements or Delivery Obligations are performed in accordance with this Rule 7 may be subject to action by LME Clear pursuant to Rule 10 (*Default*).

**7.7.3** Without prejudice to Rule 7.7.2, in the event of a Failed Settlement Position, LME Clear shall be entitled to take any action permitted or contemplated by:

- (a) the LME Rules, where the Failed Settlement Position relates to a Contract Settled Under LME Rules; and/or
- (b) the Default Procedures; and /or



## Rule 7

- (c) Rule 7.8 below; and/or
- (d) Rule 7.9 below, where the Failed Settlement Position relates to an LMEprecious Future.

**7.8 BUY-IN AND INVOICING BACK****7.8.1** In the event that:

- (a) a Member fails to deliver an Underlying Asset to LME Clear in fulfilment of its Delivery Obligation under a Physically Settling Contract; and
- (b) LME Clear requires an Underlying Asset in order to satisfy any Delivery Obligation that LME Clear has to any Member under a Physically Settling Contract,

LME Clear may:

- (i) in accordance with Rule 7.8.2, effect a buy-in of the relevant Underlying Asset in order to enable LME Clear to discharge such Delivery Obligation (a "**Buy-In**"); or
- (ii) in the event that LME Clear determines that it is not possible or practicable to effect a Buy-In, and in accordance with Rule 7.8.3, make a Cash Settlement to any Member in respect of which LME Clear has such a Delivery Obligation in substitution for the delivery of the Underlying Asset, in order to close out LME Clear's open Positions in respect of Contracts requiring delivery by LME Clear of such Underlying Asset ("**Invoice Back**").

**7.8.2 Buy-In**

- (a) LME Clear may effect a Buy-In by purchasing or borrowing the relevant Underlying Asset from another Member or pursuant to a transaction with a third party. LME Clear may effect such Buy-In:
  - (i) (except where (ii) below applies) at such price as is determined in accordance with the LME Rules applying to Buy-Ins or, where no such LME Rules apply in respect of the relevant Contract, at the latest Closing Price for such Underlying Asset or, if such Closing Price is not available, at such price as LME Clear determines is reasonably appropriate in the circumstances in consultation with the Board Risk Committee; or
  - (ii) where the Underlying Asset is a Precious Metal, at the prevailing market price for such Precious Metal at the time of the Buy-In; and
  - (iii) in such manner as LME Clear considers appropriate in the circumstances.
- (b) In the event that LME Clear effects a Buy-In, the Member that failed to deliver the relevant Underlying Asset shall reimburse LME Clear for all costs incurred by LME Clear in purchasing or borrowing the Underlying Asset, including, without limitation, the amount paid by LME Clear to purchase the Underlying Asset and any costs incurred by LME Clear in executing the transaction to purchase or borrow the Underlying Asset. LME Clear shall notify the Member detailing the amount LME Clear requires the Member to reimburse and such payment shall be settled as a Cash Settlement.

## Rule 7

**7.8.3 Invoice Back**

- (a) LME Clear may effect an Invoice Back:
  - (i) at such price as is determined in accordance with the LME Rules applying to Invoice Back or, where no such LME Rules apply in respect of the relevant Contract, at the latest Closing Price for such Underlying Asset or, if such Closing Price is not available, at such price as LME Clear determines is reasonably appropriate in the circumstances in consultation with the Board Risk Committee; and
  - (ii) in such manner as LME Clear considers appropriate in the circumstances.
- (b) In the event that LME Clear effects an Invoice Back, the Member that failed to deliver the relevant Underlying Asset shall reimburse LME Clear for all costs, liabilities or losses incurred by LME Clear in effecting the Invoice Back. LME Clear shall notify the Member detailing the amount LME Clear requires the Member to reimburse and such payment shall be settled as a Cash Settlement.

**7.8.4** This Rule 7.8 explains the meaning of "Invoice Back" for the purpose of the LME Rules. For the avoidance of doubt, an Invoice Back shall be a cash settlement of the relevant Contract.

**7.8.5** LME Clear's rights under this Rule 7.8 are without prejudice to its other rights under these Rules, including without limitation Rule 2.4 (*Force Majeure*), Rule 7.7 above, Rule 10 (*Default*) and the Default Procedures.

**7.9 POSTPONED DELIVERY (LMEPRECIOUS FUTURES)**

**7.9.1** In the event that a Member fails to deliver an Underlying Asset to LME Clear in fulfilment of its Delivery Obligation under a Physically Settling Contract that is an LMEprecious Future:

- (a) subject to (d) below, LME Clear shall allow the Member to deliver the Underlying Asset to LME Clear until 12pm on the next following Business Day, notwithstanding the Settlement Date for the Contract;
- (b) in the event that LME Clear allows a delivery to be postponed pursuant to (a) above:
  - (i) it shall notify the Member;
  - (ii) the Contract(s) that are the subject of the failed delivery shall be subject to the application of a Variation Margin Requirement calculated on the basis of the Cash Contingent Variation Margin approach;
  - (iii) in the event that the Member fails to deliver the Underlying Asset to LME Clear by 12pm on the next following Business Day, LME Clear may take any such action as it may have taken on the Settlement Date pursuant to Rule 7.7.3 (including the powers specified in Rule 7.8) or may elect to accept the delivery of the Underlying Asset from the Member provided that LME Clear has not initiated a Buy-In; and
  - (iv) the Cash Settlement by LME Clear to such Member may be made at any time on such next following Business Day;

## Rule 7

- (c) the Member shall have committed an Act of Misconduct and may be subject to disciplinary proceedings pursuant to Membership Procedure D; and
- (d) in the event that the Member becomes a Defaulting Member, LME Clear reserves its right to take such other action as may be permitted pursuant to Rule 7.7.3 and Rule 10 (*Default*).

**7.9.2** In the event that LME Clear allows a delivery to be postponed pursuant to Rule 7.9.1(a) above, then:

- (a) one or more Open Contracts for LMEprecious Futures with Members having a Receive Entitlement in respect of an Underlying Asset of the same type as that which has not been delivered to LME Clear shall be subject to a postponement of LME Clear's performance of its Delivery Obligation until LME Clear is able to make delivery, following receipt of the Underlying Asset from the Member that is subject to Rule 7.9.1(a) or LME Clear having obtained the Underlying Asset pursuant to the completion of a Buy-In with respect to such Member;
- (b) the Open Contracts to be made subject to such postponement shall be selected by reference to a methodology that will have regard to (i) the timing of the Cash Settlement made by the Member with the Receive Entitlement; (ii) the sizes of LME Clear's Delivery Obligations under such Open Contracts; and (iii) whether a Member with a Receive Entitlement has already been subject to a postponement in respect of that Receive Entitlement; and
- (c) notwithstanding the postponement of LME Clear's Delivery Obligation, any Member to which (a) applies shall not be relieved of its obligation to ensure that any Cash Settlement in respect of the Contract is performed on the scheduled Settlement Date.

**7.9.3** It is the responsibility of each General Clearing Member to ensure that, where it is a party to any Underlying Client Trade the performance of which by the General Clearing Member is dependent upon receipt of an Underlying Asset from LME Clear pursuant to a Delivery Obligation under a Contract, the General Clearing Member is able to postpone its own delivery of such Underlying Asset to its Client in the event that LME Clear exercises its discretion pursuant to Rule 7.9.2 above.

## Rule 8

**RULE 8 - MARGIN REQUIREMENT AND COLLATERAL****8.1 COLLATERAL**

Each Member shall provide to LME Clear, and maintain on a daily basis for so long as it is a Member, Eligible Collateral with a Collateral Value sufficient to satisfy its Margin Requirement, which shall comprise:

- (a) the End of Day Margin Requirement;
- (b) the Intra-Day Margin Requirement(s); and
- (c) any other margin requirements (which excludes a Default Fund Contribution) required at any time by LME Clear pursuant to the Rules and the Procedures,

as security, cover and/or credit support for the performance by that Member of all of its present and future obligations to LME Clear pursuant to the Rules or the operation of the Clearing System.

**8.2 CALCULATION OF MARGIN REQUIREMENT**

**8.2.1** The Margin Requirement for each Member will be the amount which LME Clear may determine and notify the Member from time to time.

**8.2.2** The Margin Requirement for each Member will be calculated by LME Clear in accordance with methodology from time to time available on its Website and at such times as LME Clear may determine (whether at the regular times stated in the Clearing Procedures or otherwise). LME Clear may adopt different methodologies in respect of different Eligible Products and different Underlying Assets.

**8.2.3** LME Clear shall notify each Member, at the times determined by LME Clear, of the amounts of Collateral required to be provided to LME Clear to satisfy its Margin Requirement.

**8.2.4** Any Cash Collateral to be provided by a Member shall be provided to LME Clear in immediately available funds within the time limits set out in the Clearing Procedures.

**8.2.5** Calculations made by LME Clear for the purposes of this Rule 8 may be made in the Base Currency using such notional currency conversion rates determined by LME Clear at the relevant time.

**8.3 TYPES OF COLLATERAL**

**8.3.1** Collateral may be provided by a Member to LME Clear in the form of certain asset types and subject to eligibility criteria as set out in Part D of the Clearing Procedures and the Collateral Specifications, and on such terms as LME Clear may agree, provided that:

- (a) the part of a Member's Collateral comprising Cash Collateral may not at any time fall below the minimum proportion and/or minimum amount set out in the Clearing Procedures; and
- (b) the part of a Member's Collateral in any other form may not at any time exceed the maximum proportion and/or maximum amount for each category of Collateral as referred to in the Clearing Procedures or Annexes to the Clearing Procedures.

## Rule 8

**8.3.2** All Cash Cover provided by a Member shall be available to LME Clear freely to use and apply for any purpose contemplated by the Rules. Notwithstanding any other provision of any Member Documentation, the Member will have no proprietary interest in such cash which will constitute an unsecured debt (evidenced by the relevant Account(s) of the Member) payable by LME Clear to the Member in the amount(s) at the time(s) set out in the Member Documentation and subject to any deduction, set-off and other rights of LME Clear provided in the Member Documentation.

**8.3.3** LME Clear shall pay interest on Cash Collateral provided by a Member at such rate and at such times as LME Clear may from time to time specify (or, if such rate is a negative rate, LME Clear may charge the Member interest). Regardless of which Account in respect of which the relevant cash is recorded (including any Client Account) all interest will be credited or debited to the Member's House Account. LME Clear reserves the right not to pay interest if the amount of Eligible Cash does not exceed such threshold as it may select from time to time and not to pay interest on any amount of Cash Collateral which LME Clear determines is in excess of the amount of Collateral required by it from the Member under this Rule 8. LME Clear may pay interest at different rates upon different types of cash balance.

**8.3.4** LME Clear shall levy accommodation charges in respect of non-cash Collateral held by LME Clear at such rates and at such times as LME Clear may from time to time specify.

#### **8.4 TOP-UP COLLATERAL**

**8.4.1** If at any time the Collateral Value of Eligible Collateral provided by a Member is less than its Margin Requirement, the Member shall immediately on request by LME Clear deliver additional Collateral in order that such shortfall is eliminated.

#### **8.5 SECURITY, MEMBER REPRESENTATIONS AND NEGATIVE PLEDGE**

**8.5.1** As security for the performance by a Member of all of its present and future obligations to LME Clear pursuant to the Rules and any other Member Documentation, or the operation of the Clearing System, the Member shall execute such Security Documents over all or part of its Collateral (as determined by LME Clear) and in such terms as set out in the Clearing Procedures.

**8.5.2** Each Member represents and warrants to LME Clear as at each date on which such Member provides Asset Cover to LME Clear under the Rules that:

- (a) such Member is the sole legal and beneficial owner of the Asset Cover at the time it is provided to LME Clear or, where the property comprising the Asset Cover has been made available to the Member by its own Client or other person, the property has been made available by way of title transfer or with a right of use so as to enable the Member to charge or transfer it as owner to LME Clear to secure the Member's obligations to LME Clear;
- (b) all such Asset Cover is provided to LME Clear free and clear of any Security Interest, trust or third party rights save any subordinated or other Security Interest in favour of any person including a Client of the Member which LME Clear may have required or approved in advance (and, in respect of LME Warrant Collateral, LME Clear provides its approval for such purposes in relation to any lien arising by operation of law or a right of retention in favour of a Warehouse in respect of unpaid rent and other charges owing to that Warehouse, in each case, relating to metal to which an LME Warrant provided as Collateral relates); and

## Rule 8

- (c) the provision of such Asset Cover to LME Clear will not constitute or result in a breach of Applicable Law or any of trust, agreement or undertaking binding on the Member or affect any such Asset Cover.

**8.5.3** LME Clear shall be entitled to assume that all Asset Cover provided by a Member to LME Clear under this Rule or under the terms of any agreement made with the Member is in conformity with Rule 8.5.2.

**8.5.4** A Member shall not, without the prior written consent of LME Clear:

- (a) create, or agree or attempt to create, or permit to subsist, other than in favour of LME Clear, any Security Interest, trust or other interest over any Asset Cover provided to LME Clear under this Rule 8, or purport to do so (and, in respect of LME Warrant Collateral, LME Clear shall be deemed to have provided its prior written consent for such purposes in relation to any lien arising by operation of law or a right of retention in favour of a Warehouse in respect of unpaid rent and other charges owing to that Warehouse, in each case, relating to metal to which an LME Warrant provided as Collateral relates);
- (b) sell, assign, transfer or otherwise dispose all or any part of, or any interest in, any such Asset Cover, or purport to do so, or part with ownership of any of it; or
- (c) take any step which would otherwise constitute or result in a breach of the representations and warranties contained in Rule 8.5.2.

**8.5.5** All Asset Cover provided by a Member shall be incapable of assignment or charge by the Member or any other person (except LME Clear to the extent authorised by the Rules and/or to the extent LME Clear may have required or approved in advance). Any purported assignment or charge by a Member or such other person (whether by way of security or otherwise) of any such Asset Cover in contravention of the foregoing sentence shall be of no effect.

**8.5.6** "Asset Cover" when used in Rules 8.5.4 and 8.5.5 includes any obligation owed by LME Clear to the Member or any other person (a) in the case of cash, to pay a sum of money corresponding to such Asset Cover in the form of cash, and (b) in the case of Gold, to deliver unallocated Gold corresponding to such Asset Cover in the form of Gold.

## **8.6 USE OF ASSET COVER**

**8.6.1** LME Clear shall ensure that all Asset Cover provided to it by Members is identifiable separately from LME Clear's own assets and those of any third party by whom they may be held.

**8.6.2** Cash Cover may be partially or wholly invested by LME Clear in accordance with its investment policy as amended from time to time by LME Clear. To the extent not so invested, such cash funds shall be deposited by LME Clear as it considers appropriate (consistent with Applicable Clearing Regulations).

- (a) Upon any such investment being made, there shall be no change to the entries in the relevant Member's Account.
- (b) Members shall have no proprietary or other interest in any Investment Securities, which shall be owned by LME Clear.
- (c) All income, profits, losses and risks associated with any Investment Securities shall be for the account of LME Clear, save to the extent losses and risks are



## Rule 8

shared with Members generally pursuant to the non-default loss procedure under Rule 10.14 (*Allocation of Non-Default Losses*).

- 8.6.3** Notwithstanding any provision of any Security Document which refers to any right of LME Clear to use any assets the subject of the Security Document, LME Clear shall have no right of use over any such asset.

**8.7 WITHDRAWAL OF EXCESS OR INELIGIBLE COLLATERAL**

- 8.7.1** If at any time the Collateral Value of a Member's Collateral exceeds its then Margin Requirement, LME Clear shall (upon request by the Member) return the Excess Collateral in accordance with the Clearing Procedures provided any withdrawal would not result in a breach of the Rules including in relation to Collateral Limits. This Rule 8.7 shall not apply if Rule 8.8.1 has become applicable, nor shall it apply if a Default Event has occurred and is continuing in relation to the Member, and in any event shall be subject to the terms of any relevant Security Document.

- 8.7.2** A Member may request that any Collateral which is not or has ceased to be Eligible Collateral be returned to it, save that no such Collateral shall be returned unless the Member is in compliance with Rule 8.4, and nor shall this Rule 8.7.2 apply if a Default Event has occurred and is continuing in relation to the Member, and in any event shall be subject to the terms of any relevant Security Document.

**8.8 RETURN OF COLLATERAL ON TERMINATION OF MEMBERSHIP**

- 8.8.1** If a Member gives notice to LME Clear to terminate its Membership, the Member's Collateral shall be returned to it as soon as reasonably practicable (and within five (5) Business Days) after the Termination Date applicable to the Member, provided that in each case all amounts owing to LME Clear by the Member have been fully, finally and unconditionally paid or discharged to LME Clear prior to return, such Member has no remaining Open Contracts and no circumstances exist which might lead to further obligations or liabilities owed by the Member to LME Clear to arise.

- 8.8.2** Any obligation of a Member to LME Clear which is unpaid or un-discharged at the time it ceases to be a Member shall continue in force notwithstanding such termination and LME Clear may retain sufficient amounts of Collateral to secure or cover any remaining obligations of the Member (including any contingent or prospective obligations) and any obligation which may arise out of any disciplinary action.

**8.9 RETURN OF COLLATERAL TO A DEFAULTING MEMBER**

Upon LME Clear determining that, in relation to a Defaulting Member, the Default Procedures and the procedures set out in Rule 10 have been satisfied and that no debt or liability is due or capable of becoming due from the Defaulting Member to LME Clear, the Defaulting Member shall be entitled to the return of the Collateral (if any) which LME Clear at that time holds for the Defaulting Member (including paying the Defaulting Member a sum equal to the Cash Collateral (if any) which at that time is (subject to, and following any debit carried out under, Rule 10.4.1(o)) recorded in an Account of the Defaulting Member), save that LME Clear may at any time after a Default Event has occurred return to the Defaulting Member any Collateral (including paying the Defaulting Member a sum equal to any Cash Collateral) which is recorded in any Client Account of the Defaulting Member. This Rule 8.9 is subject to any Applicable Law or any provision of the Member Documentation (or of any security agreement granted by the Defaulting Member to its Client(s)) which requires any such Collateral to be transferred or paid to any other person including pursuant to the Porting Process or Rule 10.5.1(c).

## Rule 9

**RULE 9 - DEFAULT FUND****9.1 DEFAULT FUND**

- 9.1.0** LME Clear shall maintain separate Default Funds in respect of each Service, and this Rule 9 shall apply separately in respect of each such Service. Accordingly (a) the terms Default Fund and Default Fund Contribution shall be construed to apply to the Default Fund maintained in respect of the relevant Service, as the context requires; and (b) any reference to a Member shall be to a Member in the context of its participation in the relevant Service.
- 9.1.1** Each Member shall provide, and maintain on a daily basis for so long as it is a Member, a Default Fund Contribution in the amount specified by LME Clear from time to time. All Default Fund Contributions shall be made and maintained wholly in Eligible Cash in accordance with the Default Procedures and in the Eligible Currency set out in Annex 2 (*Eligible Currencies, Collateral and Haircuts*). It will be paid in immediately available funds within the time limits set out in such Procedure.
- 9.1.2** The initial amount of the Default Fund Contribution to be paid by an Applicant shall be determined by LME Clear subject to and in accordance with Default Procedure B, and shall be paid by the Applicant to LME Clear prior to submitting any Transactions to LME Clear.
- 9.1.3** The amount of the Default Fund Contribution to be provided by each Member shall be recalculated from time to time by LME Clear in accordance with such methodology as LME Clear shall set out in the Default Procedures.
- 9.1.4** LME Clear shall pay interest on the Default Fund Contribution provided by a Member at such rate and at such times as LME Clear may from time to time specify (or, if such rate is a negative rate, LME Clear may charge the Member interest). Such amount may be added to (or, if the rate of interest is negative, deducted from) the Member's Default Fund Contribution.
- 9.1.5** If at any time the amount of Default Fund Contributions provided by a Member exceeds the amount then required of it by LME Clear, the amount of such excess Default Fund Contribution will be repaid at the intervals from time to time specified in Default Procedure Part B, provided that:
- (a) no security over such Default Fund Contributions granted by the Member to LME Clear is, or is likely to become, enforceable, and no Default Event has occurred and is continuing in relation to the Member;
  - (b) LME Clear is satisfied that, after such excess Default Fund Contribution is returned to the Member, there will continue to be sufficient Default Fund Contributions in order to continue to satisfy the Member's obligations under this Rule 9; and
  - (c) LME Clear may, if a Default Loss has arisen, retain such excess Default Fund Contribution to the extent and for as long as it believes that this may be required for use in replenishing the Member's Default Fund Contribution under Rule 10.10.1(e)(i).
- 9.1.6** If a Member gives notice to LME Clear to terminate its Membership for whatever reason, the Member's Default Fund Contribution, less any applications or deductions made as contemplated by Rule 9.1.9, shall be repaid on the Termination Date, as determined in accordance with Rule 3.6, 3.7, 3.8 or 3.11, as applicable.



## Rule 9

- 9.1.7** The provisions of Rule 8.5 apply to Default Fund Contributions to the extent stated in the Rules.
- 9.1.8** Without prejudice to LME Clear's rights under Rule 9.1.9, no part of a Default Fund Contribution shall be treated as standing to the credit of any Client Account.
- 9.1.9** LME Clear shall be entitled to apply Default Fund Contributions for the purposes and in the manner and at the times provided for in Rule 10.10 and elsewhere in the Rules and Procedures.
- 9.1.10** Default Fund Contributions shall be "default fund contributions" for the purposes of Part VII of the Companies Act 1989.

## Rule 10

**RULE 10 - DEFAULT****10.1 APPLICABILITY**

- 10.1.1** The provisions of this Rule 10 and the Default Procedures constitute the default rules of LME Clear for the purposes of Part VII of the Companies Act 1989, the Recognition Regulations, the Settlement Finality Regulations and EMIR.
- 10.1.2** LME Clear shall be entitled to take action under this Rule 10 with respect to a Member if LME Clear determines that a Default Event has occurred and is continuing in respect of the Member.
- 10.1.3** LME Clear has a discretion to determine whether any Default Event has occurred and, if so, what action to take under the Default Rules.
- 10.1.4** The exercise by LME Clear of its powers under this Rule 10 shall be subject to any directions given by the Regulator pursuant to section 166 of the Companies Act 1989 or other Applicable Clearing Regulations.
- 10.1.5** Where LME Clear determines that a Default Event has occurred with respect to a Member, such Default Event shall be treated as applying in respect of all Services in which the Member participates, and such Member shall be a Defaulting-Member in respect of all such Services.

**10.2 DEFAULT EVENTS**

A "**Default Event**" means the occurrence, in relation to a Member, of any of the following events:

- (a) the Member fails to perform (or threatens not to perform, or appears to LME Clear unable, or likely to become unable, to perform) any obligation it owes to LME Clear including under any Membership Documentation, Contract or Transfer Order;
- (b) the Member is in material breach of the rules or terms of membership of any exchange, trading platform or clearing house (other than LME Clear), or has been declared a defaulter or is suspended or has been expelled from membership by any such exchange, trading platform or clearing house;
- (c) the Member is in material breach of the requirements (whether or not having the force of law) of its regulator or of any other regulatory body or organisation (including, for the avoidance of doubt, the Regulator), or the authorisation of the Member by any such regulatory body or organisation, is suspended or withdrawn;
- (d) any regulatory body takes or threatens to take action against or in respect of the Member under any law or regulation;
- (e) LME Clear determines that the financial condition of the Member is such that, in the reasonable opinion of LME Clear the Member no longer satisfies the Membership Criteria or the continuing use of LME Clear by the Member would result in an increased level of risk or uncertainty for LME Clear and/or its other Members (in respect of the exposures of such other Members to the Clearing System);

## Rule 10

- (f) LME Clear has reasonable grounds to believe that the Member is in or is approaching significant financial or operational difficulty or otherwise will be unable to perform its obligations to LME Clear;
- (g) LME Clear has reasonable grounds to believe that the Member has made any material misstatement to LME Clear, or has omitted to disclose to LME Clear any material fact in any statement made to LME Clear, or has been responsible for any fraudulent or dishonest conduct or any breach of fiduciary duty;
- (h) circumstances have arisen which LME Clear has reasonable grounds to believe make it appropriate to suspend or terminate the Member's participation in order to avoid the risk of a failed or rejected delivery, or which could be prejudicial to LME Clear or represent a threat to the orderly operation, security, integrity or reputation of the Clearing System or which could lead to LME Clear becoming involved in legal proceedings with any third party;
- (i) the Member is dissolved pursuant to a consolidation, amalgamation or merger (except on terms previously approved by LME Clear);
- (j) the Member suspends or threatens to suspend, or ceases or threatens to cease, to carry on all or substantially all of its business;
- (k) the Member repudiates or attempts to repudiate any Member Documentation, or contests the validity, perfection or priority of any Member Documentation;
- (l) any regulation, order, judgment or proceeding shall purport to render any provision of any Member Documentation, invalid or unenforceable or shall purport to prevent or materially delay the performance or observance by the Member of its obligations in accordance with its terms;
- (m) any provision of Member Documentation, is or ceases for any reason to be binding on or enforceable against the Member, or the Member shall so assert in writing;
- (n) LME Clear has reasonable grounds to believe that there is a risk that the continuing participation of the Member could result in an obligation being incurred by it to LME Clear which the Member would be unable to settle when due;
- (o) LME Clear has reasonable grounds to believe that the suspension or termination of the Member's Membership is necessary either for the protection of LME Clear or for any of the other Members or to ensure the orderly operation, security, integrity and/or reputation of the Clearing System;
- (p) LME Clear has determined that suspension or termination of the Member's Membership is appropriate following a review of the suitability of the Member pursuant to Membership Procedure B7.2 or 7.3 (*Changes of Ownership*);
- (q) the Member admits in writing its inability to pay any debt, or it appears to LME Clear that the Member is unable to pay its debts as they fall due or that the value of its assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities;

## Rule 10

- (r) the Member stops, or suspends, or threatens to stop or suspend, payment of all or any part of its indebtedness or commences negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of all or any part of its indebtedness or the making of a general assignment for the benefit of or composition with its creditors or if a moratorium is agreed, declared or otherwise obtained in respect of, or affecting, all or any part of its indebtedness;
- (s) any distress, execution or other process is levied or enforced upon or against any property of the Member where the value of the property involved exceeds £500,000;
- (t) an application is made to a court of competent jurisdiction, or an order is made by such court, for the purpose of: (i) declaring the Member to be bankrupt or insolvent; (ii) approving or granting a petition for a moratorium, reorganisation, arrangement (including pursuant to a scheme of arrangement), liquidation, dissolution, adjustment or composition of or in respect of the Member under any Applicable Law; (iii) appointing an administrator, assignee, custodian, examiner, liquidator, provisional liquidator, receiver, sequestrator, supervisor, nominee or trustee or other similar official in respect of the Member or any substantial part of its property, assets or undertaking; (iv) ordering the winding up, liquidation or bankruptcy of the Member; or (v) consenting to the institution by the Member or any person of proceedings for it to be adjudicated, bankrupt or insolvent or for it to be wound up or liquidated; provide that this paragraph (t) shall not apply to any winding up petition which LME Clear reasonably considers to be frivolous or vexatious;
- (u) the Member takes any step or commences any proceedings, or consents to any application, for, or becomes subject to, the appointment of an administrator, assignee, custodian, examiner, liquidator, provisional liquidator, receiver, sequestrator, supervisor, nominee, trustee or other similar official in respect of the Member or any substantial part of its property, assets or undertaking;
- (v) the Member, being a partnership, is dissolved, or being a registered company, is dissolved or suffers its name to be struck off the register of companies;
- (w) anything occurs under the laws of any applicable jurisdiction which is analogous to or has a substantially similar effect to any of the events described in clause paragraphs (s) to (v) inclusive above in relation to the Member; or
- (x) an event listed in paragraphs (s) to (v) inclusive occurs in relation to any Affiliate of the Member, where in the reasonable opinion of LME Clear such occurrence is reasonably likely to result in a Default Event occurring in relation to the Member.

### 10.3 DEFAULT NOTICE AND OTHER ACTION

- 10.3.1** The Member shall, immediately on becoming aware of the occurrence of any Default Event, give a Notice to LME Clear of such event. The Member will not (except with the prior consent of LME Clear which shall not be unreasonably withheld or delayed) take any steps which could result in any further Transactions being submitted to LME Clear.

## Rule 10

- 10.3.2** If LME Clear considers that a Member will not be able to meet its future obligations to LME Clear, LME Clear shall inform the Regulator to that effect before issuing a Default Notice.
- 10.3.3** LME Clear will, as soon as reasonably practicable after it has decided to exercise any of its powers under Rule 10.4.1 below in relation to a Member:
- (a) issue a Default Notice in respect of such Member;
  - (b) publish on its Website its decision to issue such Default Notice;
  - (c) notify each Approved Transaction Platform (through which the Member trades) of its decision to issue a Default Notice and, in general terms, the action that has been or is expected to be taken by LME Clear under the Rules to settle all outstanding obligations involving the Defaulting Member and LME Clear; and
  - (d) notify such Member of any notice received from a Client requesting LME Clear to carry out a transfer pursuant to Rule 10.7.1;
- 10.3.4** A Member in respect of which a Default Notice has been issued is referred to in the Rules as a "**Defaulting Member**" and the expression "**Office-Holder**" has the meaning given to "relevant office holder" by section 189 of the Companies Act 1989. A reference to the Defaulting Member shall include (where the context permits) a reference to any Office-Holder appointed in relation to the Defaulting Member.
- 10.3.5** Without prejudice to the preceding provisions of this Rule 10, a Member shall notify LME Clear, the Regulator and (if different) the Member's regulator immediately of its passing of a creditors' voluntary winding up resolution, or a trust deed granted by it becoming a protected trust deed.
- 10.3.6** On LME Clear issuing a Default Notice, each non-defaulting Member shall co-operate with LME Clear and shall in particular (to the extent that it is reasonably able to do so):
- (a) if requested by LME Clear, assist in effecting any closing out or transfer of an Open Contract pursuant to Rule 10.4.1; and
  - (b) comply with any reasonable directions of LME Clear,
- where LME Clear considers that such requests or directions are reasonable or necessary in the interests of maintaining the integrity of the Clearing System or the stability of the financial system.
- 10.4 POWERS OF LME CLEAR AFTER A DEFAULT NOTICE**
- 10.4.1** LME Clear may take any one or more of the following steps on or at any time or times after it becomes entitled to do so under Rule 10.1.2:
- (a) Accept or decline to Accept a Transaction;
  - (b) cancel or reverse any outstanding instruction for a Settlement Payment or delivery of any Underlying Asset to or for the benefit of the Defaulting Member;
  - (c) close out or otherwise discharge all or any rights, obligations and positions of the Defaulting Member then outstanding with respect to Open Contracts and all or any rights, obligations and positions of the Defaulting Member arising out of the

## Rule 10

exercise by LME Clear of all or any of its other powers under the Rules (including closing out by netting of any Open Contracts within an Account of the Defaulting Member, where possible, to remove the Positions represented by such Open Contracts from those to be otherwise dealt with under this Rule 10);

- (d) enforce and/or otherwise exercise all or any rights, powers and discretions conferred on LME Clear by the Security Documents;
- (e) realise all or any of the Member's Collateral whether by private sale or otherwise for the account of the Defaulting Member without being obliged to obtain the Defaulting Member's consent or any order of a court of law, and to appoint any person to execute any document for such purpose in the name and on behalf of the Defaulting Member;
- (f) subject to, and in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*), transfer an Open Contract of the Defaulting Member to the account of another Member, or terminate and close out such Contract and re-establish a Contract on the same terms with another Member, being in each case a Member entitled and willing to have such position transferred to it;
- (g) subject to, and in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*), transfer to the Member to which an Open Contract is transferred (or with which the replacement Contract is re-established) under Rule 10.4.1(f) above, such Collateral held as security for the Defaulting Member's obligations to LME Clear on that account to cover the risks associated with the Open Contract that has been so transferred;
- (h) transfer an Open Contract of another Member with its agreement to the Defaulting Member for the purposes of closing out an Open Contract in the name of the Defaulting Member or for any other reason which LME Clear considers appropriate in the circumstances, without requiring the consent of any relevant Approved Transaction Platform;
- (i) make or cause to be made contracts for the purpose of hedging the risks to which LME Clear is exposed under Open Contracts with the Defaulting Member (whether such contracts are made through an Approved Transaction Platform, off market or otherwise), and (i) to record the same as Contracts in the Defaulting Member's name under the Rules or (ii) to allocate the costs of and/or the proceeds or losses under any contracts for the purpose of hedging to the relevant Account of the Defaulting Member that corresponds to the hedged Open Contracts;
- (j) exercise on behalf of the Defaulting Member (if LME Clear chooses) any option granted by an Open Contract, notwithstanding that such exercise may take place on a day which is not a day prescribed for such exercise by rules of any relevant Approved Transaction Platform;
- (k) to take such steps as may be available to LME Clear in the circumstances known to it to preserve as far as appropriate the position (including preservation of the Positions and Collateral) of any Client or Indirect Client of the Defaulting Member allocated to a Client Account, including the crediting or debiting of accounts, entry into new Contracts, transfer of existing Contracts, reversal of

## Rule 10

Contracts, or termination, close-out and re-establishment of Contracts (save that LME Clear may not, pursuant to this Rule 10.4.1(k), transfer to any non-defaulting Member any Contracts, or otherwise vary any rights or obligations of a non-defaulting Member without that non-defaulting Member's consent, subject that this shall be without prejudice to LME Clear's powers under Rules 10.4.2, 10.7 and 10.10);

- (l) conduct an auction of Open Contracts to which the Defaulting Member is a party in such Auction Portfolios and at such time or times as LME Clear may determine and invite non-defaulting Members to submit bids for such portfolios in accordance with the auction principles and process provided for in the Default Procedures;
- (m) designate a currency as a currency of account and, at the Defaulting Member's expense, convert any sum payable by or to the Defaulting Member in another currency into the currency of account;
- (n) without prejudice to any other right of LME Clear under the Rules and subject to Applicable Clearing Regulations, take such other action with regard to any Open Contract to which the Defaulting Member is a party as LME Clear may deem necessary or expedient to effect an orderly discharge of the Defaulting Member's obligations and/or for the protection of LME Clear or other Members and any such action may be taken in the name and at the expense of the Defaulting Member (save that LME Clear may not, pursuant to this Rule 10.4.1(n), transfer to any non-defaulting Member any Contracts, or otherwise vary any rights or obligations of a non-defaulting Member without that non-defaulting Member's consent, subject that this shall be without prejudice to LME Clear's powers under Rules 10.4.2, 10.7 and 10.10);
- (o) subject to the segregation provisions in Rule 4.3 (*Account Segregation*), debit any Account of the Member (including any such Account in which Cash Collateral is recorded) with any amount owed by the Defaulting Member to LME Clear including, to the extent permitted by Applicable Clearing Regulations, debiting the Defaulting Member's House Account with all amounts owing in respect of Fees and any expenses incurred by LME Clear with regard to or in consequence of the circumstances referred to in Rule 10.2 or the steps which are or may be taken under this Rule 10.4.1 or the Default Procedures (as the case may be);
- (p) any other step considered to be necessary or expedient by LME Clear to complete the process set out in Rule 10.7 or the Default Procedures;
- (q) appoint any person as its agent for the purpose of hedging, financing, selling or otherwise disposing of any Collateral of the Defaulting Member at any time after the powers conferred by this Rule 10.4 have become exercisable;
- (r) (subject always to Rule 10.4.7) cash settle any Delivery Obligation or LME Premium Warrant Payment Obligation that LME Clear may owe to a non-defaulting Member in circumstances where the failure by the Defaulting Member to discharge a Delivery Obligation or LME Premium Warrant Payment Obligation to LME Clear results in LME Clear being unable to deliver the relevant Underlying Asset to the non-defaulting Member;



## Rule 10

- (s) obtain (at the expense of the Defaulting Member) such advice or assistance, including legal advice, as LME Clear may deem necessary with respect to any matter arising out of the occurrence of any event referred to in Rule 10.2;
- (t) take such steps as LME Clear considers necessary or appropriate to delay any physical delivery of an Underlying Asset where LME Clear has a Delivery Obligation under an Open Contract with the Defaulting Member; and/or
- (u)
  - (i) issue instructions within LMEsword for the settlement of any Contract under which:
    - (1) an LME Warrant is due to be delivered to LME Clear;
    - (2) the Defaulting Member has, prior to its becoming a Defaulting Member, issued an "Authorised Warrant Transfer Instruction" in respect of such LME Warrant, in accordance with Clearing Procedure F; and
    - (3) such LME Warrant has not yet been delivered to LME Clear; and
  - (ii) perform any actions necessary to facilitate such settlement (including any actions specified under Clearing Procedure F2.17);
- (v) where the Defaulting Member has a Give-Up Contract allocated to an Administrative Account:
  - (i) allow a Give-Up Acceptance to be Accepted from a non-defaulting Member acting as the Accepting Member in respect of the Give-Up; and
  - (ii) upon Acceptance of such Give-Up Acceptance, cancel the Give-Up Contract allocated to the Defaulting Member's Administrative Account; and
- (w) to the extent not otherwise specified in this Rule 10.4.1 above, take any other step or apply any other process required or permitted pursuant to the Default Procedures.

The powers exercisable under this Rule 10.4.1 shall be applied in respect of the Defaulting Member and shall not be construed so as to enable LME Clear to take action in respect of any non-defaulting Member, unless and except to the extent, specifically stated in the relevant paragraph of this Rule 10.4.1.

**10.4.2** Where LME Clear exercises its rights under Rule 10.4.1, and subject to Rule 10.5:

- (a) LME Clear may take such action as it may determine to be necessary or expedient, subject to Applicable Clearing Regulations, to close out or otherwise discharge and/or net the rights, obligations and positions of the Defaulting Member referred to in Rule 10.4.1(c), including by:
  - (i) buying in or selling out the Underlying Asset deliverable by or to the Defaulting Member or (if LME Clear considers this impractical or inexpedient) to effect a cash settlement of an Open Contract and/or taking such other action as LME Clear may determine to be necessary or expedient to close out the Delivery Obligations or Payment Obligations (including, without limitation, any LME Premium Warrant Payment



## Rule 10

Obligation) and Failed Settlement Positions of the Defaulting Member;  
and/or

- (ii) effecting corresponding contracts in relation to Open Contracts to which the Defaulting Member is a party;
- (b) LME Clear may take such action notwithstanding the fact that the Contracts concerned have different scheduled Settlement Dates;
- (c) LME Clear may bring into account for the purpose of such close out, discharge and/or netting all liabilities incurred by LME Clear in consequence of exercising its powers under the Default Rules (for which the Defaulting Member shall be liable to indemnify LME Clear), including all reasonable expenses of responding to the default and enforcing its rights hereunder;
- (d) LME Clear may collect and retain or bring into account for the purpose of such close out, discharge and/or netting, all dividends, interest and other income receivable under any Collateral provided by the Defaulting Member;
- (e) amounts payable by or to a Defaulting Member on such close out, discharge, cash settlement and/or netting of its rights, obligations or positions shall be determined by LME Clear (whose determination will be conclusive); and
- (f) LME Clear may take such action as it may determine to be necessary in order to delay any physical delivery of an Underlying Asset that may be required pursuant to a Delivery Obligation of LME Clear under an Open Contract, including by:
  - (i) effecting a corresponding contract with the Defaulting Member that has the same Settlement Date as the Open Contract (such that the Defaulting Member has a Delivery Obligation corresponding to the Delivery Obligation of LME Clear under the Open Contract); and
  - (ii) effecting another Contract between the Defaulting Member and LME Clear that is identical to the original Open Contract except that the Settlement Date under which LME Clear shall be required to perform the Delivery Obligation shall be scheduled for a later date.

For the purposes of this Rule 10.4.2, a "**corresponding contract**" means a contract on the same terms (except as to price, premium or date of performance) as the Contract to which the Defaulting Member is a party but under which the person who is the Buyer under the Contract agrees to sell and the person who is the Seller under the Contract agrees to buy.

- 10.4.3** If a Defaulting Member has an open Position for the purchase of an Underlying Asset and the same or another Defaulting Member has an open Position for the sale of the same Underlying Asset, then LME Clear may, if it chooses and subject to any requirements of Applicable Clearing Regulations, close out or hedge such Positions wholly or partly by effecting (i) a sale under which the Defaulting Member acting as Buyer agrees to sell to LME Clear at Market Value all or such part of the relevant Underlying Asset as LME Clear may select and (ii) a simultaneous purchase under which the Defaulting Member acting as Seller agrees to buy from LME Clear at Market Value a corresponding amount of the same Underlying Asset. This power may be

## Rule 10

exercised in respect of open Positions on different Accounts where the same Defaulting Member is involved in both transactions.

- 10.4.4** To the extent that the ability of LME Clear to perform its obligations to deliver Underlying Assets to any Member other than a Defaulting Member is adversely affected by the operation of the procedures set out in Rule 10.4.1 to 10.4.3, LME Clear may take such action as it considers appropriate and reasonable in the circumstances known to it to protect its position.
- 10.4.5** The procedure applicable under Rules 10.4.2 and 10.4.3 shall be completed by LME Clear as promptly as practicable after LME Clear has served a Default Notice. However, if it appears appropriate to LME Clear in the circumstances known to it, LME Clear may exercise the procedure in such stages and at such times as LME Clear considers best calculated to minimise any Loss to the Members of LME Clear and to avoid the creation of a disorderly market in any Underlying Asset that could otherwise arise from such close-out procedure.
- 10.4.6** When taking action under this Rule 10.4, LME Clear will ensure that such action does not adversely affect in any material way any Client's ability to effect a Transfer in respect of any Client Account in accordance with Rule 10.7 (*Portability of Client Accounts*).
- 10.4.7** LME Clear may not exercise any of its powers under Rule 10.4 to cash settle or Invoice Back any Contract with a non-defaulting Member unless and except to the extent explicitly specified in this Rule 10.4. Prior to exercising any power to cash settle or Invoice Back any Contract with a non-defaulting Member, LME Clear shall first consult with the Board Risk Committee and obtain the approval of the Board. For the avoidance of doubt, but without prejudice to the specific wording in any Rule, in the event that LME Clear exercises any right under this Rule 10 to cash settle or invoice back any Contract with a non-defaulting Member, the price for such cash settlement or Invoice Back shall be determined at the Closing Price for such Open Contracts as applies on the relevant Business Day or, if such Closing Price is not available, the price shall be such price as the Board determines is reasonably appropriate in the circumstances in consultation with the Board Risk Committee.
- 10.4.8** The Defaulting Member shall indemnify LME Clear in respect of all costs incurred by LME Clear in implementing its powers pursuant to this Rule 10 in relation to any Account(s) of the Defaulting Member (including any expenses, hedging costs, staff costs and legal fees), such costs being for the account of the Defaulting Member, and allocable to the Account in respect of which such costs are incurred.
- 10.4.9** Any amount that is to be brought into account as a sum payable under Rule 10.6.1, 10.6.4 or 10.8.1:
- (a) shall be an amount that is due and payable under these Rules, and shall, if it is not already due, become immediately due from the time of occurrence of a Default Event or (where such amount is incurred subsequent to the occurrence of the Default Event) from the time the relevant party incurs the relevant cost that corresponds to such amount; and
  - (b) subject that any amount so payable shall be subject to the application of the netting provisions in Rules 10.6 and 10.8 and any liability of LME Clear to make

## Rule 10

any such payment to the Defaulting Member shall be subject to such netting provisions and the satisfaction of the requirements in Rule 10.9.

## 10.5 TREATMENT OF DIFFERENT TYPES OF ACCOUNT

**10.5.1** Where the Defaulting Member has one or more Client Accounts and one or more House Accounts with LME Clear, the process set out in Rule 10.6 will be separately completed in respect of each such House Account and the process set out in Rule 10.8 will be separately completed in respect of each such Client Account. Each sum finally payable shall be separately certified under Rule 10.9.1. For this purpose:

- (a) an Account which is a House Account may be combined for the purpose of such process with another House Account of the same Defaulting Member;
- (b) no Omnibus Segregated Client Account or Individual Segregated Client Account may be combined with any other Account of the Defaulting Member with LME Clear except to the extent permitted by Applicable Clearing Regulations;
- (c) LME Clear will as soon as practicable deliver any surplus amount or Collateral owing to the Defaulting Member in respect of an Individual Segregated Client Account or an Omnibus Segregated Client Account (after completion of final net settlement under Rule 10.8 and satisfaction of the Default Rules and Default Procedures) to the Client to which such Individual Segregated Client Account relates or to the Clients entitled to share in such Omnibus Segregated Client Account (as the case may be) or, if such Clients are not known to LME Clear or if it has insufficient information to determine how an amount is to be apportioned between them or to permit it to make a payment, to the Defaulting Member for the account of the relevant Client or Clients save that LME Clear shall only return any surplus amount or Collateral to a Client under this paragraph (c) if it is permissible under Applicable Law and LME Clear is not prevented from effecting such return by any court order or legal restriction applying to LME Clear, the amount or the Collateral, or by any claim or right of the Defaulting Member or any other person which may take precedence during any insolvency procedure affecting the Defaulting Member;

**Proviso:** LME Clear shall not return any such surplus amount or Collateral to a Client where any condition or requirement that reflects a condition or requirement to such return under Article 48(7) of the EMIR Level 1 Regulation is not satisfied;

- (d) LME Clear may (to the extent permitted by Applicable Clearing Regulations) allocate all or any part of a positive net balance on a House Account of a Defaulting Member (including any surplus of Collateral provided by the Defaulting Member in respect of the House Account) to meet a deficiency on one or more Client Accounts of the Defaulting Member (but not vice versa);
- (e) LME Clear shall allocate the Defaulting Member's Default Fund Contribution in or towards the discharge of Default Loss on a Client Account and a House Account on such basis as it deems appropriate; and
- (f) LME Clear shall deliver any surplus amount of Default Fund Contribution to the Defaulting Member after: (i) the application of such Default Fund Contribution in accordance with this Rule 10; (ii) the completion of the final net settlement under

## Rule 10

Rule 10.6; and (iii) satisfaction of the Default Rules and Default Procedures, subject to and in accordance with Rule 10.9.

**10.6 FINAL NET SETTLEMENT ON HOUSE ACCOUNT**

**10.6.1** For the purpose of discharging the Defaulting Member's rights and liabilities under or in respect of all Contracts to which it is party and which are recorded on its House Account(s), LME Clear shall:

- (a) bring into account:
  - (i) all sums payable by or to the Defaulting Member in respect of such Contracts;
  - (ii) (to the extent permitted by the Default Requirements) all other sums payable by or to the Defaulting Member under the Rules (otherwise than on Client Account); and
  - (iii) all costs incurred by LME Clear in implementing its powers pursuant to this Rule 10 in relation to any Account(s) of the Defaulting Member (including any expenses, hedging costs, staff costs and legal fees), such costs being for the account of the Defaulting Member;
- (b) the sums so payable shall be aggregated or set off so as to produce a net sum; and
- (c) if payable by the Defaulting Member to LME Clear, such net sum shall be set off against:
  - (i) any sum due by LME Clear to the Defaulting Member and/or any Collateral (following enforcement and liquidation if necessary pursuant to the terms of the relevant Security Document) provided by or on behalf of the Defaulting Member; and
  - (ii) such amount (if any) of the outstanding Default Fund Contribution of the Defaulting Member as LME Clear may determine under Rule 10.5.1(d) (after the application of such Default Fund Contribution for any other purpose permitted under the Rules),

(or, in either case, the proceeds of realisation of such amounts) so as to produce a further net sum; or
- (d) if payable by LME Clear to the Defaulting Member such net sum on its House Account(s) shall be aggregated with the amounts referred to in paragraph (c)(i) and (ii) (or the proceeds of realisation of such amounts), or shall be set off against any other sum payable by the Defaulting Member to LME Clear (otherwise than on Client Account) as LME Clear may select so as to produce a further net sum.

**10.6.2** For the purposes of this Rule, LME Clear may assess the sum payable by or to the Defaulting Member in respect of any breach of the Rules in such reasonable manner as it thinks fit.

## Rule 10

- 10.6.3** Where the net sum determined under Rule 10.6.1 above is payable to the Defaulting Member, the amount payable shall be subject to the further application of Rule 10.8.1(c)(ii) (*Final Net Settlement of Unported Client Accounts*) and Rule 10.6.4 below.
- 10.6.3A** The process in Rule 10.6.1 to 10.6.3 shall be applied separately in respect of each Service, such that a separate net sum shall be calculated for the House Account in respect of each Service, subject that:
- (a) this shall be without prejudice to LME Clear's rights pursuant to Rule 10.5.1(d); and
  - (b) where the net sum for the House Account for one Service indicates a positive balance, such that an amount may be due to the Defaulting Member, and the net sum for the House Account for another Service indicates a negative balance, such that an amount may be payable to LME Clear, LME Clear may set-off such positive and negative amounts in order to reduce the negative balance, and the net sums for each House Account shall be adjusted accordingly;
  - (c) LME Clear shall apportion the relevant costs in accordance with Rule 10.6.1(a)(iii) between the respective net sum calculations for the House Account in respect of each Service in such manner as LME Clear shall determine in its sole discretion.

**Counterparty Losses**

- 10.6.4** In the event that the Defaulting Member is also a Treasury Counterparty and LME Clear has incurred Counterparty Losses pursuant to the default of such Treasury Counterparty, and where LME Clear has:
- (a) completed the application of its powers under Rule 10.4 (*Powers of LME Clear after a Default Notice*) and Rule 10.10.1 (*Default Waterfall and Allocation of any Excess Loss – During the Default Period*);
  - (b) calculated the net sum payable under Rule 10.6.1 above; and
  - (c) (where applicable) deducted from such net sum any amount set off in accordance with Rule 10.8.1(c)(ii),
- then, in the event that (after the application of (a) to (c) above) there remains a positive net balance on any House Account of the Defaulting Member:
- (d) LME Clear may elect to set such positive net balance off against any such Counterparty Losses, **provided that** the maximum amount of such Counterparty Losses that may be so set off shall be limited to the amount of the remaining positive net balance on the House Account. For the avoidance of doubt, LME Clear shall not apply its rights of set off under this Rule 10.6.4 so as to cause the House Account to have a negative net balance; and
  - (e) in the event that LME Clear exercises its rights under this Rule 10.6.4, the final net sum certified by LME Clear in respect of the Defaulting Member's House Account, pursuant to Rule 10.9 below shall be the sum resulting from the application of (d) above.

## Rule 10

**10.7 PORTABILITY OF CLIENT ACCOUNTS**

**10.7.1** Where assets and positions are recorded on an Individual Segregated Client Account or an Omnibus Segregated Client Account of a Defaulting Member, LME Clear shall, during the Porting Period, apply the provisions of this Rule 10.7 and Default Procedure D, with the objective of transferring the assets and Positions recorded to such Client Account from the relevant Individual Segregated Client Account or the Omnibus Segregated Client Account with the Defaulting Member (the "**Member Transferor**") to a new Client Account of a non-defaulting Member (the "**Member Transferee**") that:

- (a) (in the case of a Client Account to which the Automatic Porting Process applies) has been identified in the Automatic Porting Designation Documents lodged in respect of the Client or Clients allocated to such Client Account; or
- (b) (in the case of any other Client Account) has agreed to accept such assets and Positions and that has been identified in a Porting Request Notice issued to LME Clear by such Client or Clients in accordance with the requirements set out in Default Procedure D,

(each such transfer being a "**Transfer**").

**10.7.2** Where the Automatic Porting Process applies to a Client Account, the Automatic Porting Designation Documents lodged by a Member in respect of a Client (or any Indirect Client) shall constitute a request by such Clients (for themselves and in respect of any Indirect Clients) to LME Clear to execute a Transfer to any Member Transferee specified in the Automatic Porting Designation Documents in the event that the Member becomes a Defaulting Member.

**10.7.3** Where the Automatic Porting Process does not apply to a Client Account, LME Clear must be in receipt of a validly executed Porting Request Notice from each Client allocated to that Client Account in order for LME Clear to apply the Porting Process.

**10.7.4** If the relevant Client Account of a Defaulting Member records the assets and/or positions of two or more Clients, any Transfer shall be:

- (a) requested and exercised jointly in respect of all such Clients; and
- (b) to the same Member Transferee,

unless LME Clear agrees otherwise.

**10.7.5** LME Clear shall seek to transfer the assets and Positions (which shall include the Contracts and Collateral) allocated to a Client Account of a Defaulting Member only if:

- (a) in the case of a Client Account to which the Automatic Porting Process applies:
  - (i) the Automatic Porting Designation Documents held by LME Clear in respect of such Client Account identify a potential Member Transferee that has been designated by all Clients allocated to such Client Account as a Designated Member Transferee;
  - (ii) such Member Transferee is a non-defaulting Member which has agreed in writing to accept such Transfer within the Porting Election Period; and



## Rule 10

- (iii) the requirements set out in Default Procedure D2.2 are satisfied;
- (b) in the case of a Client Account to which the Automatic Porting Process does not apply:
  - (i) LME Clear must have received, within the Porting Election Period, in respect of each Client allocated to the Client Account, a Porting Request Notice that has been:
    - (1) validly made under Rule 10.7.1 and Rule 10.7.3; and
    - (2) duly completed and signed by the Member Transferee and each such Client allocated to the Client Account;

(subject that separate Porting Request Notices may be submitted by each Client, provided that each Porting Request Notice is countersigned by the same Member Transferee);
  - (ii) the requirements set out in Default Procedure D2.3 are satisfied;
- (c) LME Clear has the information required to enable it to calculate the amounts to be transferred and is satisfied as to its accuracy, whether provided by the Defaulting Member or the relevant Client or otherwise; and
- (d) LME Clear is satisfied that sufficient additional Collateral (if any) will, on the transfer being effected or, if necessary, in advance, be provided to it by the Member Transferee in accordance with the Rules including, without limitation, as a result of the operation of Rule 10.7.11 below;
- (e) LME Clear is satisfied that all Clients allocated to the Client Account are Identified Clients; and
- (f) such transfer is permissible under Applicable Law and LME Clear is not prevented from effecting such transfer by any court order or legal restriction applying to LME Clear, the Collateral or the Open Contracts, or by any claim or right of the Member Transferor or any other person which may take precedence during any insolvency procedure affecting the Member Transferor.

The transfer of assets (including Collateral) pursuant to this Rule 10.7.5 is subject to Rule 10.7.10.

#### 10.7.6 **Partial Porting**

- (a) Notwithstanding any other provision set out in Rule 5 (*Client Business and Portability Arrangements*), this Rule 10.7 and Default Procedure D (*Porting Procedure*), LME Clear may effect a Transfer of the Positions relating to some but not all of the Open Contracts recorded to an Omnibus Segregated Client Account of a Defaulting Member (a **"Partial Transfer"**) in accordance with the provisions of this Rule 10.7.6.
- (b) If at any time during a Default Period LME Clear determines, in its absolute discretion and in consultation with the Default Management Committee, that it is unlikely that the condition set out in Rule 10.7.3 will be satisfied with respect to one or more Omnibus Segregated Client Accounts to which the Automatic

## Rule 10

Porting Process does not apply (each a “**Relevant Account**”), LME Clear may decide to facilitate Partial Transfers out of the Relevant Accounts. In such circumstances LME Clear shall, in consultation with the Default Management Committee, designate one or more indicative Partial Transfer Windows. When determining the duration and aggregate number of Partial Transfer Windows, LME Clear shall, in its sole discretion, seek to identify the most favourable risk management solution, having regard to:

- (i) the number of Clients allocated to the Relevant Accounts;
  - (ii) the number, size and Market Value of the Open Contracts allocated to the Relevant Accounts; and
  - (iii) the direction, size of the Position and overall risk profile of each Relevant Account.
- (c) LME Clear shall, as soon as practicable after determination, publish such indicative Partial Transfer Windows on its Website. Throughout the Default Period LME Clear shall have the right, having as its primary objective effective risk management, to vary the number and/or duration of the Partial Transfer Windows without prior notification. LME Clear shall publish on its Website any decision to shorten any previously publicised Partial Transfer Window as soon as practicable following the implementation of such decision.
- (d) At the end of each Partial Transfer Window LME Clear shall, in respect of each Relevant Account, consider all Porting Request Notices received from one or more Clients allocated to the Relevant Account (each a “**Requesting Client**”) during that Partial Transfer Window, together with any Porting Request Notices received but not actioned in prior Partial Transfer Windows. LME Clear will, subject to the proviso below, transfer from the Relevant Account the Open Contracts (but not the Collateral) of all Requesting Clients to the Member Transferee(s) nominated in the relevant Porting Request Notices if:
- (i) by effecting such Partial Transfers, the risk to LME Clear would not significantly increase taking into account:
    - 1. any increase or decrease in the Margin Requirement that would apply to the Relevant Account going forward; and
    - 2. if applicable to the Relevant Account, any increase or decrease in any contingent margin credit that would offset the Margin Requirements of that Relevant Account going forward;
  - (ii) LME Clear is satisfied that sufficient additional Collateral (if any) will, on the transfer being effected or, if necessary, in advance, be provided to it by the Member Transferee in accordance with the Rules including, without limitation, due to the operation of Rule 10.7.11 below;
  - (iii) LME Clear has the information required to enable it to calculate the amounts to be transferred (including, for the avoidance of doubt, contingent margin credits) and is satisfied as to its accuracy, whether provided by the Defaulting Member or the relevant Requesting Clients or otherwise;



## Rule 10

- (iv) the requirements set out in Default Procedure D2.4 are satisfied;
- (v) LME Clear is satisfied that all Requesting Clients allocated to the Relevant Account are Identified Clients;
- (vi) it is practicable to determine the specific Positions allocable to each Requesting Client; and
- (vii) such Partial Transfers are permissible under Applicable Law and LME Clear is not prevented from effecting such Partial Transfers by any court order or legal restriction applying to LME Clear or the Open Contracts, or by any claim or right of the Member Transferor or any other person which may take precedence during any insolvency procedure affecting the Member Transferor.

**Proviso:** Nothing in this Rule 10.7.6(d) shall oblige LME Clear to effect a Partial Transfer which either: (x) if effected would change the direction and/or size of the Positions of the Open Contracts remaining in the Relevant Account; or (y) LME Clear considers inappropriate having as its primary objective effective risk management.

- (e) If LME Clear is unable at the end of any Partial Transfer Window to effect Partial Transfers of all Requesting Clients in accordance with Rule 10.7.6(d) above, LME Clear shall effect as many Partial Transfers as it considers appropriate having as its primary objective effective risk management but also having regard to porting the largest number of Requesting Clients and/or the largest number and greatest size and Market Value of Open Contracts. Where LME Clear is considering a Partial Transfer which, if effected, would prevent it from effecting Partial Transfers for one or more other Requesting Clients with similar positions that would satisfy the requirements for a Partial Transfer on their own merits but not together, LME Clear shall draw lots to decide which Partial Transfer to effect at such time.
- (f) Notwithstanding any other provision in this Rule 10.7.6, LME Clear may effect a Partial Transfer in respect of a Requesting Client prior to the expiry of a Partial Transfer Window if:
  - (i) the conditions set out in Rule 10.7.6(d) are otherwise satisfied; and
  - (ii) LME Clear determines in consultation with the Default Management Committee that by effecting such Partial Transfer earlier than would otherwise be permitted pursuant to the terms of Rule 10.7.6(d) it would, in LME Clear's sole discretion, either:
    1. significantly decrease the risk to LME Clear; and/or
    2. enable LME Clear to process a greater number of Partial Transfers than would otherwise be possible if it did not accelerate the implementation of such Partial Transfer.
- (g) References in this Rule 10.7.6 to LME Clear either practising or having regard to "effective risk management" shall be taken to mean that LME Clear, when taking

## Rule 10

default action, will always seek to protect: (i) its capital and the Default Fund; and (ii) the integrity of the markets which it clears.

**10.7.7** LME Clear may decline to effect a Transfer in respect of any Individual Segregated Client Account or Omnibus Segregated Client Account:

- (a) if any of the conditions set out in Rule 10.7.5 or, if applicable, 10.7.6 are not satisfied in relation to the Individual Segregated Client Account or Omnibus Segregated Client Account; or
- (b) if LME Clear has reason to believe that the taking of any action under this Rule 10.7 in relation to the Individual Segregated Client Account or Omnibus Segregated Client Account would be contrary to Applicable Clearing Regulations, or impair its own ability to perform its obligations as they fall due.

**10.7.8** Notwithstanding Rule 5.1.7, 5.1.8, 10.7.5(e) and 10.7.6(d)(v), LME Clear shall effect a Transfer pursuant to a Porting Request Notice issued in respect of a Client Account to which Non-Identified Clients are allocated where all such Non-Identified Clients have provided to LME Clear such information as LME Clear reasonably considers to be appropriate and sufficient regarding their identities, the details of their representatives that are authorised to provide instructions on their behalf and the Transactions that have been registered on their behalf. Any such Client shall be treated as an Identified Client from the time that LME Clear considers that it has appropriate and sufficient information in accordance with this Rule 10.7.8.

**10.7.9** Notwithstanding any other provision set out in Rule 5 (*Client Business and Portability Arrangements*), this Rule 10.7 and Default Procedure D (*Porting Procedure*), but subject to the proviso below, LME Clear may permit a Transfer pursuant to a Porting Request Notice issued in respect of a Client Account where any condition or requirement specified in such Rules or Procedures is not satisfied (including, for the avoidance of doubt, where the Porting Election Period has expired) where LME Clear considers that it is appropriate, in the interests of (i) the Clients; (ii) the Clearing System; (iii) the stability of the markets in which the Member's or Clients participate; or (iv) the stability of the wider financial system in the United Kingdom, that such Transfer shall take place.

**Proviso:** Where and to the extent that a Transfer falls within the meaning of, and is subject to, Article 48(5) or (6) of the EMIR Level 1 Regulation, LME Clear shall not permit such Transfer to take effect where any condition or requirement that reflects a condition or requirement to a Transfer under Article 48(5) or (6) of the EMIR Level 1 Regulation is not satisfied, including for the avoidance of doubt, any requirement for the Client(s) and the Member Transferee to have consented to the Transfer.

**10.7.10** LME Clear may, pursuant to any Transfer, transfer only the positions (and associated Contracts) allocated to an Account and not the related assets (or Collateral) allocated to that Account where and to the extent that:

- (a) the Member Transferee ensures that the Margin Requirement applicable to its Client Account (taking into account the Positions that will be added by the Transfer) is satisfied by the provision of Collateral provided by such Member Transferee to LME Clear prior to the Transfer Time;

## Rule 10

- (b) the Automatic Porting Designation Documents or the Porting Request Notice specifies that any Collateral shall not be subject to the Transfer, in which case the Transfer shall be conditional upon the satisfaction of the requirement specified in Rule 10.7.5(d) above;
- (c) for reasons outside the control of LME Clear it is not operationally practicable for such Collateral to be subject to the Transfer, in which case the Transfer shall be conditional upon the satisfaction of the requirement specified in Rule 10.7.5(d) above;
- (d) the transfer of the Collateral is not permissible under Applicable Law or LME Clear is prevented from effecting such transfer by any court order or legal restriction applying to LME Clear or the Collateral, or by any claim or right of the Member Transferor or any other person which may take precedence during any insolvency procedure affecting the Member Transferor; or
- (e) the Transfer is a Partial Transfer.

**10.7.11** Where the Collateral allocated to an Account includes LME Warrant Collateral, such LME Warrant Collateral shall cease to constitute Available Non-cash Collateral from the time that the relevant Default Notice is effective until such time as that LME Warrant Collateral is retransferred to the LME Clear Pledged Account by a Member Transferee in accordance with and subject to the provisions of Default Procedure Part D2.12.

**10.7.12** LME Clear may, when taking the action under this Rule 10.7, rely (without further investigation) on the information provided by the Defaulting Member or its relevant Clients to LME Clear pursuant to the Rules.

**10.7.13** Such a Transfer shall be effected in accordance with the provisions set out in the Default Procedures.

**10.7.14** LME Clear shall incur no liability to the Defaulting Member, any Client or other person for any action taken or omitted to be taken under this Rule 10.7, except in the case of its own wilful default.

**10.7.15** LME Clear has published a disclosure document summarising the legal implications of its powers to effect Transfers. This document explains the implications of Transfers made in accordance with LME Clear's obligations under Articles 48(5) and 48(6) of the EMIR Level 1 Regulation, together with the implications of the exercise by LME Clear of its discretion pursuant to Rule 10.7.9 to permit a Transfer notwithstanding that any condition in the Rules or Procedures may not have been satisfied. The exercise of such a waiver may result in Transfers in circumstances where it is not necessary for the purposes of complying with the minimum requirements of Articles 48(5) and 48(6) of the EMIR Level 1 Regulation. The disclosure document can be found at:

[http://www.lme.com/~media/Files/LME%20Clear/Rules%20and%20regulation/Disclosure/LME%20Clear%20-%20Disclosure%20under%20EMIR%2039\(7\).pdf](http://www.lme.com/~media/Files/LME%20Clear/Rules%20and%20regulation/Disclosure/LME%20Clear%20-%20Disclosure%20under%20EMIR%2039(7).pdf)

## **10.8 FINAL NET SETTLEMENT OF UNPORTED CLIENT ACCOUNTS**

**10.8.1** For the purpose of discharging the Defaulting Member's rights and liabilities under or in respect of all Contracts to which it is party and which are recorded on a Client Account (which has not been ported under Rule 10.7), LME Clear shall:

## Rule 10

- (a) bring into account:
  - (i) all sums payable by or to the Defaulting Member in respect of such Contracts recorded on such Client Account;
  - (ii) (to the extent permitted by the Default Requirements) all other sums payable by or to the Defaulting Member under the Rules on such Client Account; and
  - (iii) LME Clear's costs in hedging and liquidating any Positions allocated to a Client Account that have not been transferred pursuant to the Porting Process, such costs being for the account of the Defaulting Member;
- (b) the sums so payable shall be aggregated or set off so as to produce a net sum; and
- (c) if payable by the Defaulting Member to LME Clear:
  - (i) such net sum shall in each case be set off against:
    - (1) any sum due by LME Clear to the Defaulting Member and/or any Collateral (following enforcement and liquidation if necessary pursuant to the terms of the relevant Security Document) provided by or on behalf of the Defaulting Member in each case in respect of the relevant Client Account; and
    - (2) such amount (if any) of the outstanding Default Fund Contribution of the Defaulting Member as LME Clear may determine under Rule 10.5.1(e) (after the application of such Default Fund Contribution for any other purpose permitted under the Rules),

(or, in either case, the proceeds of realisation of such amounts) so as to produce a further net sum, or shall be aggregated with any debit balance on such Client Account; and
  - (ii) such net sum may be further set off against any positive net balance on a House Account of the Defaulting Member that LME Clear elects to allocate to meet any deficiency on the Client Account pursuant to Rule 10.5.1(d) so as to produce a further net sum; or
- (d) if payable by LME Clear to the Defaulting Member, the net sum on such Client Account shall be aggregated with the amounts referred to in paragraph (c)(i) and (ii) (or the proceeds of realisation of such amounts).

**10.8.2** The process in this Rule 10.8 shall be applied separately in respect of each Service, such that a separate net sum shall be calculated for each Client Account in respect of each Service.

## **10.9 CERTIFICATION, DELEGATION, CO-OPERATION, REPORTING**

**10.9.1** On completion of the process set out in Rule 10.6 or 10.8 (whichever is applicable), LME Clear shall promptly certify each sum finally payable by the Defaulting Member to LME Clear (or vice versa) on the relevant Account or, as the case may be, the fact that no sum is payable. The certificate of LME Clear under this Rule 10.9 shall be

## Rule 10

conclusive as to the discharge of the Defaulting Member's rights and liabilities in respect of the Contracts to which it relates and the net sum finally payable in respect of them (or the fact that no sum is payable). LME Clear shall incur no liability whatsoever for any act or omission in determining any sum payable under this Rule 10 except to the extent arising from LME Clear's wilful default.

- 10.9.2** LME Clear shall, as soon as practicable after issuing a Default Notice in respect of a Member, appoint a day on which any net sums certified under this Rule 10 will become due to the Defaulting Member and will be paid by LME Clear. The day so appointed shall not fall on a day before completion of the process specified in this Rule 10.9.
- 10.9.3** LME Clear shall make such report to the Regulator of its proceedings under this Rule, and shall supply copies and make available such report, in the manner required by section 162 of the Companies Act 1989.
- 10.9.4** The provisions of this Rule 10 are without prejudice to the right of LME Clear to prove in the insolvency of the Defaulting Member both in respect of any net sum or sums payable by the Defaulting Member pursuant to Rule 10.5 and 10.8 and in respect of any other obligations of the Defaulting Member to the extent they are not brought into account in the net settlement procedure set out in the Rules 10.5 and 10.8, including any other expenses incurred by LME Clear in consequence or in respect of the event or circumstance which entitled LME Clear to act under Rule 10.1.2 or the steps which are taken under this Rule 10, and of any other losses, costs or expenses incurred or suffered by LME Clear and for which the Defaulting Member is liable under the Rules and/or to exercise any other rights and remedies which it may have against the Defaulting Member.
- 10.9.5** LME Clear may appoint any person to take or assist it in taking any step under the Rules or to complete or assist it in completing the process set out in Rule 10.4 to 10.9. Any costs incurred by LME Clear, acting reasonably, to any such person shall be for the account of the Defaulting Member.
- 10.9.6** LME Clear may at any time co-operate, by the sharing of information and otherwise, with the Regulator or any other regulator, any Approved Transaction Platform, or any relevant Office-Holder acting in relation to the Defaulting Member or his estate and any other authority or body having responsibility for any Defaulting Member, or having an interest in any matter arising out of or connected with the circumstances mentioned in Rule 10.1.
- 10.9.7** In addition to any report supplied under section 162(3) of the Companies Act 1989, LME Clear shall report to the Defaulting Member, on the steps taken by LME Clear in relation to the Defaulting Member under Rule 10.4.
- 10.9.8** LME Clear may, by notice in writing to a non-defaulting Member, require such non-defaulting Member to provide reasonable assistance to LME Clear (including market execution services and information) in connection with the close out of a Defaulting Member's open contracts. Such assistance may include, but shall not be limited to, the participation by such non-defaulting Member in auctions of a Defaulting Member's positions under any open contracts.
- 10.9.9** LME Clear may, if required pursuant to any law or regulation binding on LME Clear or at the direction of any Regulator that has the power to give directions to LME Clear, disclose to the public any breach by a Member of the Membership Criteria. Any such

## Rule 10

disclosure shall not constitute a breach by LME Clear of its obligations under Rule 2.6.1 (*Confidentiality*).

- 10.9.10** LME Clear may retain so much of the net sum referred to in Rule 10.9.2 as it considers necessary to cover any further costs (including expenses, staff costs and legal fees incurred by LME Clear in managing the default of the Defaulting Member) recoverable by LME Clear from the Defaulting Member under the Rules. LME Clear shall, upon the settlement of such further costs, pay any remaining amount of the net sum to the Defaulting Member or, where Rule 10.5.1(c) applies, to the relevant Client(s).
- 10.9.11** LME Clear shall not be liable to any Member, Client or any other person for any statement made by an Approved Transaction Platform or any other person regarding the amount of profit or loss that may be due to such Member, Client or other person in the event of any Default Event or any similar circumstances arising in relation to any Member.

## **10.10 DEFAULT WATERFALL AND ALLOCATION OF ANY EXCESS LOSS**

### **Separate Default Waterfalls for Separate Services**

- 10.10.0** This Rule 10.10 shall be applied separately in respect of each Service, and references specific terms (including references to the Default Loss, Excess Loss, Default Period, Default Fund Contributions and Dedicated Own Resources and Termination Dates) shall be construed to refer to such terms as they apply solely in the context of the specific Service and the relevant Default Fund, ***provided that*** where a Member has a positive balance on its House Account in respect of any Service, such positive balance may be set off against any Account on which there is a Default Loss in respect of any Service, so as to reduce the Default Loss to which the provisions of Rule 10.10 are to be applied. For the avoidance of doubt, and subject to the foregoing proviso, where a Defaulting Member participates in more than one Service:
- (a) the Default Loss and/or Excess Loss in respect of one Service shall be calculated separately from the Default Loss and/or Excess Loss in respect of any other Service;
  - (b) any Default-Specific Replenishment Notice, Default-Specific Cap, Stabilisation Replenishment Notice and Per Default Stabilisation Cap shall be calculated separately in respect of the relevant Default Fund applicable to each Service, and the provisions applying to such terms shall be applied separately in respect of each such Service;
  - (c) where this Rule 10 is applied in respect of any Service, only Members participating in that Service shall be liable to make contributions pursuant to a Default Specific Replenishment Notice or a Stabilisation Replenishment Notice in respect of the relevant Default Fund applicable to that Service;
  - (d) LME Clear shall maintain separate Dedicated Own Resources in respect of each Service, and accordingly, references to such Dedicated Own Resources shall be construed on a service-specific basis;
  - (e) separate Default Periods may apply in respect of each Service, subject that all such Default Periods shall commence at the time of the issue of the Default



## Rule 10

Notice, and each such Default Period shall end at the relevant time determined in accordance with Rule 10.10.6.

### Indemnity Basis of Obligations

**10.10.0A** Where under this Rule 10.10 a non-defaulting Member is required to make a payment, contribution or replenishment, including out of its Default Fund Contributions, in relation to a Defaulting Member's Excess Loss, such payment, contribution or replenishment shall be made pursuant to an indemnity which is hereby given irrevocably by such non-defaulting Member to LME Clear.

### During the Default Period

**10.10.1** A Default Loss shall be satisfied in the following order of priority:

- (a) first, LME Clear will apply all Collateral provided by the Defaulting Member in respect of each relevant Account on which a Default Loss has arisen, in accordance with Rule 10.5 and 10.6 or 10.8 (as applicable) in or towards the discharge of the Default Loss in accordance with the Rules;
- (b) second, if the Collateral provided by the Defaulting Member is applied by LME Clear towards the Default Loss and is not sufficient to discharge the balance of the Default Loss, LME Clear will apply the Default Fund Contribution of the Defaulting Member in or towards the discharge of the outstanding balance of the Default Loss;
- (c) third, if the Default Fund Contribution of the Defaulting Member is applied by LME Clear towards the Default Loss and is not sufficient to discharge the balance of the Default Loss, LME Clear will apply its Dedicated Own Resources in or towards the discharge of the outstanding balance of the Default Loss;
- (d) fourth, if the Dedicated Own Resources of LME Clear have been applied by LME Clear towards the Default Loss and are not sufficient to discharge the balance of the Default Loss, LME Clear will apply the Default Fund Contributions of non-defaulting Members on the basis set out in Default Procedure Part C:6.6 and, if applicable, Default Procedure Part C:6.8, in or towards the discharge of the remaining balance of the Default Loss (the “**Excess Loss**”); and
- (e) fifth, if all the above resources have been applied by LME Clear towards the Default Loss and are not sufficient to discharge the balance of the Default Loss, or where permitted under Rule 10.10.4 below, then LME Clear may issue one or more Notices to the non-defaulting Members requiring such Members to contribute additional resources towards the discharge of the remaining balance of the Default Loss in the form of Default Fund Contributions (a “**Default-Specific Replenishment Notice**”). Upon the publication of a Default-Specific Replenishment Notice:
  - (i) each non-defaulting Member will immediately pay to LME Clear with the amount of Default Fund Contribution specified in the Default-Specific Replenishment Notice, subject to and up to the limits specified in Rule 10.10.4 below; and

## Rule 10

- (ii) LME Clear will immediately replenish such an amount of its Dedicated Own Resources that is in the same proportion as the total amounts payable under (i) bear to the aggregate sum of the Default-Specific Replenishment Caps applicable to all non-defaulting Members, subject that LME Clear shall not be required to replenish an amount that would result in the level of Dedicated Own Resources being in excess of the level immediately prior to the commencement of the Default Period.

All amounts so replenished by non-defaulting Members and LME Clear will be applied on a pro-rata basis in or towards the discharge of the outstanding balance of the Default Loss.

For the purposes of Rule 10.10.1(e), the expression "*pro rata*" means in the proportion which the amount of the Default Fund Contributions provided to LME Clear by each individual non-defaulting Member or the amount of the Dedicated Own Resources provided by LME Clear bears to the aggregate amount of the Default Fund Contributions provided by all non-defaulting Members and the amount of the Dedicated Own Resources provided by LME Clear (taken as a whole), immediately following the replenishment. This provision is subject to Rule 10.10.10(d).

When determining the amount of any Excess Loss, LME Clear may include within the amount of such Excess Loss a provision for the reasonable costs that LME Clear, acting reasonably, estimates will be incurred by LME Clear in implementing its powers pursuant to this Rule 10 in relation to any Account(s) of the Defaulting Member (including any expenses, staff costs and legal fees).

**10.10.2** If the amounts replenished and applied in accordance with Rule 10.10.1(e) are not sufficient to discharge the Excess Loss, LME Clear may notify the non-defaulting Members, by Notice, that they shall be required to contribute towards the discharge of the Excess Loss on the following basis:

- (a) LME Clear shall determine the total amounts of payments due to Members on the next following Business Day pursuant to the calculation of Members' Variation Margin Requirements ("**Total Member VM Profits**");
- (b) LME Clear shall apportion the Excess Loss against each Account of each Member that has, in respect of such Account, an entitlement to receive payment balances pursuant to the calculation of that Member's Variation Margin Requirement (each Member's entitlement in respect of each such Account being its "**Per Account Member VM Profit**"), on the basis that:
  - (i) if the amount of remaining Excess Loss is less than the Total Member VM Profits, the non-defaulting Members that have Per Account Member VM Profits shall have their Per Account Member VM Profits applied towards the discharge of the Excess Loss on a pro-rata basis (where the expression "*pro rata*" means in the proportion which the amount of the Per Account Member VM Profit of each individual non-defaulting Member bears to the Total Member VM Profits of all Accounts of all non-defaulting Members); and
  - (ii) if the amount of remaining Excess Loss is equal to or greater than the Total Member VM Profits, each non-defaulting Member's Per Account



## Rule 10

Member VM Profit shall be applied in full towards the discharge of the Excess Loss,

and where LME Clear has applied all or any part of a non-defaulting Member's Per Account Member VM Profit towards the discharge of the remaining Excess Loss, LME Clear's Payment Obligations to such Member for that Business Day shall be reduced accordingly (the process set out in this paragraph (b) being a "**VM Haircut**");

- (c) in the event that, following the application of the VM Haircut, there remains an Excess Loss, LME Clear may repeat the VM Haircut process on each of the next following Business Days until the earlier of:
  - (i) the Excess Loss has been fully discharged; or
  - (ii) the Board determines, following consultation with the Board Risk Committee, that the application of further VM Haircuts would be inappropriate or ineffective in discharging the Excess Loss and that cash settlement in accordance with paragraph (d) below should be applied; and
- (d) in the event that LME Clear makes a determination in accordance with paragraph (c)(ii) above, then on the day on which the final VM Haircut is calculated (the "**Final Day**"), LME Clear may effect a cash settlement of certain Open Contracts between LME Clear and the non-defaulting Members, together with a write-down of LME Clear's cash settlement obligations to such non-defaulting Members on the following basis:
  - (i) LME Clear shall determine which Open Contracts of the Defaulting Member have not yet been closed out;
  - (ii) LME Clear shall identify the metal or metals comprising the Underlying Assets for such Open Contracts (such metals being the "**Unclosed Metals**");
  - (iii) LME Clear shall effect a cash settlement of every Open Contract between LME Clear and any non-defaulting Member for which an Unclosed Metal comprises the Underlying Asset, and the price for such cash settlement shall be determined at the Closing Price for such Open Contracts as applies on the Final Day or, if such Closing Price is not available, the price shall be such price as the Board determines is reasonably appropriate in the circumstances in consultation with the Board Risk Committee (on the basis that, where possible, such price shall be the same as that applied in respect of the variation margin calculation applied in respect of each such Open Contract on the Final Day); and
  - (iv) any amount payable by LME Clear to each non-defaulting Member as a consequence of the cash settlements applicable to each Account of such Member shall be set off against any amounts payable to LME Clear by such Member pursuant to the calculation of the Variation Margin Requirement applicable to such Account as determined following Close of Business on that Final Day, and the settlement of such payments and set-off amounts shall be made on the next Business Day following the Final Day in accordance with the Cover Distribution Process.

## Rule 10

**10.10.3** The amount of the Default Fund will not be recalculated and reset during the Default Period. Each Member shall be required to provide additional Default Fund Contributions during the Default Period:

- (a) pursuant to a Default-Specific Replenishment Notice (in accordance with Rule 10.10.1(e)(i) and subject to and in accordance with Rule 10.10.4 below); and/or
- (b) pursuant to a Stabilisation Replenishment Notice (in accordance with and subject to Rule 10.10.5 below).

**10.10.4** LME Clear may issue one or more Default-Specific Replenishment Notices to each non-defaulting Member during the Default Period, in accordance with Rule 10.10.1(e) and in accordance with and subject to the following provisions:

- (a) the total amount payable by a non-defaulting Member pursuant to one or more Default-Specific Replenishment Notices issued in respect of a single Member Default shall not exceed the level of Default Fund Contributions of that non-defaulting Member immediately prior to the Default Period (the "**Default-Specific Cap**");
- (b) in respect of each Member Default, LME Clear may issue one or more Default-Specific Replenishment Notices to each non-defaulting Member for such amounts and at such times as LME Clear determines is appropriate, subject to the application of the Default-Specific Cap;
- (c) LME Clear may issue a Default-Specific Replenishment Notice pursuant to Rule 10.10.1(e) notwithstanding that:
  - (i) the Default Fund Contributions of non-defaulting Members may not have been exhausted pursuant to Rule 10.10.1(d); and
  - (ii) the effect of such Default-Specific Replenishment Notice, taken together with any other replenishments and the existing balance of the Default Fund, would result in each non-defaulting Member's total Default Fund Contributions being in excess of the level applicable immediately prior to the commencement of the Default Period; and
- (d) in the event that there is more than one Member Default during a Default Period:
  - (i) a separate Default-Specific Cap shall be applied in respect of each Member Default;
  - (ii) each Default-Specific Replenishment Notice must specify to which Member Default it relates; and
  - (iii) any amounts contributed by a non-defaulting Member pursuant to a Default-Specific Replenishment Notice may be applied by LME Clear only in respect of the Member Default to which it relates.

**10.10.4A** In any six (6) month period (commencing on the date of delivery of the first Default-Specific Replenishment Notice in connection with the first Default), the maximum amount that LME Clear may require any Member to contribute pursuant to Default-Specific Replenishment Notices shall be limited to the amount that would be recoverable under three (3) Default-Specific Replenishment Notices that were each

## Rule 10

issued for the amount of the Default-Specific Cap applicable to each such Default-Specific Replenishment Notice.

**10.10.5** Each Member shall be required to provide additional Default Fund Contributions during the Default Period immediately upon receipt of Notice from LME Clear requiring it to replenish its Default Fund Contribution, where LME Clear requires such replenishment in order to ensure that the Default Fund does not fall below the Relevant DF Minimum Threshold (a "**Stabilisation Replenishment Notice**"). The amounts payable by a non-defaulting Member pursuant to one or more Stabilisation Replenishment Notices shall be as determined by LME Clear, subject that:

- (a) the total amount payable by a non-defaulting Member pursuant to one or more Stabilisation Replenishment Notices issued in respect of a single Member Default shall be limited to an amount equal to the total value of the Default Fund Contribution of that non-defaulting Member immediately prior to the Default Period (the "**Per Default Stabilisation Replenishment Cap**") and, accordingly, in the event that there is more than one Member Default during a Default Period:
  - (i) a separate Per Default Stabilisation Replenishment Cap shall be applied in respect of each Member Default; and
  - (ii) each Stabilisation Replenishment Notice must specify to which Member Default it relates; and
- (b) LME Clear may not apply any amounts contributed by a non-defaulting Member pursuant to a Stabilisation Replenishment Notice towards any Default Losses that relate to the Member Default pursuant to which the Stabilisation Replenishment Notice was issued; such amounts may only be applied by LME Clear, in accordance with Rule 10.10.1(d) or (e), towards the discharge of Default Losses that arise in respect of other Member Defaults that may arise during or after the Default Period.

**10.10.5A** In any six (6) month period (commencing on the date of delivery of the first Stabilisation Replenishment Notice in connection with the first Default), the maximum amount that LME Clear may require any Member to contribute pursuant to Stabilisation Replenishment Notices shall be limited to the amount that would be recoverable under three (3) Stabilisation Replenishment Notices that were each issued for the amount of the Per Default Stabilisation Replenishment Cap applicable to each such Stabilisation Replenishment Notice.

#### Duration of Default Period

**10.10.6** For the purpose of this Rule 10.10, the expression "**Default Period**" means:

- (a) the period commencing on the issue of a Default Notice in respect of a Defaulting Member and ending on:
  - (i) the date on which LME Clear issues a Circular to notify Members that the default management process in respect of that Defaulting Member has been substantially carried out; or
  - (ii) if a Default Notice is issued by LME Clear in respect of one or more other Members before such process has been substantially carried out in respect of the first Defaulting Member, the final date on which the default

## Rule 10

management process for all such Defaulting Members has been substantially carried out,

and LME Clear will not be obliged to give such notification until satisfied that all risk to LME Clear arising from such Defaulting Member's membership of the Clearing System has ceased to exist; or

- (b) where the Defaulting Member participates in more than one Service, separate Default Periods shall come into effect in relation to each such Service, in each case commencing on the issue of the Default Notice and each ending on:
  - (i) the date on which LME Clear issues a Circular to notify Members that the default management process in respect of the Defaulting Member's participation in the specific Service has been substantially carried out; or
  - (ii) if a Default Notice is issued by LME Clear in respect of one or more other Members before such process has been substantially carried out in respect of the first Defaulting Member, the final date on which the default management process for all such Defaulting Members has been substantially carried out,

LME Clear shall not be obliged to give such notification until satisfied that all risk to LME Clear arising from such Defaulting Member's participation in the Service has ceased to exist.

#### After the Default Period

**10.10.7** If, after the end of any Default Period, the amount of LME Clear's Dedicated Own Resources falls short of the amount required pursuant to Article 16 of the EMIR Level 1 Regulation, LME Clear will notify the Clearing House Regulator of that fact and shall:

- (a) make good the shortfall within 30 days of the date on which it arose; or
- (b) in the event that the Excess Loss was finally satisfied pursuant to Rule 10.10.2, LME Clear shall carry out an urgent business viability review (having regard to the principles set out in the Default Procedure C8) to determine whether to continue to operate the Clearing System as a central counterparty or to discontinue operation and will publish its decision by Circular, together with a Notice issued directly to each Member. LME Clear may make any such determination in respect of the Clearing System as a whole or in respect of any specific Service.

**10.10.8** Upon receipt of Notice from LME Clear that a Default Period has ended, each Member shall immediately replenish in full its Default Fund Contribution applicable to the Service(s) to which the Default Period related, in order to restore it to the level applicable immediately prior to the commencement of the Default Period.

**10.10.9** After the end of a Default Period:

- (a) LME Clear shall, between the second (2<sup>nd</sup>) and sixth (6<sup>th</sup>) Business Day following the end of the Default Period, recalculate the size of the relevant Default Fund and notify each Member to inform them of their revised Default Fund Contribution (the time of provision of such notice being the "Cut Off Time");

## Rule 10

- (b) each Member may choose either:
  - (i) to continue its Membership;
  - (ii) terminate its Membership by lodging a Resignation Notice with LME Clear in accordance with Rule 3.5 and 3.6; or
  - (iii) terminate its participation in any specific Service by lodging a Service Termination Notice with LME Clear in accordance with Rule 3.7,

but shall be deemed to continue its Membership and participation in any Service unless it lodges a Resignation Notice or Service Termination Notice (as applicable) with LME Clear in accordance with the Rules prior to the Cut Off Time;
- (c) a Member that does not lodge a Resignation Notice or Service Termination Notice with LME Clear under Rule 10.10.9(b) before the Cut Off Time shall, if the level of required Default Fund Contribution determined by LME Clear on the basis of its latest Default Fund calculation is higher than the level of Default Fund Contribution currently maintained by the Member with LME Clear, immediately pay to LME Clear such additional amount as is sufficient to meet its recalculated level of required Default Fund Contribution (and this provision shall be applied separately in respect of each Service to which the Member contributes a separate Default Fund Contribution); and
- (d) each Member that lodges a Resignation Notice or Service Termination Notice with LME Clear under Rule 10.10.9(b) before the Cut Off Time shall immediately pay to LME Clear such amount of Collateral as LME Clear may require by way of additional margin on each Account of such Member in an amount equal to the difference between the then current Margin Requirement for such Account and the amount calculated by LME Clear to represent the worst case loss capable of being incurred on such Account by such Member as a result of it continuing to use the Clearing System during the period until the Termination Date or Service Termination Date (as applicable), and will maintain such additional margin during such resignation period.

**Retiring Members**

- 10.10.10** If a Member lodges a Resignation Notice or Service Termination Notice with LME Clear before the Cut Off Time, Rule 3.8 (Exposure Limiting Resignation) shall apply.

**Closure of Clearing System**

- 10.10.11** If LME Clear elects under Rule 10.10.7(b) to discontinue the operation of the Clearing System, then
- (a) LME Clear will:
    - (i) permit Open Contracts with LME Clear to be withdrawn for bilateral settlement between two Members;
    - (ii) run a final settlement cycle at a time chosen by it;

## Rule 10

- (iii) terminate all Open Contracts on a Settlement Date determined by LME Clear (using the methodology set out in the Default Procedures) and the price for the cash settlement of such Open Contracts shall be determined at the latest Closing Price for the Underlying Assets for such Open Contracts or, if such Closing Price is not available, the price shall be such price as the Board determines is reasonably appropriate in the circumstances in consultation with the Board Risk Committee; and
- (iv) notify each non-defaulting Member of any amounts payable as determined by the final settlement cycle (which will be immediately paid by each such Member to LME Clear in accordance with Rule 8 (*Margin Requirement and Collateral*)),

in each case on such terms and conditions as LME Clear may determine as appropriate in the circumstances then prevailing;

- (b) manage the discontinuance of the operation of the Clearing System, and the withdrawal of its authorisation as an authorised central counterparty under EMIR, in accordance with the wind-down plan that it is required to maintain under EMIR, and in consultation with the Clearing House Regulator(s); and
- (c) where LME Clear elects to discontinue operation of the Clearing System in respect only of a specific Service, but not in respect of any other Service, this Rule shall be applied only in respect of the Open Contracts relating to the discontinued Service and associated payments.

Each Member acknowledges and agrees that LME Clear may be required by a Clearing House Regulator to take, or refrain from taking action(s) in connection with the operation of the Clearing System during the period in which LME Clear is implementing its wind-down plan and that LME Clear shall not be liable to any Member or any other person for any act taken or omitted to be taken by LME Clear on the instructions of a Clearing House Regulator.

**10.10.12** Any steps taken by LME Clear pursuant to Rule 10.10.11 (a) above shall be without prejudice to the application of Rule 10.13 (*LME Clear Default*) in respect of any Member (and its Contracts) that has exercised its rights thereunder prior to LME Clear making an election under Rule 10.10.7(b).

#### **Failure to Co-operate with LME Clear**

**10.10.13** If a Member shall fail to perform its obligations under this Rule 10.10 or (where applicable) under Rule 3.8 (*Exposure Limiting Resignation*), then without prejudice to LME Clear's rights to declare a Default Event in respect of that Member, LME Clear may take disciplinary action against the Member pursuant to Rule 3.11 (*Membership*) and Membership Procedure D. Any disciplinary action which LME Clear takes pursuant to Rule 3.11 and/or Membership Procedure D, or the voluntary or involuntary cessation of participation by Member, shall not affect the obligations of the Member to LME Clear or any remedy to which LME Clear may be entitled under the Rules and Applicable Law.

#### **10.11 REFUNDS**



## Rule 10

- 10.11.1** If the amount of an Excess Loss indemnified by non-defaulting Members under Rule 10.10.1(e) or 10.10.2 is subsequently recovered by LME Clear in whole or in part, LME Clear shall notify such non-defaulting Members that contributed towards the discharge of such Excess Loss (at their last known address, if they have since ceased to be Members) of the amount of the recovery and the amount refundable to them (a "**Refund**") out of the amount so recovered (which shall be shared between them in the same proportions in which the Excess Loss was borne by them), provided that no Member shall be entitled to recover a greater amount than that Member contributed towards the discharge of the Excess Loss. LME Clear shall be entitled to retain any surplus amount recovered, following the reimbursement of Members.
- 10.11.2** Any unclaimed Refund may be invested or otherwise used by LME Clear until claimed. No Refund shall bear interest as against LME Clear.
- 10.11.3** Any Refund which has remained unclaimed for a period of 12 months from the date of notification under Rule 10.10.1 shall, if LME Clear so determines, be applied:
- (a) first, in making a further Refund under Rule 10.10.1 to those non-defaulting Members which have claimed their Refunds until they have received the full amount indemnified by them in respect of the Default Loss to which the Refund relates; and
  - (b) secondly, the balance shall cease to be refundable by LME Clear and shall thereafter belong to LME Clear absolutely and be available for use by LME Clear in its operation of the Clearing System.

**10.12 INDIRECT CLIENT PORTING****Definitions****10.12.1** In this Rule 10.12:

- (a) "**Client Porting Request**" means a request by a Member for LME Clear to take the steps set out in Rule 10.12.5 or Rule 10.12.7;
- (b) "**Client Termination Event**" has the meaning set out in Rule 10.12.2(b);
- (c) "**Defaulting Clearing Client**" means the Clearing Client in respect of which a Client Termination Event has occurred;
- (d) "**Direct Client Transfer**" means a transfer of Transferring Indirect Clients to a direct Client relationship with the Member, and the allocation of such Transferring Indirect Clients to a Replacement Direct Client Account, in accordance with Rule 10.12.7;
- (e) "**Original Indirect Client Account**" means the Indirect Individual Segregated Client Account or Indirect Gross Omnibus Segregated Client Account (as applicable) maintained by the Member for the Defaulting Clearing Client in respect of the Transferring Indirect Clients;
- (f) "**Replacement Clearing Client**" means a Clearing Client that agrees to accept responsibility to the Member for the Underlying Client Trades of the Transferring Indirect Clients;

## Rule 10

- (g) **"Replacement Clearing Client Transfer"** means a transfer of Transferring Indirect Clients to a Replacement Clearing Client, and the allocation of such Transferring Indirect Clients to a Replacement Indirect Client Account, in accordance with Rule 10.12.5;
- (h) **"Replacement Direct Client Account"** means an Indirect Individual Segregated Client Account or Indirect Gross Omnibus Segregated Client Account (as applicable) established by a Member in order to record the assets and positions relating to Transferring Indirect Clients, where such Account is established on the basis that such Transferring Indirect Clients shall be treated as direct Clients of the Member;
- (i) **"Replacement Indirect Client Account"** means an Indirect Individual Segregated Client Account or Indirect Gross Omnibus Segregated Client Account (as applicable) established by a Member in respect of a Replacement Clearing Client in order to record the assets and positions relating to Transferring Indirect Clients; and
- (j) **"Transferring Indirect Clients"** means the Indirect Clients that are the subject of a Client Porting Request.

### Client Termination Events and Client Porting Requests

#### 10.12.2 In the event that:

- (a) a Member has established an Indirect Individual Segregated Client Account or an Indirect Gross Omnibus Segregated Client Account for a Clearing Client in respect of one or more Indirect Clients;
- (b) any event occurs in relation to the Clearing Client that gives rise to a right for the Member or the Clearing Client to terminate, or results in the automatic termination, all of the Underlying Client Trades between the Member and the Clearing Client (including, for the avoidance of doubt, where the Clearing Client becomes insolvent or any Office-Holder is appointed in respect of the Clearing Client) and such Underlying Client Trades are, accordingly, terminated or either party provides notice to the other to terminate such Underlying Client Trades (the circumstances described in this paragraph (b) being a **"Client Termination Event"**); and
- (c) such Underlying Client Trades correspond to Contracts allocated to the Indirect Individual Segregated Client Account or Indirect Omnibus Segregated Client Account (as applicable) maintained by the Member in respect of such Clearing Client, such that there are Open Contracts between LME Clear and the Member allocated to such Account,

then the Member may issue a Client Porting Request to LME Clear.

#### 10.12.3 The Member shall specify in the Client Porting Request:

- (a) whether the transfer of the Transferring Indirect Clients shall be to:
  - (i) a Replacement Indirect Client Account; or



## Rule 10

- (ii) a Replacement Direct Client Account; and
  - (b) whether the Collateral allocated to the relevant Original Indirect Client Account shall be transferred to the Replacement Indirect Client Account or the Replacement Direct Client Account (as applicable).
- 10.12.4** Within twelve (12) Business Hours of receipt of a Client Porting Request, LME Clear shall determine whether a Replacement Clearing Client Transfer or a Direct Client Transfer (as applicable) is possible and shall notify the Member:
- (a) whether such a transfer may be made; and
  - (b) of any conditions that LME Clear considers, acting reasonably, must be satisfied in order to enable LME Clear to effect such transfer; and
  - (c) the time period within which all such conditions must be satisfied.

LME Clear may not refuse a transfer pursuant to a Client Porting Request where the conditions in Rule 10.12.5 or 10.12.7 (as applicable) and Rule 10.12.9 are satisfied.

#### **Transfer to Replacement Clearing Client**

- 10.12.5** In the event that the Member notifies LME Clear that all the Indirect Clients are to be transferred to a single Replacement Clearing Client then, subject to Rule 10.12.4, LME Clear will transfer to the Replacement Indirect Client Account all Open Contracts and the associated Positions and, where applicable, Collateral recorded to the Original Indirect Client Account, provided that:
- (a) the Replacement Clearing Client is a Client of the Member;
  - (b) the Member has, in respect of such Replacement Clearing Client established Replacement Indirect Client Account that is of an equivalent type to the Original Indirect Client Account;
  - (c) the Member has satisfied all requirements applying to the establishment of such Replacement Indirect Client Account as a Client Account under these Rules;
  - (d) LME Clear receives written notification from the Replacement Clearing Client, in such form as LME Clear determines acceptable and within such period as LME Clear specifies following its receipt of the Client Porting Request, that it agrees to act as the Replacement Clearing Client in respect of all the Indirect Clients allocated to the Original Indirect Client Account; and
  - (e) the general conditions in Rule 10.12.9 are satisfied.

- 10.12.6** In the event that LME Clear determines, for whatever reason, that it is not possible to effect a Replacement Clearing Client Transfer pursuant to Rule 10.12.5, LME Clear may decline to act on the Client Porting Request.

#### **Transfer to Direct Clearing Arrangement**

- 10.12.7** In the event that the Member notifies LME Clear that it wishes to establish a Replacement Direct Client Account in respect of the Transferring Indirect Clients then, subject to Rule 10.12.4, LME Clear will transfer to the Replacement Direct Client Account all Open Contracts and the associated Positions and, where applicable,

## Rule 10

Collateral recorded to the Original Indirect Client Account (provided that the general conditions in Rule 10.12.9 are satisfied). LME Clear will permit such transfers only to a type of Replacement Direct Client Account that provides an equivalent level of segregation for the Transferring Indirect Client(s) as was provided under the Original Indirect Client Account.

### Responsibilities of Member

**10.12.8** LME Clear shall be entitled to treat any Client Porting Request as having been made by the Member with the full consent of all the Indirect Clients allocated to the relevant Account and shall not be under any obligation to the Member, any Client, any Indirect Client or any other person to make further enquiries regarding the wishes of the Indirect Clients. Accordingly, it shall be the responsibility of the Member to ensure that:

- (a) the Transferring Indirect Clients allocated to the Account that is the subject of the Client Porting Request:
  - (i) are notified of:
    - (1) the fact that the Client Porting Request has been made by the Member in respect of the Account(s) allocated to the Clearing Client;
    - (2) the nature of the transfer requested by the Member;
    - (3) the conditions LME Clear requires to be satisfied in order to enable LME Clear to effect such transfer; and
    - (4) the time period within which the conditions to the transfer must be satisfied; and
  - (ii) do not object to the Client Porting Request; and
- (b) the Member has made, prior to LME Clear giving effect to any Client Porting Request, such arrangements with the Transferring Indirect Clients and any Replacement Clearing Client as are necessary and appropriate to enable the Member and any Replacement Clearing Client to facilitate:
  - (i) the clearing of Transactions in respect of such Indirect Clients (including the transferring Underlying Client Trades) via the Clearing System; and
  - (ii) either:
    - (1) the transfer of Collateral from the relevant Account of the Member allocated to the Defaulting Clearing Client to the Replacement Indirect Client Account or the Replacement Direct Client Account; or
    - (2) the deposit of sufficient Collateral to the Replacement Indirect Client Account or the Replacement Direct Client Account to cover the risks associated with the Transactions to be transferred to such Account.

### General Conditions to Transfer

## Rule 10

**10.12.9** LME Clear shall not be required to effect a Replacement Clearing Client Transfer or a Direct Client Transfer unless:

- (a) the Member has established the appropriate type of Account to receive the assets and positions in respect of the Transferring Indirect Clients;
- (b) the Member provides to LME Clear evidence or written representations, satisfactory to LME Clear (acting reasonably), that a Client Termination Event has occurred in relation to the relevant Underlying Client Trades, pursuant to a Notice which is copied to the Indirect Clients allocated to the Original Indirect Client Account;
- (c) the Member provides to LME Clear a copy of the notice given by the Member to the Clearing Client in accordance with Rule 10.12.8(a), copied to the Indirect Clients allocated to the Original Indirect Client Account, notifying the Clearing Client of its intention to effect a Replacement Clearing Client Transfer or a Direct Client Transfer (as applicable) and specifying that, in the event that such transfer does not occur for any reason, LME Clear may decline to act on the Client Porting Request;
- (d) where requested by LME Clear, the Member provides to LME Clear an indemnity, in such form as LME Clear determines acceptable; and
- (e) any conditions notified by LME Clear pursuant to Rule 10.12.4 above have been satisfied.

**General Discretion for LME Clear**

**10.12.10** LME Clear shall, upon becoming aware of any Client Termination Event, have a general discretion to effect a transfer of the Open Contracts and the associated Positions and Collateral recorded to the Original Indirect Client Account to:

- (a) a Replacement Indirect Client Account, pursuant to a Replacement Clearing Client Transfer; or
- (b) a Replacement Direct Client Account, pursuant to a Direct Client Transfer,

in each case notwithstanding that any requirement or condition specified in this Rule 10.12 may not have been satisfied, **provided that:**

- (i) LME Clear considers, acting reasonably, that such transfer or re-designation is desirable in the interests of (i) protecting the integrity or stability of the Clearing System or any Approved Transaction Platform or (ii) protecting the interests of the Indirect Clients allocated to the Original Indirect Client Account;
- (ii) the Member consents to such transfer or re-designation; and
- (iii) in the case of a Replacement Clearing Client Transfer, LME Clear has written confirmation from the Member or from the Replacement Clearing Client that the Replacement Clearing Client consents to the transfer.

**10.13 LME CLEAR DEFAULT**

## Rule 10

**10.13.1** For the purpose of this Rule 10.13:

- (a) an "**LME Clear Payment Default**" shall arise in the event that LME Clear fails to make a payment or delivery to a Member when it is due and payable or deliverable under the Rules and such failure is not remedied within thirty (30) days of LME Clear's receipt of notice of such failure from the affected Member, but shall not arise where:
- (i) the Member has, prior to the date on which such payment or delivery became due, become a Defaulting Member;
  - (ii) LME Clear has satisfied or otherwise discharged its obligation to make payment or delivery pursuant to alternative means permitted by the Rules;
  - (iii) LME Clear's obligation to make the payment or delivery is not a payment or delivery obligation of LME Clear to the Member that is governed by the Rules;
  - (iv) LME Clear's failure to make the payment or delivery is the result of a Force Majeure Event;
  - (v) the obligation of LME Clear to make payment or delivery is the subject of action taken by LME Clear under Rule 2.4 (*Force Majeure*) in the event of a Force Majeure Event or circumstances falling within Rule 17 (*Emergencies*) of Part 3 of the LME Rules; or
  - (vi) in the circumstances prevailing, LME Clear is permitted under the Rules to have not made the payment or delivery to the Member, notwithstanding that it may have become due (such as, without limitation, where LME Clear does not deliver an Underlying Asset to a Member as a consequence of the application of the provisions applying to Invoicing Back pursuant to Rule 7.8);
- (b) an "**LME Clear Insolvency Default**" shall arise in the event that LME Clear:
- (i) makes an application to a court of competent jurisdiction, or an order is made by such court, for the purpose of: (i) declaring LME Clear to be bankrupt or insolvent; (ii) approving or granting a petition for a moratorium, reorganisation, arrangement (including pursuant to a scheme of arrangement), liquidation, dissolution, adjustment or composition of or in respect of LME Clear under any Applicable Law; (iii) appointing an administrator, assignee, custodian, examiner, liquidator, provisional liquidator, receiver, sequestrator, supervisor, nominee or trustee or other similar official in respect of LME Clear or any substantial part of its property, assets or undertaking; (iv) ordering the winding up, liquidation or bankruptcy of LME Clear; or (v) consenting to the institution by LME Clear or any person of proceedings for it to be adjudicated, bankrupt or insolvent or for it to be wound up or liquidated; provided that this paragraph (b)(i) shall not apply to any winding up petition which LME Clear reasonably considers to be frivolous or vexatious; or
  - (ii) LME Clear commences any proceedings, or consents to any application, for, or becomes subject to, the appointment of an administrator, assignee,

## Rule 10

custodian, examiner, liquidator, provisional liquidator, receiver, sequestrator, supervisor, nominee, trustee or other similar official in respect of the Member or any substantial part of its property, assets or undertaking;

but shall not arise:

- (iii) where and to the extent that such circumstances arise solely as a consequence of any corporate restructuring of LME Clear or its Group (including any merger, consolidation or amalgamation of LME Clear or its business with that of any other party); or
- (iv) where any member of LME Clear's Group, other than LME Clear, is the subject of the circumstances described in (i) or (ii) above,

and an LME Clear Payment Default and an LME Clear Insolvency Default shall, subject to Rule 10.13.2 below, each constitute an **"LME Clear Default"**; and

- (c) **"Resolution Authority"** shall mean the Bank of England, acting in its capacities as the Regulator of LME Clear and as the authority with power to exercise powers with respect to LME Clear pursuant to, and for the purposes of, Part 1 (Special Resolution Regime) of the Banking Act 2009, as modified and supplemented by sections 89B to 89G of that Act.

**10.13.2** The exercise of stabilisation powers under the Banking Act 2009 by the Resolution Authority in respect of LME Clear or any entity in the same Group as LME Clear and the occurrence of any event directly linked to the exercise of such powers shall not constitute the basis for an LME Clear Default (whether as an LME Clear Payment Default or an LME Clear Insolvency Default) provided that the substantive obligations of LME Clear under the Rules, including payment and delivery obligations and the provision of collateral, continue to be performed.

**10.13.3** In the event that an LME Clear Payment Default occurs and provided that the circumstances giving rise to the LME Clear Payment Default are continuing, the Member to which the relevant payment is due may issue a Close Out Netting Notice to LME Clear.

**10.13.4** In the event that an LME Clear Insolvency Default occurs and provided that the circumstances giving rise to the LME Clear Insolvency Default are continuing, any Member other than a Defaulting Member may issue a Close Out Netting Notice to LME Clear.

**10.13.5** Any Close Out Netting Notice issued by a Member must be in writing and must specify the date from which all Contracts to which the Member is a party shall be liquidated and terminated (the **"Close Out Date"**). The Close Out Date specified by the Member may not be later than the fifth (5<sup>th</sup>) Business Day following the date of receipt by LME Clear of the Close Out Netting Notice.

**10.13.6** In the event that a Member issues to LME Clear a valid Close Out Netting Notice in respect of an LME Clear Default, then:

- (a) the Close Out Netting Notice shall be deemed to have been received by LME Clear no earlier than the time determined in accordance with Rule 2.9 (Notices) for the method by which the Notice was sent;

## Rule 10

- (b) all Open Contracts between the Member and LME Clear shall automatically terminate on the Close Out Date, such that on and from the Close Out Date neither LME Clear nor the Member shall be obliged to perform any further Payment Obligations or Delivery Obligations in respect of such Open Contracts, save for the settlement of the Close Out Amounts calculated in accordance with this Rule 10.13; and
- (c) the Member shall, on or as soon as reasonably practicable following the Close Out Date (and in any event within five (5) Business Days of the Close Out Date):
  - (i) calculate the respective rights and liabilities of LME Clear and the Member in relation to the Contracts allocated to each Account of the Member that would (save for (b) above) be Open Contracts, in order to determine, in respect of each Account, a net amount due to the Member or LME Clear (the "**Close Out Amount**"); and
  - (ii) notify LME Clear of the Close Out Amounts calculated in respect of each Account, and by which party each Close Out Amount is payable, with a written statement containing a detailed explanation of the calculations applied by the Member to determine the Close Out Amounts.

**10.13.7** In order to determine the Close Out Amount for an Account:

- (a) the Member shall calculate, in respect of that Account:
  - (i) the aggregate rights of the Member to receive payments from LME Clear, whether current, contingent or future (an "**Aggregate Member Entitlement**"); and
  - (ii) the aggregate obligations of the Member to make payments to LME Clear, whether current contingent or future (an "**Aggregate Member Obligation**"),

in each case on the basis that:

- (1) all costs necessarily or reasonably incurred by the Member in calculating any amounts payable and all costs necessarily or reasonably incurred by the Member in liquidating and terminating any Open Contract or re-establishing any associated hedge, in accordance with this Rule 10.13 shall be added to the Aggregate Member Entitlement;
- (2) all payments that would be made in settlement or performance of any Contract shall be determined on the basis that such Contracts shall be assumed to have been required to be settled or performed on the Close Out Date in accordance with the Closing Prices for the Eligible Products under such Contracts published on the Business Day immediately preceding the Close Out Date. In the event that no Closing Prices are available the Member shall use such market prices, or official settlement prices, published by a relevant exchange or clearing house, as may be available on the Business Day immediately preceding the Close Out Date, provided that in selecting any such prices, the Member shall act in good

## Rule 10

faith and with a view to selecting a price that does not unfairly disadvantage LME Clear;

- (3) the Aggregate Member Entitlements shall be expressed as a single sum in the Base Currency, as a positive figure;
- (4) the Aggregate Member Obligations shall be expressed as a single sum in the Base Currency, as a negative figure; and
- (5) in the event that, in order to make such calculation, the Member needs to convert any amounts denominated in any other currency into the Base Currency in order to calculate the Aggregate Member Entitlements and Aggregate Member Obligations, such conversion shall be effected at such rate prevailing on the date of calculation as the Member may reasonably select, provided that in selecting such rate, the Member shall act in good faith and with a view to selecting a rate that does not unfairly disadvantage LME Clear; and

- (b) the Aggregate Member Obligation on each Account shall be set off against the Aggregate Member Entitlement on that Account in order to produce a single net sum for that Account, such net sum being the Close Out Amount in respect of that Account.

**10.13.8** In the event that the Close Out Amount in respect of an Account is:

- (a) a positive amount, LME Clear shall pay such Close Out Amount to the Member;
- (b) a negative amount, the Member shall pay such Close Out Amount to LME Clear,

in each case as soon as reasonably practicable, and in any event no later than five (5) Business Days following the Business Day on which the Member notified LME Clear of such Close Out Amount in accordance with Rule 10.13.6 above. The Close Out Amount shall be paid in the Base Currency.

**10.13.9** Any Close Out Amount that is not paid when due in accordance with Rule 10.13.8 above shall accrue interest, at the Relevant Rate for each day that such Close Out Amount remains unpaid.

**10.13.10** For the avoidance of doubt, the Member's rights under this Rule 10.13 are additional to, and shall not be construed to limit or exclude any other rights that the Member may have under these Rules or Applicable Law.

## **10.14 ALLOCATION OF NON-DEFAULT LOSSES**

**10.14.1** In this Rule 10.14:

- (a) "**Maximum Potential Non-Default Losses**" means, at any time, the total exposure of LME Clear to Non-Default Losses being the value at that time of LME Clear's investment portfolio (being all investments excluding Securities Collateral provided by Members) and all credit balances of cash accounts held by LME Clear;



## Rule 10

- (b) **"NDL Payment"** means, in relation to a Non-Default Loss, a payment made or (as the case may be) to be made by a Member to LME Clear equal to:
  - (i) the Non-Default Loss, less the amount of LME Clear's own funds applied by LME Clear pursuant to Rule 10.14.2,
  - (ii) multiplied by the Member's NDL Percentage;
- (c) **"NDL Payment Period"** means, in relation to a demand by LME Clear for NDL Payments from the Members, the period of thirty (30) days ending on the third (3<sup>rd</sup>) day before the date of the demand;
- (d) **"NDL Percentage"** means, in relation to a Member, the proportion (expressed as a percentage) that (1) the daily average of the Member's Initial Margin Requirement over the NDL Payment Period bears to (2) the daily average of all Members' Initial Margin Requirement over the NDL Payment Period;
- (e) **"Net Recoveries"** means, in relation to a Non-Default Loss, any recovery or receipt of any kind (including by way of set-off) made by LME Clear relating to or arising from the circumstances giving rise to the Non-Default Loss;
- (f) **"Non-Default Loss"** means a Loss incurred by LME Clear, including any loss of any asset or cash, pursuant to a default by any Treasury Counterparty;
- (g) **"Reporting NDL Percentage"** means a version of the NDL Percentage that is calculated with reference to a single day, rather than an average over the NDL Payment Period, in order to estimate the Member's Maximum Potential Non-Default Losses for the purposes of LME Clear's monthly report to Members;
- (h) **"Treasury Counterparty"** means:
  - (i) any counterparty to any transaction undertaken by LME Clear in connection with LME Clear's treasury and/or investment management activities;
  - (ii) any issuer of any securities (including Investment Securities) that is the subject of LME Clear's treasury and/or investment management activities;
  - (iii) any issuer of any securities (including Investment Securities) held by LME Clear as Asset Cover or as an asset of LME Clear;
  - (iv) any counterparty to a transaction in connection with LME Clear's treasury and/or investment management activities (including deposit-taking institutions) appointed by LME Clear to hold cash, including Cash Cover;
  - (v) any investment agent or investment manager providing any service to LME Clear in connection with LME Clear's treasury management or investment management activities, that involves the holding of, or dealing with, any Investment Securities, Asset Cover or other assets belonging to LME Clear; and/or
  - (vi) any LMEsword Depository or Warehouse,



## Rule 10

but excluding any Settlement Bank, Custodian or Securities System Operator (that in any such case does not fall within (v) or (vi) above) providing a service to LME Clear that involves the holding of any Asset Cover or any assets belonging to LME Clear.

**10.14.2** If a Non-Default Loss occurs, LME Clear shall meet that loss in the following order:

- (a) first, from LME Clear's own funds (subject to Rule 10.14.3); and
- (b) then, by making demand on every Member for an NDL Payment (subject to Rule 10.14.4).

This Rule 10.14.2 is subject to Rule 10.14.10.

**10.14.3** The total amount that LME Clear is obliged under Rule 10.14.2(a) to deduct from its own funds shall not exceed the amount of regulatory capital maintained by LME Clear from time to time for the purpose of meeting its obligations pursuant to Article 4 (*CCP capital requirements for credit, counterparty and market risks*) of the EMIR Level 2 Capital Requirements.

**10.14.4** Upon receiving a demand for an NDL Payment from LME Clear pursuant to Rule 10.14.2(b), each Member shall immediately pay to LME Clear such sum in full in the currency demanded without set-off, withholding, counterclaim or deduction of any kind and, without prejudice to Rule 2.18 (*Set-Off*), LME Clear may, without further notice to or consent from each such Member, immediately debit all or part of any such demanded NDL Payment from the Collateral maintained on the House Account of the Member.

**10.14.5** In the event that, subsequent to the exercise of its powers under this Rule 10.14, LME Clear makes any Net Recoveries relating to the underlying circumstances which gave rise to any Non-Default Loss, LME Clear shall distribute such Net Recoveries on the following basis:

- (a) first, to all Members in proportion to the NDL Payments made by each such Member in relation to such Non-Default Loss, and limited to the amount of NDL Payments made by each such Member; and
- (b) then, to LME Clear for its own account.

**10.14.6** Any determination made by LME Clear pursuant to this Rule 10.14 shall be final and binding on each Member and shall not be capable of challenge or subject to dispute.

**10.14.7** The procedure set out in this Rule 10.14 shall apply each time there is a Non-Default Loss.

**10.14.8** Following a Non-Default Loss, LME Clear shall use reasonable efforts to make Net Recoveries.

**10.14.9** LME Clear will provide a monthly report to each Member setting out the estimated maximum liability at that time of the Member for Non-Default Losses being the sum resulting from multiplying the Member's Reporting NDL Percentage with the Maximum Potential Non-Default Losses.

## Rule 10

- 10.14.10** Where and to the extent that any Non-Default Loss is also a Counterparty Loss, LME Clear may take such steps to meet that loss as may be permitted in accordance with its rights under Rule 10.6.4 (*Counterparty Loss*). In such circumstances, such loss shall be treated as a Non-Default Loss under this Rule 10.14 only where and to the extent that such Counterparty Loss is not fully discharged by the application of LME Clear's other rights under these Rules.
- 10.14.11** This Rule 10.14 is subject, in respect of any Member that resigns in accordance with Rule 10.10.9(b), to Rule 10.10.10(e).

Rule 11

**RULE 11 - SETTLEMENT FINALITY**

**11.1 IRREVOCABILITY OF TRANSFER ORDERS**

**11.1.1** For the purposes of the Settlement Finality Regulations, LME Clear shall specify the time at which Transfer Orders:

- (a) take effect and are entered into the Clearing System; and
- (b) become irrevocable.

**11.1.2** A Transfer Order shall not be revoked at any time after it becomes irrevocable as in accordance with Rule 11.1.1(b).

**11.1.3** The specification of the matters described in Rule 11.1.1 shall be as set out in the Settlement Finality Procedure.

## Rule 12

**RULE 12 - COMPRESSION****12.1 AVAILABILITY****Election for Compression**

**12.1.1** A Member may elect for Contracts allocated to any Account of that Member to be Compressed with other Contracts allocated to that Account, subject to and in accordance with the provisions of this Rule 12.

**12.1.2** A Member may elect for an Account to be subject to either:

- (a) Manual or File Based Compression; or
- (b) Automatic Compression.

**12.1.3** In order for a Member to elect for Compression to be applied to Contracts in an Account of that Member, the Member must submit an updated reference data form to LME Clear (a "**Compression Request**"), detailing:

- (a) the Account(s) to which Compression should apply;
- (b) whether the Account should be subject to:
  - (i) Manual or File Based Compression; or
  - (ii) Automatic Compression; and
- (c) the frequency at which Compression shall be applied (which will be either daily, weekly or monthly and will determine the Business Day on which a Compression Run will be applied in accordance with the methodology set out in the DSS),

together with such other information, representations and confirmations as may be required in connection with such Compression Request. The Member must also submit an updated reference data form to LME Clear to cancel an election for Compression or to change the frequency of Compression.

**12.1.4** Automatic Compression shall only be available in respect of:

- (a) House Accounts;
- (b) Direct Individual Segregated Client Accounts; and
- (c) Indirect Individual Segregated Client Accounts.

**Compressible Accounts**

**12.1.5** Compression may be applied in respect of an Account where:

- (a) the requirements of Rule 12.1.3 have been satisfied; and
- (b) there are Eligible Compressible Contracts that are capable of being Compressed,

## Rule 12

(such Account being a "**Compressible Account**"). Notwithstanding the foregoing, Gross Omnibus Segregated Client Accounts shall not be Compressible Accounts.

### Eligible Compressible Contracts

**12.1.6** Compression may be applied only in respect of Contracts for Eligible Products that are Eligible Compressible Contracts.

**12.1.7** Contracts with the following features will be "**Eligible Compressible Contracts**":

- (a) the Contracts must be in respect of an Eligible Product that is denoted in Annex 1 (*Eligible Products*) as being "capable of compression" ;
- (b) the Contracts must have the same Core Economic Terms;
- (c) the Contracts must not have been allocated to the relevant Account on the same Business Day as that on which Compression is to be applied; and
- (d) where the Transactions that resulted in the formation of the Contracts also resulted in the formation of Underlying Client Trades, the same Client or Indirect Client, as applicable, is a party to each such Underlying Client Trade.

**12.1.8** The effect of Rule 12.1.7(d) is that:

- (a) where a Direct Net Omnibus Segregated Client Account is a Compressible Account, Compression may be applied only to Contracts that correspond to Underlying Client Trades relating to the same Client; and
- (b) where an Indirect Net Omnibus Segregated Client Account is a Compressible Account, Compression may be applied only to Contracts that correspond to Underlying Client Trades relating to the same Indirect Client.

**12.1.9** Compression may only be applied on a per-Account basis. This means that Contracts allocated to different Accounts cannot be Compressed together.

## 12.2 COMPRESSION PROCESS

### Manual or File Based Compression

**12.2.1** Where a Compressible Account is subject to Manual or File Based Compression, a Compression Run may be applied at such frequencies as are specified by the Member in the Compression Request relating to that Account and in accordance with the following process.

- (a) On the Business Day on which a Compression Run is due to be applied to a Member's Compressible Account, a Member may submit a request to LME Clear for Compression to be applied to an Account:
  - (i) by selecting the Eligible Compressible Contracts that are to be subject to Compression via the LMEmercury GUI (such request being a request for Manual Compression); or
  - (ii) by submitting to LME Clear a file, in a format specified by LME Clear, identifying the Eligible Compressible Contracts that are to be subject to Compression (such request being a request for File Based Compression).

## Rule 12

- (b) Such request must be made not later than the cut-off time specified in the DSS as the latest time by which a request for Compression may be submitted on the Business Day on which the Compression Run is to be applied. Any request received later than the cut-off time will not be implemented.
- (c) Following its receipt of such request, and not later than the relevant time specified in the DSS, LME Clear will prepare a Compression Proposal which the Member can access in the LMEmercury GUI.
- (d) Once the Compression Proposal becomes available, the Member must promptly, and in any event not later than the cut-off time specified in the DSS:
  - (i) review the Compression Proposal; and either
  - (ii) cancel the proposed Compression Run via the LMEmercury GUI if there are any errors in the Compression Proposal or the Member does not wish Compression to take effect for any reason, including for the avoidance of doubt, where the Compression Proposal applies Compression to Contracts that cannot be Compressed due to the requirement in Rule 12.1.7(d) not being satisfied; or
  - (iii) notify LME Clear via the LMEmercury GUI if it agrees that the Eligible Compressible Contracts in the Compressible Account shall be Compressed in the manner described in the Compression Proposal.
- (e) In the event that LME Clear receives a notification pursuant to Rule 12.2.1(d)(ii) that the Compression Proposal is erroneous in any way, the Compression Run shall not be applied to the Account, unless the Member submits another request to LME Clear for Compression to be applied to an Account and completes the process set out in this Rule 12.2.1 prior to the cut-off time specified in the DSS. In the event that a Member does submit another request to LME Clear for Compression to be applied to an Account, this Rule 12.2.1 shall apply to such request on the basis that it has been made in accordance with Rule 12.2.1(a).
- (f) In the event that LME Clear does not receive a notification pursuant to Rule 12.2.1(d)(iii) that the Member agrees to the Compression Proposal by the relevant cut-off time, then LME Clear shall not apply the Compression Run.
- (g) In the event that LME Clear receives a notification pursuant to Rule 12.2.1(d)(iii) that the Member agrees to the Compression Proposal, by the relevant cut-off time, then LME Clear shall apply the Compression Run.
- (h) In the event that a Member's Compressible Account is subject to Automatic Compression and the Member wishes to request Manual or File Based Compression in accordance with Rule 12.2.1(a) on the same day as Automatic Compression is due to be applied to contracts in that Compressible Account, the Member must first cancel the proposed Compression Run in accordance with Rule 12.2.2(c)(ii).

**Automatic Compression**

- 12.2.2** Where a Compressible Account is subject to Automatic Compression, Compression will be applied in accordance with the following process.

## Rule 12

- (a) A Compression Run may be applied to a Compressible Account at such frequencies as are specified by the Member in the Compression Request relating to that Account.
- (b) On the Business Day on which the Compression Run is due to be applied to a Member's Compressible Account, LME Clear will prepare a Compression Proposal which the Member can access in the LMEmercury GUI.
- (c) Once the Compression Proposal becomes available, the Member must promptly, and in any event not later than the cut-off time specified in the DSS:
  - (i) review the Compression Proposal; and
  - (ii) cancel the proposed Compression Run via the LMEmercury GUI if there are any errors in the Compression Proposal or the Member does not wish Compression to take effect for any reason, including for the avoidance of doubt, where the Compression Proposal applies Compression to Contracts that cannot be Compressed due to the requirement in Rule 12.1.7(d) not being satisfied.
- (d) In the event that LME Clear receives a cancellation pursuant to Rule 12.2.2(c)(ii) that the Compression Proposal is erroneous in any way, the Compression Run shall not be applied to the Account, unless the Member submits a request in accordance with 12.2.1(a) and completes the process set out in 12.2.1.
- (e) In the event that LME Clear does not receive a notification pursuant to Rule 12.2.2(c)(ii) that the Compression Proposal is erroneous in any way or that it does not want the Compression to take effect, by the relevant cut-off time, then LME Clear shall apply the Compression Run.

**Compression Proposals**

- 12.2.3** LME Clear shall develop each Compression Proposal in accordance with the methodology set out in the DSS.
- 12.2.4** A Compression Proposal shall specify the Post-Compression Contracts that would be in the Compressible Account following the implementation of the Compression Run.
- 12.2.5** The Post-Compression Contracts identified in a Compression Proposal will represent the application of the following process:
  - (a) first, Eligible Compressible Contracts with the same direction will be aggregated (the effect of which will be that any Post-Compression Contract resulting from aggregation will have a notional value that is the sum of the notional values of the Eligible Compressible Contracts that were so aggregated); and
  - (b) second, Eligible Compressible Contracts with opposite directions will be netted (the effect of which will be that any such Post Compression Contract resulting from netting shall have a notional value that is the net of the notional values of the Eligible Compressible Contracts that were so netted),

subject in each case to:

- (i) such modifications as may be specified in the methodology set out in the DSS; and

## Rule 12

(ii) the qualifications set out in Rule 12.2.7 below.

**12.2.6** For the purposes of Rule 12.2.5:

- (a) Contracts have the "same direction" where under each Contract the same parties are Buyer and Seller respectively; and
- (b) Contracts have the "opposite direction" where the Buyer under one Contract is the Seller under the other Contract.

**12.2.7** Compression must be effected so as to ensure that:

- (a) for Eligible Products for which the Variation Margin Requirement is calculated on the basis of the Discounted Contingent Variation Margin (or DCVM) approach, the DCVM attributable to the Post-Compression Contracts upon Compression shall be the same as the sum of the DCVM attributable to the Eligible Compressible Contracts immediately prior to Compression;
- (b) the Post-Compression Contracts are allocated a notional Market Value, that is within a maximum tolerance (set out in the DSS) of the previous day's Closing Price relating to any Eligible Compressible Contract that was included in the Compression Run;
- (c) Compression may not be permitted to result in Post-Compression Contracts having a zero or negative notional Market Value; and
- (d) Compression shall not, solely by itself, result in any increase in a Member's Margin Requirement.

#### **Time and Effect of Compression**

**12.2.8** Compression shall take effect at the Compression Time. Following the implementation of a Compression Run, LME Clear will issue a report to the Member confirming the implementation of the Compression Run and the Compression Time.

**12.2.9** Upon Compression:

- (a) the Member and LME Clear (each acting as principal) shall be released from further obligations towards one another under the Eligible Compressible Contracts specified in the Compression Proposal and their respective rights against one another under such Contracts shall be cancelled; and
- (b) the Post-Compression Contracts specified in the Compression Proposal shall, by operation of this Rule, come into full force and effect between the Member and LME Clear, such that the Member and LME Clear (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another under the Post Compression Contracts.

**12.2.10** For the avoidance of doubt, where, prior to a Compression Run, the clearing of a Transaction had been represented by one or more Eligible Compressible Contracts, following the Compression Run, the clearing of such Transaction shall be represented by the Post-Compression Contracts that resulted from the Compression of such Eligible Compressible Contracts.

**12.2.11** For the avoidance of doubt, a Post-Compression Contract may have a notional Market Value that is different from the previous day's Closing Price relating to the Eligible



## Rule 12

Compressible Contracts that were Compressed in order to produce such Post-Compression Contract. The basis on which such notional Market Value shall be established is explained in further detail in the DSS.

- 12.2.12** For the avoidance of doubt, the termination of any Eligible Compressible Contract specified in a Compression Proposal, pursuant to Rule 12.2.9(a), shall be conditional upon the creation and coming into force of the Post-Compression Contracts specified in the Compression Proposal, pursuant to Rule 12.2.9(b).

**12.3 DISCRETION OF LME CLEAR**

- 12.3.1** The application of any Compression Run shall be at the discretion of LME Clear and LME Clear shall be under no obligation to implement any Compression Run, notwithstanding:

- (a) any request by a Member to do so; or
- (b) any other provision of this Rule 12.

- 12.3.2** In the event that LME Clear declines to implement a Compression Run, LME Clear shall notify the Member.

**12.4 OBLIGATIONS OF THE MEMBER**

- 12.4.1** Each Member that requests the application of Compression to any of its Accounts must:

- (a) submit a Compression Request in accordance with Rule 12.1.3;
- (b) ensure that LME Clear is promptly notified of any change of circumstances that would cause the information provided in any previously submitted Compression Request to no longer be correct;
- (c) promptly review each Compression Proposal produced by LME Clear;
- (d) make any notifications required by this Rule 12 in a timely manner;
- (e) ensure that the Member is at all times able to reconcile each Contract allocable to an Account with the Transaction that is cleared by such Contract;
- (f) ensure that under no circumstances shall the Member:
  - (i) submit a request for Compression;
  - (ii) approve a Compression Proposal; or
  - (iii) in relation to Automatic Compression, fail to cancel a proposed Compression Run,

that would result in the Compression of two Contracts that do not satisfy the condition in Rule 12.1.7(d);

- (g) ensure that the Member makes any notifications to any trade repository or Regulator regarding the effect of such Compression on any Transaction or Contract to which the Member is a party as may be required of such Member pursuant to Applicable Law;

## Rule 12

- (h) ensure that any Client is promptly notified of the implementation of any Compression Run in relation to any Contract that relates to any Underlying Client Trade to which that Client is a party; and
- (i) take all necessary and appropriate steps to ensure that, upon the Compression of any Contracts, a corresponding netting or aggregation takes effect in respect of any Transactions that remain in force between the Member and any other party, or between any Client and any other party, and that are cleared by such Contracts. Without limitation to the foregoing, the Member shall ensure that the terms governing any such Transaction shall specify that such netting or aggregation shall take effect automatically upon Compression, in order to avoid the creation of a mis-match between the positions between the counterparties to the relevant Transaction and the Positions represented by the corresponding Post-Compression Contracts.

**12.4.2** Without prejudice to the generality of Rule 2.3.5, each Member shall indemnify and hold harmless each LME Clear Party against any and all losses, damages, claims, liabilities, costs or expenses (whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or any other legal theory) incurred by the LME Clear Party arising directly out of or in connection with such Member's breach of any of its obligations pursuant to Rule 12.4.1 above, save to the extent that the losses, damages, claims, liabilities, costs or expenses arise as a result of the fraud, fraudulent misrepresentation, negligence, wilful default or bad faith of the LME Clear Party. The Member shall not be liable to an LME Clear Party under this indemnity for loss of goodwill, loss of business opportunity or loss of anticipated savings or profits.

# **LME CLEAR LIMITED**

## **PROCEDURES**

## MEMBERSHIP PROCEDURE

## Membership Procedure Part A

**PART A – INTRODUCTION AND GENERAL MATTERS****1. INTRODUCTION**

1.1 These Membership Procedures form part of, and shall be read in conjunction with, the Rules and are legally binding on Members. Terms defined in the Rules have the same meaning in these Membership Procedures. In the event of any conflict or inconsistency between the Rules and these Membership Procedures, the Rules shall prevail.

1.2 These Membership Procedures are arranged in to the following Parts:

- (a) Part A: introduction and general matters;
- (b) Part B: applications for Membership and on-going administration of Membership;
- (c) Part C: procedures for the handling of complaints;
- (d) Part D: disciplinary procedures; and
- (e) Part E: appeals procedures.

**2. DEFINITIONS**

2.1 In these procedures, the following words and expressions shall bear the means set opposite them:

**"Act of Misconduct"** means:

- (a) any breach of the Rules;
- (b) a failure to pay any fine or order for costs imposed by a Disciplinary Committee that has not been overturned by an Appeal Committee;
- (c) providing information (including information for the purpose of obtaining Membership) which is false, misleading or inaccurate in a material particular;
- (d) ceasing to meet the Membership Criteria without notifying LME Clear; or
- (e) any other act or omission by a Member that is specifically identified as an Act of Misconduct under the Rules;

**"Additional Capital"** means: (a) equity reserves which do not constitute Permanent Capital (distributable or otherwise); (b) profit and loss reserves; (c) redeemable shares; and (d) subordinated loans (subject to the conditions in Membership Procedure B5.6 to 5.8;

**"Appeal Committee"** means a committee appointed pursuant to Membership Procedure E1.1;

**"Application Documentation"** means the standard form application documentation, including the application questionnaire, required by LME Clear to be submitted by each Applicant for Membership, in such revised or updated form that LME Clear may maintain from time to time;

**"Defence"** has the meaning given in Membership Procedure D3.1;

## Membership Procedure Part A

**"Disciplinary Committee"** means a committee appointed pursuant to Membership Procedure D4.1;

**"Enforcement Notice"** has the meaning given in Membership Procedure D2.2;

**"LME Clear Membership Application Form"** means the application form that LME Clear provides to potential applicants seeking to obtain Membership of LME Clear;

**"Independent Complaints Commissioner"** means the independent person appointed in accordance with Membership Procedure C4.2;

**"Intangible Fixed Assets"** means non-financial fixed assets that do not have physical substance but are identifiable and controlled by the entity through custody or legal rights (e.g. goodwill; intellectual property);

**"LME Clear Compliance Department"** means the department within LME Clear that is responsible for ensuring that LME Clear adheres to all relevant laws and regulatory requirements;

**"Net Capital"** means Permanent Capital plus Additional Capital, less Intangible Fixed Assets;

**"NoI"** has the meaning given in Membership Procedure D1.3 of these Procedures;

**"Permanent Capital"** means: (a) issued and fully-paid ordinary share capital; (b) issued and fully-paid preference share capital; and (c) funds in a share premium account and reserves not available for distribution (for the avoidance of doubt, if the relevant reserves are in deficit, the negative amount will be deducted from items (a) and (b) to calculate Permanent Capital); and

**"Relevant Parties"** means:

- (a) the person or Member found to have committed the Act of Misconduct;
- (b) all Members; and
- (c) in all cases, the appropriate regulatory or other authorities, as LME Clear deems appropriate.

2.2 Any capitalised terms which are not defined in Membership Procedure A2.1 shall have the meaning given to them in Rule 1 (*Definitions and Interpretation*).

## Membership Procedure Part B

**PART B – MEMBERSHIP****1. MEMBERSHIP CATEGORIES**

1.1 The categories of Membership are as set out in Rule 3.1.

**2. APPLICATIONS FOR MEMBERSHIP**

2.1 Applications for Membership of LME Clear shall be made by providing LME Clear with:

- (a) two original copies of the signed and undated Membership Agreement with evidence of authorised signatories;
- (b) two original, signed and undated, copies of each Security Document specified by LME Clear, with evidence of authorised signatories;
- (c) the information and documents specified in the Application Documentation; and
- (d) the application fee specified by LME Clear in the Application Documentation or on the Website.

2.2 The Applicant shall specify in its application which category of Membership it is seeking to obtain and the Services in which it wishes to participate.

2.3 The Applicant shall specify in its application for Membership which types of business and Eligible Products it is seeking to clear through the Clearing System.

2.4 In relation to any application for Membership, LME Clear may:

- (a) make all such enquiries about the Applicant and the Applicant's connected persons as LME Clear considers appropriate;
- (b) request that the Applicant provides such information as LME Clear considers relevant;
- (c) take all necessary steps to verify any information provided by the Applicant; and
- (d) carry out a due diligence visit to the Applicant's premises in order to establish whether the Membership Criteria and/or any conditions imposed in accordance with Membership Procedure B:3.3 on a Member which is a Bridge Institution are satisfied.

2.5 The Applicant shall provide LME Clear with such additional information and respond to such enquiries as LME Clear may require under Membership Procedure B:2.4.

2.6 The information provided by an Applicant to LME Clear shall be subject to the confidentiality provisions and rights of disclosure set out in Rule 2.6 (*Confidentiality*).

2.7 LME Clear is under no obligation to process or make a decision in relation to an application within a specific time frame. However, LME Clear will ordinarily aim to make a decision on an application within eight (8) weeks of receipt from the Applicant of an application that LME Clear considers to be complete in all respects.

2.8 An application for Membership shall be dependent on the Applicant demonstrating that it meets the eligibility criteria set out in Membership Procedures B:3 and 4.

## Membership Procedure Part B

- 2.9 LME Clear may approve an application for Membership on a conditional basis, subject to the Applicant fulfilling certain conditions within a specified time frame. LME Clear may specify any of the Membership Criteria as a condition that can be satisfied between the time of conditional approval and the activation of the Member's ability to commence the submission of Transactions to LME Clear. For the avoidance of doubt, LME Clear will not permit a Member to commence the submission of Transactions to LME Clear until the Member has deposited the required Default Fund Contribution to LME Clear.
- 2.10 If the Applicant does not fulfil the relevant conditions within the specified time frame, LME Clear may elect to deem the relevant application for Membership to have been withdrawn. Where LME Clear makes such an election, the Applicant shall be required to re-apply for Membership if it still wishes to become a Member.
- 2.11 When an Applicant is granted Membership, it will receive:
- (a) notification that its Membership application has been accepted;
  - (b) a copy of the Membership Agreement that is signed and dated by LME Clear; and
  - (c) details of any specific conditions (beyond those contained in the Membership Agreement) relating to the Applicant's Membership.
- 2.12 LME Clear may place restrictions on an Applicant's Membership, so that the Applicant would only be permitted to clear certain types of Transaction through LME Clear.
- 2.13 In the event that LME Clear determines that it will reject an Applicant's application for Membership:
- (a) LME Clear shall notify the Applicant in writing and shall specify the reasons for such rejection; and
  - (b) the Applicant shall have a right to appeal the decision by submitting a written request to LME Clear for a hearing by the Appeal Committee to determine whether the application should have been rejected in accordance with Membership Procedure E.
- 2.14 In the event that LME Clear determines that it is necessary to apply different, or additional, criteria to any category of Applicant, in order to enable LME Clear to control the risks to the Clearing System posed by such Applicants, such criteria shall be set out in the Membership Procedures and shall be applied on a consistent basis to all Applicants to which such criteria relate.

### 3. **MEMBERSHIP CRITERIA**

- 3.1 An application for Membership shall be subject to the Applicant:
- (a) meeting the conditions (if any) in the Membership Agreement;
  - (b) satisfying the criteria set out in the Application Documentation;
  - (c) satisfying the relevant criteria for the type of business the Applicant wishes to clear, as set out in Membership Procedure B4;
  - (d) satisfying the minimum Net Capital requirements, as set out in Membership Procedure B5 or such greater capital requirements as may be set by LME Clear;



## Membership Procedure Part B

- (e) maintaining appropriate banking arrangements satisfying any specific requirements published by LME Clear from time to time or specifically notified to the Applicant;
  - (f) maintaining appropriate arrangements with the Approved Delivery Facilities specified in the Clearing Procedures for those Eligible Products that the Applicant wishes to clear;
  - (g) having executed all relevant documentation required by the Approved Transaction Platforms for the Eligible Products that the Applicant wishes to clear and maintaining such arrangements in place at all times;
  - (h) complying with all Applicable Law (including maintaining all required regulatory authorisations in all jurisdictions in which it is required to maintain such authorisations);
  - (i) maintaining an administrative support function that:
    - (i) is appropriately separated from the Applicant's trading desks;
    - (ii) has robust systems and records; and
    - (iii) includes staff, adequate in number and experience, who understand the business of LME Clear and the Member;
  - (j) meeting the technical equipment requirements as specified by LME Clear from time to time;
  - (k) having adequate personnel, facilities, systems and procedures to enable the Applicant to satisfactorily handle transactions and communications with LME Clear, fulfil anticipated commitments to, and meet the operational requirements of, LME Clear with necessary promptness and accuracy;
  - (l) successfully completing a default management 'fire-drill' in accordance with such requirements as LME Clear may have notified to the Applicant;
  - (m) completing any other testing and training requirements as specified by LME Clear from time to time;
  - (n) having received confirmation from LME Clear that the Applicant has satisfied LME Clear's internal credit rating requirements;
  - (o) being approved as a Member by the Clearing Risk Committee; and
  - (p) satisfying the requirements specified in paragraph 3.1A below.
- 3.1A In addition to the requirements in paragraph 3.1 above, an application for Membership shall be subject to the Applicant:
- (a) not being subject to any form of Sanctions, and the directors, officers, employees or agents of it or any of its Affiliates must not be subject to any form of Sanctions;
  - (b) not exposing LME Clear or any other Member to any risk of infringement of any applicable law, including relevant Sanctions;

## Membership Procedure Part B

- (c) ensuring that any business conducted by it, or by or through any of its staff, shall not cause the Member or LME Clear or any of their staff to be in breach of any applicable laws and/or regulations, including without limitation any relevant Sanctions (except to the extent that any obligation or undertaking contemplated by this subsection would be in conflict with any applicable laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts);
- (d) providing details of any order or transaction in metals derivatives, which if cleared through or reported to LME Clear, would take place in circumstances where the Member would be in breach of subsection (3.1(c)).
- (e) having, implementing and maintaining policies and procedures which are adequate to ensure compliance with applicable Sanctions, and, at the request of LME Clear, promptly provide satisfactory evidence of such policies and procedures (including, without limitation, copies thereof) and of the adequate implementation and maintenance of such policies and procedures (except to the extent that any obligation or undertaking contemplated by this subsection would be in conflict with any applicable Laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts);
- (f) notifying LME Clear as soon as reasonably practicable upon becoming aware of any of the following:
- (g) any Sanctions of which it has become the target;
  - (i) any change to the Member such that it is or becomes incorporated, registered, located, organised, domiciled or resident in any jurisdiction subject to Sanctions;
  - (ii) any of its Affiliates, Clients, directors, officers, employees or agents or any of its Affiliates' directors, officers, employees, or agents, to its knowledge:
    - (1) being the target of any Sanction;
    - (2) being or becoming incorporated, registered, located, organised, domiciled or resident in any jurisdiction subject to Sanctions,

unless, in any case, the same is permitted pursuant to an exemption or exception in the applicable laws establishing the Sanctions or any regulations thereunder or subject to an applicable licence granted by all relevant governmental authorities under that applicable law.

3.2 It shall be a condition of Membership that each Member must at all times comply with the Membership Criteria.

3.3 Notwithstanding paragraphs 3.1, 3.1A and 3.2 above, where the Applicant is a Bridge Institution, LME Clear shall have the discretion to impose conditions on the Applicant in lieu of meeting the Membership Criteria. Such conditions shall be regularly reviewed to ensure that the Member has sufficient financial resources and operational capacity to meet its obligations under the Rules on an ongoing basis.

#### 4. REQUIREMENTS FOR SPECIFIC TYPES OF BUSINESS

4.1 For the purpose of this Procedure, On-Exchange Business and OTC Business shall each be a "**type of business**".

## Membership Procedure Part B

### On-Exchange Business: LME Base Products

- 4.2 Where the Applicant intends to clear On-Exchange Business in respect of LME Base Products:
- (a) the Applicant shall apply to participate in the LME Base Service; and
  - (b) the Applicant shall be (or have applied to become):
    - (i) a Category 1 or 2 Member of LME where the application is to become a General Clearing Member; or
    - (ii) a Category 3 Member of LME where the application is to become an Individual Clearing Member.

### On-Exchange Business: LMEprecious Products

- 4.3 Where the Applicant intends to clear On-Exchange Business in respect of LMEprecious Products,
- (a) the Applicant shall apply to participate in the LMEprecious Service; and
  - (b) the Applicant shall be (or have applied to become):
    - (i) an "LMEprecious General Clearing Member" of the LME, where the application is to become a General Clearing Member; or
    - (ii) an "LMEprecious Individual Clearing Member" of the LME, where the application is to become an Individual Clearing Member.

### On-Exchange Business: Common minimum Net Capital requirements

- 4.4 The minimum Net Capital requirements applicable to any given Member to clear On-Exchange Business may vary depending on the Member's Membership category. (The requirements may be satisfied in foreign currency equivalents). As of the date of this current issue of the Rules Members shall hold a minimum Net Capital of US\$10 million.

### OTC Business *[Service not currently available]*

- 4.5 Where the Applicant intends to clear OTC Business in respect of Bullion, the Applicant shall have executed all relevant membership documentation issued by LME in order to access the services of LME Smart.
- 4.6 The minimum Net Capital requirements applicable to any given Member to clear OTC Business may vary depending on the Member's Membership category. (The requirements may be satisfied in foreign currency equivalents). As of the date of this current issue of the Rules, all Members shall hold a minimum Net Capital of US\$10 million.

### Regulatory Status for General Clearing Members

- 4.7 Any Applicant or Individual Clearing Member that intends to become a General Clearing Member:
- (a) shall, unless LME Clear agrees otherwise, be:

## Membership Procedure Part B

- (i) an authorised person or exempt person within the meaning of Part III of FSMA that is permitted under Applicable Law to arrange, or otherwise clear transactions with or for third parties;
  - (ii) a credit institution as defined in Article 4.1.1 of Regulation (EU) No 575/2013 of the European Parliament and of the Council;
  - (iii) an investment firm as defined in Article 4.1 of Directive 2014/65/EU of the European Parliament and of the Council other than a person to whom Article 2 applies; or
  - (iv) any undertaking whose head office is outside the European Community and whose functions correspond to those of a credit institution or investment firm as defined in (ii) and (iii) above; and
- (b) shall be regulated in the conduct of its business under the securities and/or banking legislation of an EEA State or of any other country or countries acceptable to LME Clear, and shall not be prohibited by such legislation or its Regulator from becoming a General Clearing Member or from performing the obligations of a Member under the Rules.

### 5. NET CAPITAL REQUIREMENTS AND CALCULATION

#### Minimum Net Capital Requirements

- 5.1 Members shall at all times hold sufficient capital to meet their minimum Net Capital requirements.
- 5.2 Where a Member clears for multiple types of business, the minimum Net Capital requirement shall be the higher of the minimum Net Capital requirements applicable to the Member for each of those types of business.

#### Additional Net Capital Requirements

- 5.3 LME Clear may require a Member to hold additional Net Capital where, in the opinion of LME Clear, the Member's minimum Net Capital is insufficient having regard to the amount and type of business that the Member carries out.

#### Permanent Capital and Additional Capital

- 5.4 LME Clear may vary the definition of Permanent Capital or Additional Capital as it thinks appropriate.
- 5.5 Members should contact LME Clear if they are uncertain as to whether certain instruments fall within the definition of Permanent Capital or Additional Capital.

#### Acceptability of Subordinated Loans

- 5.6 A Member may include subordinated loans as part of its Additional Capital provided that:
- (a) the debt under such loan constitutes no more than fifty per cent (50%) of its minimum Net Capital requirement, unless LME Clear has provided its prior written consent to such debt constituting a greater percentage; and
  - (b) the Member undertakes that the loans will not be repaid without the prior consent of LME Clear.

## Membership Procedure Part B

### 5.7 In the event that a Member intends:

- (a) for the debt under a subordinated loan to constitute more than fifty per cent (50%) of its minimum Net Capital requirement; or
- (b) to repay a subordinated loan that is included as part of its Additional Capital,

the Member shall provide LME Clear with not less than ten (10) Business Days' prior notice of its intention to do so, specifying the date on which it intends such arrangement to take effect, and requesting LME Clear's consent to implement such arrangement. LME Clear may, acting reasonably, specify such conditions as LME Clear considers appropriate to the granting of any such consent.

### 5.8 For the avoidance of doubt, a Member may include subordinated loans from a parent company as part of its Additional Capital.

#### **Acceptability of other long-term loans**

### 5.9 LME Clear may recognise long-term loans other than subordinated loans in the calculation of Additional Capital.

#### **Loan terms**

### 5.10 Where loans (whether subordinated or otherwise) are included in a Member's Net Capital, LME Clear may require the relevant Member to provide LME Clear with details of the terms governing the relevant loans.

## 6. **ON-GOING REPORTING REQUIREMENTS**

#### **General requirements**

### 6.1 Each Member shall provide the following information to LME Clear when reasonably requested by LME Clear:

- (a) such information in relation to the Member, its Clients or its Transactions as LME Clear may request (which may, for the avoidance of doubt, include information on commercial, regulatory or compliance matters and any information requested pursuant to Rule 5.3.1 or 5.3.3);
- (b) such information as LME Clear may specify regarding the Member's ability to continue to comply with the Membership Criteria or any conditions imposed pursuant to paragraph 3.3 above;
- (c) up-to-date information relating to the documentation or information provided by the Member as part of its application for Membership (including without limitation the categories of information specified in Membership Procedures B3 and B4);
- (d) such information as LME Clear may request regarding the owners and controllers of the Member;
- (e) such information as LME Clear may request regarding the directors and senior managers of the Member and any personnel who are responsible for the day-to-day management or operation of any function related to (i) the Transactions and Contracts that are subject to clearing by LME Clear or (ii) the Member's interaction with any aspect of the Clearing System; and

## Membership Procedure Part B

- (f) any other information that LME Clear is permitted to request from the Member in accordance with any provision of the Rules.

For the avoidance of doubt, it shall always be reasonable for LME Clear to request information from a Member in the event that LME Clear considers that such information is necessary in order to enable LME Clear to assess the risk posed by a Member to the Clearing System or the Member's compliance with the Rules.

### Financial accounts

- 6.2 Members shall provide LME Clear with a copy (in the English language) of each version of their annual financial accounts, together with a statement that their auditors have reviewed and approved the relevant financial accounts, within four (4) months of the Member's financial year-end.
- 6.3 LME Clear may also require any Member to provide the financial accounts of the Member's ultimate or immediate Parent Undertaking.

### Regulatory returns

- 6.4 Unless LME Clear agrees otherwise, where a Member is regulated by the Prudential Regulation Authority or the Financial Conduct Authority, Members shall provide LME Clear with copies of all their regulatory returns (e.g. regulatory returns made to the Prudential Regulation Authority or the Financial Conduct Authority).
- 6.5 Members shall provide LME Clear with copies of any reports or notifications to a Regulator by the Member in relation to the Member's financial status, exposure to risk and compliance with any regulatory capital requirement or other financial requirement imposed on the Member by the Regulator where such reports or notifications or the information contained therein would be materially relevant to LME Clear's assessment of the Member's financial condition, credit worthiness, or fitness to remain a Member.

## 7. NOTIFICATION REQUIREMENTS

### General requirements

- 7.1 A Member shall promptly notify LME Clear, both orally and in writing:
- (a) if the Member at any time ceases to satisfy, or reasonably considers that it may imminently cease to satisfy, any of the Membership Criteria or any conditions imposed pursuant to paragraph 3.3 above;
  - (b) if the Member becomes the subject of any investigation, inquiry or disciplinary process by its Regulator or by any other governmental or regulatory body;
  - (c) if any development occurs which would materially change the information provided to LME Clear by the Member in its application for Membership;
  - (d) if any event occurs that would entitle LME Clear to exercise its rights under Rule 10 (*Default*);
  - (e) if any matter arises that could affect the Member's ability to perform its obligations under the Rules;
  - (f) if there is a change in the Authorised Representatives designated by the Member pursuant to Membership Procedure B8;

## Membership Procedure Part B

- (g) if there is a change in any Service Agent designated by the Member pursuant to Rule 2.13.3; or
- (h) if any circumstances arise that could result in the Member being unable to perform its obligations in respect of any Contract,

and for the avoidance of doubt, a Member shall provide to LME Clear such information as the Member may be required to provide to LME Clear in accordance with the terms of any other provision of the Rules.

### Changes of Ownership

- 7.2 A Member which is a body corporate shall notify LME Clear in writing of the name of any person for the time being holding, or having a beneficial interest in, ten per cent (10%) or more of any class of the equity share capital of the Member or of any Parent Undertaking of the Member, and of any change in such a holding or interest, within seven (7) days of the holding or interest, or a change therein, coming to the Member's notice.
- 7.3 The members of a partnership or an unincorporated association who are joint Members shall notify LME Clear in writing of the name of any person who becomes or ceases to be a partner of that partnership or member of that unincorporated association (as the case may be) within seven (7) days of that event coming to that joint Member's notice.
- 7.4 Upon receipt by LME Clear of any notice from a Member under Membership Procedure B7.2 or 7.3, LME Clear may review the suitability of the Member for Membership of LME Clear. LME Clear may require the Member to provide such additional information as LME Clear may from time to time consider material in the course of such review. If upon completion of the review LME Clear is not satisfied that the Member continues to satisfy the criteria for Membership of the relevant types of business to be cleared by the Member LME Clear shall consider whether to suspend the rights of the Member or to terminate its Membership.
- 7.5 **Fall in Net Capital or shareholder funds**
- 7.6 A Member shall immediately notify LME Clear if its Net Capital or shareholder funds fall to below:
  - (a) the Member's Net Capital requirement;
  - (b) any threshold prescribed by a Regulator in accordance with Applicable Law; or
  - (c) 85% of the amount detailed in its last annual financial accounts.

## 8. AUTHORISED REPRESENTATIVES

- 8.1 Each Member shall at all times have appointed at least one individual to act as its Authorised Representative. The Authorised Representatives appointed by a Member shall be the primary points of contact and liaison between LME Clear and the Member in relation to matters arising in connection with the operation of the Clearing System and the discharge of the parties' obligations under the Rules and Procedures.
- 8.2 The Member shall ensure that its Authorised Representatives are:



## Membership Procedure Part B

- (a) appropriately knowledgeable and trained in relation to those aspects of the Clearing System for which they are appointed to liaise with LME Clear;
  - (b) appropriately empowered by the Member to take decisions on behalf of, and represent the interests of, the Member in relation to those aspects of the Clearing System for which they are appointed to liaise with LME Clear; and
  - (c) in their interactions with LME Clear, act in an open and co-operative manner, and be honest and truthful and not mislead or conceal any material matter.
- 8.3 The Member shall ensure that LME Clear is at all times in receipt of up-to-date contact details (including direct telephone number, office address and email address) of each Authorised Representative currently appointed by the Member.
- 8.4 In the event that LME Clear notifies the Member of any concerns regarding, or objection to, any Authorised Representative appointed by the Member, the Member shall take all reasonable steps to address LME Clear's concerns. In the event that the Member is unable to adequately address LME Clear's reasonable concerns, the Member shall replace the Authorised Representative.
- 9. OTHER CONDITIONS**
- 9.1 It shall be a condition of Membership for a General Clearing Member that it complies at all times with any and all reporting and information requirements applicable to the maintenance of Client Accounts, as such requirements may be specified in Rules 4 (*Accounts*) and 5 (*Client Business and Portability Arrangements*), as amended from time to time.
- 9.2 LME Clear may, at any time, add to, vary or reduce the conditions that a Member shall continue to satisfy in order to retain its Membership of LME Clear where LME Clear has reasonable grounds to consider that such revised conditions are necessary in order to control the risks posed by the Member to the Clearing System. For the avoidance of doubt, LME Clear may modify the Membership Criteria applicable to a Member in order to impose additional disclosure and reporting obligations in relation to the financial affairs of the Member or its Affiliates where LME Clear has reasonable grounds for concern regarding the Member's solvency or its continuing ability to satisfy the Membership Criteria.
- 10. CHANGES TO SERVICES AND MEMBERSHIP STATUS**
- 10.1 A Member that participates in any Service may notify LME Clear that it wishes to participate in additional Service(s).
- 10.2 LME Clear may require a Member that wishes to participate in any additional Service or to otherwise change its Membership status to:
- (a) provide any additional information that LME Clear may require in order to allow the Member to participate in the Service and/or change its Membership status, or
  - (b) demonstrate its compliance with any requirements specific to the Service or Membership status that LME Clear requires Members to satisfy in order to participate in the Service or to maintain such Membership status.
- 10.3 For the avoidance of doubt, any Member wishing to participate in a Service must:



## Membership Procedure Part B

- (a) have obtained the relevant category of membership at the Approved Transaction Platform that corresponds to the nature of the clearing activity to be conducted by the Member in respect of the Service;
  - (b) have established appropriate arrangements, acceptable to LME Clear, to enable the Member to settle Contracts in connection with the Service; and
  - (c) comply with any requirements to provide Default Fund Contributions in respect of the specific Service.
- 10.4 A Member that participates in more than one Service may terminate its participation in a specific Service in accordance with process and requirements specified in Rule 3 (*Membership*).

## Membership Procedure Part C

**PART C – COMPLAINTS****1. SCOPE OF COMPLAINTS**

- 1.1 LME Clear shall investigate Complaints made against LME Clear or its personnel.
- 1.2 Complaints may relate to:
- (a) breaches of Applicable Clearing Regulations by LME Clear;
  - (b) breaches of the Rules by LME Clear; or
  - (c) acts or omissions affecting:
    - (i) the proper operation of LME Clear; or
    - (ii) the functions of LME Clear.
- 1.3 For the avoidance of doubt, any Complaint by a Member about another Member shall be made to LME Clear and shall be dealt with by LME Clear in accordance with the disciplinary proceedings set out in Membership Procedure D.

**2. REGISTERING A COMPLAINT**

- 2.1 Complaints shall be made in writing and signed by an Authorised Representative.
- 2.2 A Complaint should:
- (a) include sufficient information to allow LME Clear to:
    - (i) properly identify the matter that is subject to the Complaint; and
    - (ii) establish the basis for any alleged loss by the Complainant;
  - (b) include a representation by the Complainant as to the date on which it became aware of the event that has given rise to the Complaint; and
  - (c) set out the remedy sought by the Complainant.
- 2.3 If insufficient information is provided, LME Clear may request further information.
- 2.4 Any information regarding the Complaint or obtained from the Complainant in the course of a subsequent investigation may be disclosed to third parties (for example, the Regulator) as LME Clear considers appropriate, subject to any other provision of the Rules.
- 2.5 Any Complaints shall be sent to the address set out below in an envelope marked "Complaint":

General Counsel  
 LME Clear Limited  
 10 Finsbury Square  
 London EC2A 1AJ  
 United Kingdom

## Membership Procedure Part C

- 2.6 Complaints shall be made within six (6) months of the date on which the Complainant became aware of the event to which the Complaint relates, provided that no Complaint may be made at any time after the third (3<sup>rd</sup>) anniversary of the date of the event to which the Complaint relates. Any Complaint made after this deadline shall not be investigated by LME Clear.
- 2.7 There is no fee to make a Complaint.
- 3. PROCESSING A COMPLAINT**
- 3.1 Complaints will be investigated by the LME Clear Compliance Department who may involve other staff at LME Clear or outside professional assistance as appropriate.
- 3.2 The inquiry will be conducted independently of any LME Clear personnel who may be involved in the subject matter of the Complaint.
- 3.3 LME Clear will aim to complete its investigation within three (3) months, or within such further period as the scope of the Complaint reasonably demands.
- 3.4 LME Clear will, insofar as it is consistent with its duties in operating LME Clear and its duties of confidentiality to Members, advise the Complainant and any other relevant parties of the outcome of the investigation, and in particular whether it considers that there are good grounds for Complaint against LME Clear or its personnel. LME Clear will also advise the Complainant of recommended action arising from the investigation of the Complaint.
- 4. REFERRING COMPLAINTS TO LME CLEAR'S INDEPENDENT COMPLAINTS COMMISSIONER**
- 4.1 If the Complainant is dissatisfied with the investigation of the Complaint or with the reported outcome of the investigation, he may request that the Complaint is referred to an Independent Complaints Commissioner. Such request shall be made within fifteen (15) Business Days of the Complainant being notified of the outcome of the investigation.
- 4.2 The Independent Complaints Commissioner shall be appointed for the purposes of a Complaint by the Centre for Effective Dispute Resolution (CEDR). The individual appointed as the Independent Complaints Commissioner shall:
- (a) be independent of LME Clear and the Complainant (meaning that the individual is not, and has not been, an officer, director or employee of LME Clear, the Complainant or their Affiliates);
  - (b) have appropriate knowledge and experience of how clearing is carried out by LME Clear, including the Rules and any Applicable Law relevant to the Complaint; and
  - (c) have appropriate experience of the market to which the Complaint relates.
- 4.3 LME Clear shall be responsible for co-ordinating the appointment of the Independent Complaints Commissioner. Unless there are reasons for a delay which are beyond the reasonable control of LME Clear, the Independent Complaints Commissioner shall be appointed within fifteen (15) Business Days of the request under Membership Procedure C4.1 being received by LME Clear.
- 4.4 The Independent Complaints Commissioner may:

## Membership Procedure Part C

- (a) call on all appropriate documentation from all relevant parties to enable him to form a view on the Complaint;
  - (b) permit and/or request the Complainant and LME Clear to provide written submissions in relation to any specific matter;
  - (c) interview representatives of the Complainant and LME Clear;
  - (d) take whatever appropriate action he considers might assist in considering the Complaint; and
  - (e) conduct the consideration of the issues as he sees fit.
- 4.5 The Independent Complaints Commissioner shall produce a written report on its findings in relation to the Complaint. The written report may make a recommendation, if appropriate, that LME Clear make a compensatory payment to the Complainant and/or remedies the matter to which the Complaint relates.
- 4.6 The written report shall be provided to LME Clear and the Complainant. In addition, the Independent Complaints Commissioner may publish the report (or any part of it) if the Independent Complaints Commissioner considers that it ought to be brought to the attention of the public.
- 4.7 The Independent Complaints Commissioner may:
- (a) require LME Clear to inform the Independent Complaints Commissioner and the Complainant of the steps which it proposes to take in response to the report; and
  - (b) require LME Clear to publish the whole or a specified part of its response to the Independent Complaints Commissioner.
- 4.8 LME Clear shall be liable for any costs relating to the appointment of the Independent Complaints Commissioner.
- 4.9 The decision of the Independent Complaints Commissioner shall be final and binding and there shall be no further appeal.

## Membership Procedure Part D

**PART D – DISCIPLINE****1. INVESTIGATIONS**

- 1.1 LME Clear may investigate any alleged Acts of Misconduct by a Member.
- 1.2 In the course of conducting an investigation, LME Clear may appoint professional, legal or accounting advisers to assist, or enlist the assistance of any other external adviser as it thinks fit. Any external adviser appointed by LME Clear shall be required to treat all information obtained in the course of the investigation as confidential and to disclose it only to LME Clear.
- 1.3 LME Clear shall issue a Notice of Investigation ("**Nol**") notifying the Member concerned that an investigation has been commenced. The Nol shall be in writing to the Member's Compliance Officer, and shall contain a brief description of the matter under investigation.
- 1.4 Members shall co-operate fully with all investigations (whether or not they are the Member under investigation). In particular, Members shall:
  - (a) make available for interview such of their officers, employees or agents as may be reasonably requested in order that they may answer questions and explain any matter that LME Clear considers relevant to the investigation;
  - (b) comply fully with their obligation to provide information in accordance with Rule 3 (*Membership*); and
  - (c) permit an authorised representative of LME Clear to visit their offices at any time, for the purpose of the investigation.

**2. INITIATING PROCEEDINGS**

- 2.1 LME Clear may bring disciplinary proceedings against any Member where LME Clear considers the Member (or an employee or other person for whom LME Clear deems the Member to be responsible) to have committed an Act of Misconduct.
- 2.2 Where LME Clear decides to bring disciplinary proceedings, it shall serve a notice setting out the alleged Act of Misconduct together with a summary of the facts relied upon (the "**Enforcement Notice**") on the Member concerned.
- 2.3 The disciplinary proceedings under Part D of these Membership Procedures are without prejudice to LME Clear's rights under Rule 10 (*Default*).

**3. DEFENCE**

- 3.1 The Member has sixty (60) days from service of a Enforcement Notice to serve a statement of defence (a "**Defence**") that:
  - (a) responds to all or any of the allegations;
  - (b) states whether or not the Member admits all or any of the allegations; and
  - (c) states what admissions of fact, if any, the Member makes.
- 3.2 After reviewing the Defence, LME Clear may, if it deems it appropriate, choose to discontinue disciplinary proceedings.

## Membership Procedure Part D

- 3.3 After reviewing the Defence, LME Clear may, if it deems it appropriate, amend its Enforcement Notice. In these circumstances, the Member has ten (10) Business Days from service of the amended Enforcement Notice to serve an amended Defence. If the Member fails to serve an amended Defence, the Member will be deemed to be relying on his original Defence.
- 3.4 Where no Defence has been served pursuant to Membership Procedure D3.1, and no settlement has been reached within twenty (20) Business Days from service of an Enforcement Notice, the Member will be deemed to have accepted the facts and matters alleged in the Enforcement Notice and will therefore be deemed to have committed an Act of Misconduct. For the avoidance of doubt, a disciplinary hearing will not be held and the Disciplinary Committee shall make a determination in accordance with Membership Procedure D6.
- 4. COMPOSITION OF DISCIPLINARY COMMITTEE**
- 4.1 The Disciplinary Committee shall consist of three directors of LME Clear.
- 4.2 Details of the precise composition of the Disciplinary Committee shall be provided to the Member prior to the disciplinary hearing.
- 5. THE DISCIPLINARY HEARING**
- 5.1 The disciplinary hearing shall take place:
- (a) where LME Clear does not amend its Enforcement Notice under Membership Procedure D3.3, no later than twenty (20) Business Days after service of the Defence;
  - (b) where LME Clear amends its Enforcement Notice under Membership Procedure D3.3, no later than twenty (20) Business Days after the last date on which an amended Defence could have been filed; or
  - (c) on such other date as the Disciplinary Committee shall require.
- 5.2 The Disciplinary Committee shall determine the procedure to be followed at the disciplinary hearing. Without limitation, the Disciplinary Committee may:
- (a) hold a pre-hearing review to hear procedural applications by LME Clear or the Member;
  - (b) direct LME Clear and a Member to disclose copies of any document;
  - (c) direct LME Clear and a Member to provide further submissions or information as may be necessary to clarify the relevant facts and issues;
  - (d) allow LME Clear and a Member to call witnesses to give evidence and be questioned (and this may include relevant experts and advisers); and/or
  - (e) allow LME Clear and a Member to be represented by any person.
- 5.3 Disciplinary hearings will normally be held in private, unless both LME Clear and the Member agree that the hearing should be in public.
- 5.4 The Disciplinary Committee may appoint its own legal advisers.

## Membership Procedure Part D

- 5.5 If either party fails to attend a disciplinary hearing, the hearing may proceed in that party's absence.
- 5.6 A record shall be made of a disciplinary hearing, electronically or otherwise. The Member shall be entitled to a transcription or copy of the record on payment of any applicable costs.
- 5.7 The Disciplinary Committee may admit any evidence whether oral or written, and whether or not the same would be admissible in a court of law.
- 5.8 The burden of proof shall be on LME Clear. The Disciplinary Committee shall not find an allegation proved unless it is satisfied on the balance of probability.

### 6. THE DETERMINATION

- 6.1 The Disciplinary Committee shall announce its findings to the parties as soon as practicable.
- 6.2 Where the Disciplinary Committee is satisfied that the Member has committed an Act of Misconduct it shall provide the parties with an opportunity to make representations before determining the penalty to be imposed.
- 6.3 The Disciplinary Committee shall announce the penalty to be imposed as soon as possible.
- 6.4 Within twenty (20) Business Days of announcing its findings, the Disciplinary Committee shall serve on the parties a written decision comprising:
  - (a) its findings of fact;
  - (b) its findings as to whether any charges not admitted are proved;
  - (c) the reasons for its decision; and
  - (d) any penalties to be imposed on the Member, together with an indication as to:
    - (i) whether any part of the penalty is compensatory for the benefit of the Members generally or for specified individuals; and
    - (ii) what part of the penalty is punitive.
- 6.5 Subject to appeal, and unless the Disciplinary Committee determines otherwise, any penalty imposed shall take effect ten (10) Business Days after service of the written decision.

### 7. PENALTIES

- 7.1 The Disciplinary Committee may impose one or more of the following penalties:
  - (a) a public or private reprimand;
  - (b) a fine of any amount;
  - (c) an order that the Member make restitution to any person where the Member has profited from its misconduct at that person's expense;

## Membership Procedure Part D

- (d) an order that the Member pay to LME Clear any gains resulting from a proven breach of the Rules;
- (e) a requirement to comply with such conditions as the Disciplinary Committee deems appropriate;
- (f) suspension or termination from Membership subject to ratification by the Board of LME Clear or its nominated delegate(s). Any suspension or termination shall be in accordance with Rules 3.6 to 3.9 or Rule 10 (*Default*) (for the avoidance of doubt, a determination that a Member has committed an Act of Misconduct shall constitute a Default Event under Rule 10 (*Default*)).

7.2 The sanction imposed by the Disciplinary Committee shall be proportionate and commensurate with the seriousness of the Act of Misconduct, taking into account factors including the consequences of the act and whether the act was deliberate or negligent.

7.3 In the event that a Member fails to comply with a penalty imposed, or direction made under this Membership Procedure 7, such failure shall constitute a breach of the Rules.

## 8. COSTS

The Disciplinary Committee may make costs orders at its discretion. It may order any party to pay such costs as it reasonably considers to be appropriate in the circumstances, including, but not limited to, administration costs and costs incurred in the investigation, preparation and presentation of the case.

## 9. SETTLEMENTS

9.1 LME Clear and the Member may agree to settle disciplinary proceedings at any time up to the commencement of the disciplinary hearing.

9.2 Settlement negotiations shall be undertaken on a without prejudice basis.

## 10. CONVICTIONS AND FINDINGS BY OTHER AUTHORITIES

10.1 The findings of fact of any court in the United Kingdom or the Upper Tribunal (Tax and Chancery Chamber), which have not been set aside on appeal or otherwise, shall be conclusive evidence of the facts so found.

10.2 A criminal conviction by any court in the United Kingdom which has not been set aside on appeal or otherwise shall be conclusive evidence of the commission of that offence.

10.3 The findings of fact of the following bodies, which have not been set aside on appeal or otherwise, shall be *prima facie* evidence of the facts so found:

- (a) any court of competent jurisdiction outside the United Kingdom;
- (b) any committee or tribunal of the Financial Services Authority, the Bank of England, the Prudential Regulatory Authority, the Financial Conduct Authority, ESMA, a self-regulating organisation, a recognised professional body, a recognised investment exchange, a recognised clearinghouse or any "overseas regulator" under section 195(3)-(4) of the Financial Services and Markets Act 2000 or any financial services legislation replacing the Financial Services and Markets Act, exercising regulatory or disciplinary functions;
- (c) the Competition Commission; and



## Membership Procedure Part D

- (d) any other body exercising a regulatory or disciplinary jurisdiction over any persons engaged in financial services business whether in the United Kingdom or elsewhere.

**11. FINES FOR SETTLEMENT FAILURES (LMEPRECIOUS)**

In the event that a Member conducts an Act of Misconduct pursuant to Rule 7.9.1 (*Postponed Delivery: LMEprecious*):

- (a) such Act of Misconduct may also constitute a breach of the LME Rules;
- (b) LME Clear shall co-ordinate with the LME with respect to the investigation, and any disciplinary action, to be taken against the Member pursuant to this Membership Procedure D and the disciplinary procedures under the LME Rules; and
- (c) for the avoidance of doubt, nothing shall prevent LME Clear from applying the procedures in this Membership Procedure D in respect of such Act of Misconduct in the event that the LME does not apply its own disciplinary procedures against, or take any disciplinary action against, the Member.

## Membership Procedure Part E

**PART E – APPEAL****1. INITIATING AN APPEAL****1.1** Within ten (10) Business Days of:

- (a) notice that LME Clear has determined to reject an Applicant's application for Membership; or
- (b) service of a decision by the Disciplinary Committee under Membership Procedure D6.4,

the Applicant or Member may appeal to the Appeal Committee by serving a notice of appeal to LME Clear.

**1.2** A notice of appeal shall set out the grounds of the appeal and contain a brief statement of all matters relied upon by the person making the appeal.**1.3** The grounds of the appeal may be any one or more of the following:

- (a) LME Clear or the Disciplinary Committee (as appropriate) misdirected itself;
- (b) LME Clear or the Disciplinary Committee's (as appropriate) decision was:
  - (i) one that could not have reasonably been reached;
  - (ii) unsupported by the evidence or was against the weight of the evidence; or
  - (iii) based on an error of law or misinterpretation of the Rules;
- (c) in the case of an Act of Misconduct, the penalty imposed by the Disciplinary Committee was either excessive or insufficient; or
- (d) in the case of an Act of Misconduct, new evidence is available, which, if it had been brought forward before the Disciplinary Committee's findings were made, the Disciplinary Committee could reasonably have come to a different decision (this ground will not apply if the evidence could, by the exercise of reasonable diligence, have been brought forward before the Disciplinary Committee's findings were made).

**2. COMPOSITION OF THE APPEAL COMMITTEE****2.1** The Appeal Committee shall comprise two persons who shall be nominated by the Centre for Effective Dispute Resolution (CEDR). The individuals appointed shall:

- (a) be independent of LME Clear and the Applicant or Member (meaning that the individual is not, and has not been, an officer, director or employee of LME Clear, the Applicant or Member or their Affiliates);
- (b) have appropriate knowledge and experience of how clearing is carried out by LME Clear, including the Rules and any Applicable Law relevant to the appeal; and
- (c) have appropriate experience of the market to which the appeal relates.

**2.2** Details of the precise composition of the Appeal Committee shall be provided to the Applicant or Member prior to the appeal hearing.

## Membership Procedure Part E

### 3. THE APPEAL HEARING

- 3.1 The Appeal Committee shall determine the procedure at the appeal having regard to the following:
- (a) the person making the appeal is to open the appeal;
  - (b) any witnesses called may be:
    - (i) examined, cross-examined and re-examined by the parties; and
    - (ii) questioned by the Appeal Committee;
  - (c) the other party may make submissions in response to those made by the person making the appeal; and
  - (d) the person making the appeal may make closing submissions.
- 3.2 The Appeal Committee may appoint its own legal advisers. In the case of an Act of Misconduct, the legal advisers appointed may not be the same legal advisers appointed by the Disciplinary Committee.
- 3.3 If any party fails to attend an appeal hearing, the hearing may proceed in its absence.
- 3.4 A record shall be made of an appeal hearing, electronically or otherwise. The Applicant or Member shall be entitled to a transcription or copy of the record on payment of the applicable costs.
- 3.5 The burden of proof shall be on LME Clear. The Appeal Committee shall not find an allegation proved unless it is satisfied on the balance of probability.
- 3.6 The Appeal Committee may admit any evidence whether oral or written, whether direct or hearsay and whether or not the same would be admissible in a court of law.

### 4. THE DETERMINATION

- 4.1 The Appeal Committee shall announce its decision to the parties as soon as practicable.
- 4.2 The Appeal Committee may dismiss or allow the appeal and may change the penalty imposed as it considers appropriate.
- 4.3 Within twenty (20) Business Days of the conclusion of the appeal hearing, the Appeal Committee shall serve on the parties a written decision setting out its reasons.
- 4.4 The decision of the Appeals Committee shall be final and binding and there shall be no further appeal.

### 5. COSTS

The Appeal Committee may make costs orders at its discretion. It may order any party to pay such costs as it reasonably considers to be appropriate in the circumstances, including, but not limited to, administration costs and costs incurred in the investigation, preparation and presentation of the case.

## CLEARING PROCEDURES

## Clearing Procedure Part A

**PART A – INTRODUCTION AND GENERAL MATTERS****1. INTERPRETATION AND INTRODUCTION**

1.1 These Clearing Procedures form part of, and shall be read in conjunction with, the Rules and are legally binding on Members. Terms defined in the Rules have the same meaning in these Clearing Procedures. In the event of any conflict or inconsistency between the Rules and these Clearing Procedures, the Rules shall prevail.

1.2 These Clearing Procedures are arranged into the following Parts:

- (a) Part A: Introduction and General Matters;
- (b) Part B: Transaction and Position Management;
- (c) Part C: Valuation, Margining and Risk Management;
- (d) Part D: Treasury and Collateral Management;
- (e) Part E: the Secure Payment System and Cash Settlements;
- (f) Part F: Physical Delivery; and
- (g) Part G: Interest, Fees and Charges.

1.3 The Clearing Procedures should be read in conjunction with the following Annexes, which support and supplement the Clearing Procedures:

- (a) Annex 1 (*Eligible Products*);
- (b) Annex 2 (*Eligible Currencies, Collateral and Haircuts*);
- (c) Annex 3 (*Fees and Charges*);
- (d) Annex 4 (*List of Available Reports*);
- (e) Annex 5 (*Margin Parameters*); and
- (f) Annex 7 (*Delivery Timetables*).

**2. INTRODUCTION TO PART A OF THE CLEARING PROCEDURES**

2.1 This Part A of the Clearing Procedures specifies the Clearing Procedures applicable to:

- (a) the time zone applicable to these Clearing Procedures (**Clearing Procedure A3**);
- (b) the specification of the products that are eligible to be cleared via the Clearing System (**Clearing Procedure A4**), which shall be read in conjunction with Annex 1 (*Eligible Products*);
- (c) the definition of an Instrument (**Clearing Procedure A5**);
- (d) the basis on which LME Clear will determine prices applicable to the processes set out in these Clearing Procedures (**Clearing Procedure A6**);

## Clearing Procedure Part A

- (e) the basis on which LME Clear will issue various Reports to Members (**Clearing Procedure A7**), which shall be read in conjunction with Annex 4 (*List of Available Reports*);
- (f) certain interpretative provisions regarding payment-related terminology (**Clearing Procedure A8**).

### 3. LONDON TIME

All times specified in these Procedures shall be construed as local London time unless explicitly stated otherwise.

### 4. ELIGIBLE PRODUCTS

- 4.1 Annex 1 (*Eligible Products*) specifies the list of financial instruments that constitute Eligible Products and the Product Specifications in respect of each such Eligible Product. The only contracts that are eligible at any given time to be submitted to be cleared via the Clearing System are those meeting the requirements specified in Annex 1 (*Eligible Products*).
- 4.2 Annex 1 (*Eligible Products*) describes the attributes of each Eligible Product and, where relevant, provides a cross reference to the relevant Clearing Procedure that describes the processes of the Clearing System that relate to that attribute.
- 4.3 Annex 1 (*Eligible Products*) may be updated from time to time by LME Clear in accordance with Rule 2 (*General Provisions*).

Where any individual Eligible Product is referred to in these Clearing Procedures, it shall be defined in accordance with Annex 1. Such individual Eligible Products shall not be specifically defined in Rule 1 (*Definitions and Interpretation*).

### 5. INSTRUMENTS

- 5.1 For the purposes of the Rules, an "**Instrument**" shall be defined, by reference to one or more Open Contracts in respect of the same Eligible Product and having the same Product Specifications, as the maximum number of common parameters for which it is possible to identify a market price, and which shall in each case exclude the following parameters:
  - (a) the Execution Price;
  - (b) the volume of Underlying Assets to be delivered; and
  - (c) the direction (that is, buy or sell) held by LME Clear.

For the avoidance of doubt, the Open Contracts relating to any single Instrument may each contain characteristics that are not reflected in the Instrument. However such characteristics will be those that are not capable of assisting the identification of a market price.

- 5.2 LME Clear identifies Instruments in order to identify a market price for the Open Contracts relating to each such Instrument. The market price will always be determined as the mid-market price for the Open Contracts relating to that Instrument. This is intended to facilitate the application of netting and settlement to market processes in respect of those Eligible Products that settle on a daily basis.

## Clearing Procedure Part A

5.3 The following are set out as examples of Instruments:

- (a) In respect of an LME Exchange Traded Forward, the Instrument will comprise the following characteristics of the Open Contracts for such Eligible Product where such characteristics are identical:
  - (i) type of Eligible Product (i.e. LME Exchange Traded Forward);
  - (ii) Underlying Asset (e.g. copper);
  - (iii) Settlement Currency (e.g. USD); and
  - (iv) Prompt Date.
- (b) In respect of an LME Exchange Traded American Option, the Instrument will comprise the following characteristics of the Open Contracts for such Eligible Product where such characteristics are identical:
  - (i) type of Eligible Product (i.e. LME Exchange Traded American Option);
  - (ii) Underlying Asset (e.g. copper);
  - (iii) nature of option (e.g. either a call or a put);
  - (iv) the Strike Price Currency (e.g. USD);
  - (v) the Strike Price;
  - (vi) the Premium Currency (e.g. USD); and
  - (vii) the Final Expiry Date.

For the avoidance of doubt, the capitalised terms specified in the examples above refer to components of the Product Specifications of the relevant Eligible Products, and are to be interpreted in accordance with Annex 1 (*Eligible Products*).

## 6. CLOSING PRICES, SETTLEMENT PRICES, MARKET DATA AND PRICE SETS

### Price-related terms defined

6.1 This Clearing Procedure A6 defines:

- (a) the LME Closing Prices and the LBMA Closing Prices (each a sub-category of Closing Price);
- (b) the LME Settlement Prices, the Gold Settlement Price and the Silver Settlement Price (each a sub-category of Settlement Price);
- (c) the Price Sources for such prices; and
- (d) the Price Sets.

### LME Clear Prices

6.2 LME Clear will use such pricing data provided by third parties in order to:

- (a) create intra-day Price Sets;

## Clearing Procedure Part A

- (b) create End of Day Price Sets (or Closing Prices); and
  - (c) create Settlement Prices.
- 6.3 LME Clear will, wherever reasonably practicable, use published prices for such purposes, typically at the End of Day on each Business Day (with the exception of the creation of intra-day Price Sets).

**Closing Prices**

- 6.4 The following shall constitute "**Closing Prices**":
- (a) **Closing Prices for LME Exchange Traded Products**
    - (i) The Closing Prices for LME Exchange Traded Products other than Cash-Settled Futures or LMEprecious Products shall be the "Closing Prices" in the "Major Currency", as each such term is defined under the LME Rules.
    - (ii) The Closing Prices for LME Exchange Traded Products that are "Cash-Settled Futures" (as defined in the LME Rules) shall be the relevant "Cash-Settled Future Daily Settlement Price" for the specific Product, as such term is defined under the LME Rules.
    - (iii) The Closing Prices for LMEprecious Futures shall be the "LMEprecious Daily Settlement Price", as such term is defined in the LME Rules.

(each of (i), (ii) and (iii) being the "**LME Closing Prices**")
  - (b) **[Closing Prices for OTC Bullion Products]**  
*[left intentionally blank].*

**Settlement Prices**

- 6.5 The following shall constitute "**Settlement Prices**":
- (a) **Settlement Prices for LME Exchange Traded Products**  
 The Settlement Prices for LME Exchange Traded Products ("**LME Settlement Prices**") shall be the "Settlement Prices", as defined under the LME Rules.
  - (b) **Settlement Prices for OTC Bullion Products**  
 The Settlement Prices for OTC Bullion Products shall be as follows:
    - (i) *[left intentionally blank]* (the "**Gold Settlement Price**"); and
    - (ii) *[left intentionally blank]* (the "**Silver Settlement Price**").

**Price Sources**

- 6.6 The LME shall therefore be a "**Price Source**" for the purpose of these Procedures.
- 6.7 In the event that any Price Source fails to publish any Closing Price or Settlement Price that LME Clear needs to use in order to perform any process, LME Clear will determine the relevant price to be used for such process. Such determination will be at LME Clear's discretion and shall be conclusive. This Clearing Procedure A6.7 is subject to, and without



## Clearing Procedure Part A

prejudice to, any Rule that provides for an alternative means of determining a Closing Price or Settlement Price in the specific circumstances contemplated by such Rule.

**Price Sets**

6.8 In these Clearing Procedures a "**Price Set**" means a complete array of Market Prices and Volatility Metrics that includes:

- (a) a Market Price for every Instrument; and
- (b) all foreign exchange rates, interest rates and Collateral Valuation rates that shall be used by LME Clear in order to perform its calculations of the risks relating to any Member, Position, Account or Instrument.

LME Clear shall, on a continuous basis, during each Business Day, determine the Price Sets that it shall use for the purposes of its operation of the Clearing System.

6.9 For the avoidance of doubt, LME Clear shall use:

- (a) an "**End of Day Price Set**" for the purpose of its End of Day risk management and Margin Requirement calculations and processes. This Price Set shall include the LME's "Closing Prices" (as defined in the LME Rules unless the LME fails to determine such Closing Prices, in which case LME Clear shall use such prices as it considers to be appropriate); and
- (b) the Price Set most recently defined and adopted by LME Clear shall be used for the purpose of LME Clear's Intra-Day Margin Requirement calculations.

6.10 LME Clear reserves the right to amend any prices that it considers do not accurately reflect the current market price.

6.11 LME Clear shall make available to the Members the Price Set that it uses for End of Day calculations of Margin Requirements.

**7. REPORTING**

7.1 LME Clear will make available to Members the Reports specified in Annex 4 (*List of Available Reports*) in such formats and at such frequencies as are specified in Annex 4 (*List of Available Reports*).

7.2 The Reports will be made available to Members through the Member-specific section of the Website.

7.3 In addition to the Reports, LME Clear will make available to Members via the Website certain data relating to the Member's use of the Clearing System, including information regarding:

- (a) the Transactions submitted to LME Clear by Approved Transaction Platforms; and
- (b) the Member's current Positions in respect of Open Contracts.

7.4 Members will also be able to access margin calculation files and market data files from the Website.

7.5 All Reports, transmissions and other documents (other than Notices issued by LME Clear pursuant to Rule 2.9) in electronic format shall be deemed delivered to and received by

## Clearing Procedure Part A

each Member when made available for retrieval by LME Clear. Each Member shall be obligated to retrieve and review all Reports, transmissions and documents, and to notify LME Clear promptly of any error or discrepancies contained therein. To the extent necessary or appropriate, LME Clear may cause an adjustment to be made to the data within such time as LME Clear determines to be necessary.

- 7.6 The contents of all Reports, transmissions and other documents delivered or deemed to be delivered to a Participant shall be conclusive and binding on the Member if the Member does not notify LME Clear of any error or discrepancy with thirty (30) days of such delivery or deemed delivery.
- 7.7 It is the responsibility of each Member to access and preserve a copy of any Reports or data that such Member may require for any purpose or reason (whether operational, audit-related, legal, regulatory or otherwise).
8. **INTERPRETATION OF "POSTING" AND "FOR VALUE" (CASH SETTLEMENT TERMS)**
  - 8.1 In these Clearing Procedures, reference to any cash payment being "posted" or "for value" on any particular Business Day shall be interpreted as follows:
    - (a) **"posted"** shall mean notified to the relevant Approved Settlement Bank and recorded on the Accounts maintained by LME Clear in the Clearing System, in relation to a Member, as a payment due from, or to, the Member; and
    - (b) reference to a payment being **"for value"** on a particular Business Day shall mean that the relevant payment shall be received into the receiving person's Settlement Account at the relevant Approved Settlement Bank on that particular Business Day.

## Clearing Procedure Part B

**PART B – TRANSACTION AND POSITION MANAGEMENT****1. INTRODUCTION**

This Part B of the Clearing Procedures specifies the Clearing Procedures applicable to:

- (a) the arrangements by which Transactions shall be submitted to LME Clear (**Clearing Procedure B2**);
- (b) the arrangements that LME Clear will apply to determine whether and when Transactions will be Accepted (**Clearing Procedure B3**);
- (c) the basis on which LME Clear will establish and monitor Positions in Open Contracts, including a specification of the Eligible Products that will be subject to netting of Positions and those that will be subject to a maintenance of Positions on a gross basis (**Clearing Procedure B4**);
- (d) the basis on which certain Eligible Products will settle to market (**Clearing Procedure B5**);
- (e) the arrangements for the exercise and assignment of options under Option Contracts of different types (**Clearing Procedure B6**); and
- (f) the specification of which Eligible Products are Physically Settling Products and the identification of the provisions relevant to the determination of the Delivery Positions under Contracts for such Physically Settling Products (**Clearing Procedure B7**).

**2. SUBMISSION OF TRANSACTIONS TO LME CLEAR****2.1 Transaction Capture and Matching**

2.2 Transactions may only be submitted to LME Clear by or through an Approved Transaction Platform.

2.3 The Approved Transaction Platform shall be responsible for all trade capture and matching functions and will submit to LME Clear matched trade pairs as a single Transaction for clearing via the Clearing System.

2.4 Each Member shall ensure that it has executed all relevant documentation and contracts specified by the Approved Transaction Platforms that it will use to submit Transactions to LME Clear and comply with all eligibility requirements, rules and operating procedures of such Approved Transaction Platforms.

2.5 The platforms are currently approved as Approved Transaction Platforms by LME Clear for Transactions in specific Eligible Products are specified in the Product Specification set out in Annex 1 (*Eligible Products*).

**2.6 Transaction Submission Deadlines**

2.7 The operating times during which the Clearing System is open to receive Transaction Data shall be as specified in Circulars issued by LME Clear from time to time (each being an "**Opening Hours Circular**").

## Clearing Procedure Part B

- 2.8 Any Transaction Data received following the relevant deadline specified for the Transaction by LME Clear in the relevant Opening Hours Circular will, unless LME Clear determines otherwise, be rejected by LME Clear.

### 3. TRANSACTION ACCEPTANCE

#### 3.1 Acceptance Criteria

All Transactions submitted to LME Clear must satisfy the following "**Acceptance Criteria**" in order to be Accepted:

- (a) the Transaction must:
  - (i) relate to an Eligible Product;
  - (ii) be executed in accordance with the rules of an Approved Transaction Platform that is approved by LME Clear for such Eligible Product;
  - (iii) be executed pursuant to an Approved Execution Arrangement;
  - (iv) have as each party to the Transaction either:
    - (1) a Member; or
    - (2) a Client or Indirect Client authorised by a General Clearing Member to enter into a Transaction that will be subject to clearing by LME Clear in accordance with the Rules;
  - (v) satisfy the transaction data checks identified in Clearing Procedure B3.8, where and to the extent that such checks are required to be performed prior to the Acceptance Time pursuant to Clearing Procedure B 3.9;
- (b) each Member that is to accept responsibility for the Transaction shall:
  - (i) have been admitted to participate in the Service to which the Eligible Product relates;
  - (ii) have executed such other agreements or documents as may be required by LME Clear from time to time in connection with the relevant Service to which the Transaction relates;
  - (iii) have a Settlement Account at an Approved Settlement Bank in the relevant Eligible Currency for the Transaction; and
  - (iv) (where the Transaction will give rise to a Physically Settled Contract) have in place appropriate arrangements with an Approved Delivery Facility in accordance with Clearing Procedure F (*Physical Delivery*);
- (c) LME Clear has not, prior to Acceptance, notified the Approved Transaction Platform that it will not accept trades:
  - (i) from a Member or Non-Clearing Firm that is a party to, or responsible for, the Transaction; and/or
  - (ii) in relation to the Eligible Product that is the subject of the Transaction; and

## Clearing Procedure Part B

- (d) a Default Event must not have arisen in respect of any Member that is responsible for the Transaction at any time prior to, Acceptance, subject that LME Clear shall have the discretion to waive this requirement in respect of any Transaction and, notwithstanding Rule 2.11.1, such waiver may be applied and effective without any requirement for LME Clear to issue a written notification of such waiver.

### 3.2 Execution by an Approved Execution Arrangement

The following paragraphs define the "**Approved Execution Arrangements**" and their respective requirements for execution.

#### (a) LME Ring

- (i) The Ring shall be an Approved Execution Arrangement for Transactions in LME Base Products.
- (ii) Subject to the satisfaction of all other Acceptance Criteria, Acceptance shall be deemed to have occurred at the time at which the Transaction is agreed between the Members in the Ring.
- (iii) Promptly following Acceptance, and in accordance with such timescales and requirements as are specified in the LME Rules, each Member responsible for a Transaction agreed in the Ring shall submit to LMEsmart the relevant information regarding the details of the Transaction in order to enable LMEsmart to perform such checks as LME Clear shall specify and agree with the Approved Transaction Platform. Any failure by a Member to comply with such requirements shall be dealt with under the LME Rules.

#### (b) LMEselect

- (i) LMEselect shall be an Approved Execution Arrangement for Transactions in:
  - (1) LME Base Products; and
  - (2) LMEprecious Products.
- (ii) Transactions agreed via LMEselect shall be subject to the application of such pre-execution checks as LME Clear shall specify and agree with the Approved Transaction Platform. The Approved Transaction Platform will not permit a Transaction to be executed via LMEselect unless such pre-execution checks are satisfied.
- (iii) Subject to the satisfaction of all other Acceptance Criteria, Transactions agreed via LMEselect shall be deemed to be Accepted at the time at which the Transaction is confirmed in the LMEselect system as being matched, in accordance with the LME Rules.

#### (c) LME Inter-Office Market

- (i) The LME Inter-Office Market, in conjunction with a Contingent Agreement to Trade and LMEsmart, shall be an Approved Execution Arrangement for Transactions in:
  - (1) LME Base Products; and

## Clearing Procedure Part B

- (2) LMEprecious Products.
- (ii) The LME Inter-Office Market, in conjunction with LMEsmart, shall be an Approved Execution Arrangement for Transactions arranged by a RIB in:
  - (1) LME Base Products; and
  - (2) LMEprecious Products.
- (iii) Transactions agreed via the LME Inter-Office Market shall, except where the Transaction is arranged by a RIB, give rise to a Contingent Agreement to Trade between the counterparties to the Transaction, in accordance with the LME Rules.
- (iv) The Contingent Agreement to Trade has no effect or status under these Rules, and shall be governed solely by the LME Rules.
- (v) The counterparties to a Contingent Agreement to Trade are responsible, under the LME Rules for the submission of the relevant Transaction Data to LMEsmart.
- (vi) The counterparties to a Transaction arranged by a RIB are responsible, together with such RIB, under the LME Rules, for the submission of the relevant Transaction Data to LMEsmart.
- (vii) LMEsmart shall apply such pre-execution checks as LME Clear shall specify and agree with the Approved Transaction Platform. The Approved Transaction Platform shall not permit a Transaction in respect of a Contingent Agreement to Trade, or any Transaction arranged by a RIB, to be executed via LMEsmart unless such pre-execution checks are satisfied.
- (viii) When the pre-execution checks are satisfied, LMEsmart shall confirm that the Transaction may be executed.
- (ix) Subject to the satisfaction of all other Acceptance Criteria, Transactions agreed via the LME Inter-Office Market, and which have been subject to the process set out in (iii) to (viii) above shall be deemed to be Accepted at the time at which the Transaction is confirmed in LMEsmart as being capable of execution, in accordance with the LME Rules.
- (x) For the avoidance of doubt, neither the LME nor LME Clear regards a Contingent Agreement to Trade as constituting any form of derivative contract.

### 3.3 Contracts formed under Give-Ups

In the event that, in accordance with the relevant LME Rules governing Give-Ups:

- (a) a Member agrees a Transaction via LMEselect or the LME Inter-Office Market, and (as a Give-Up Executor) submits a Give-Up Executor Instruction into the Approved Transaction Platform; and
- (b) a Contract is allocated to the Give-Up Executor's House Account upon Acceptance of the original Transaction (such Contract being the "**Original House Contract**"); and

## Clearing Procedure Part B

- (c) at the Acceptance Time for the Give-Up Executor Instruction, the Accepting Member has not been identified, and a valid and complete Give-Up Acceptance has not been accepted and confirmed within LMEsmart,

then the following Contracts shall automatically and immediately come into effect between LME Clear and the Give-Up Executor:

- (i) a Contract allocated to the Give-Up Executor's House Account, having the opposite direction to that of the Original House Contract (the "**Offsetting House Contract**"); and
- (ii) a Contract allocated to an Administrative Account of the Give-Up Executor, having the same direction as that of the Original House Contract (the "**Give-Up Contract**").

3.4 In the event that, in accordance with the relevant LME Rules governing Give-Ups:

- (a) the Give-Up Executor submits to the Approved Transaction Platform the appropriate information (in accordance with the LME Rules) identifying the Accepting Member that is to clear for the Client that initiated the Transaction; and
- (b) LMEsmart confirms:
  - (i) the acceptance by such Accepting Member of the Give-Up arrangement pursuant to a Give-Up Acceptance; and
  - (ii) the satisfaction of the Acceptance Criteria in respect of the Transaction represented by the Give-Up Acceptance,

then

- (c) upon Acceptance of such Give-Up Acceptance, LME Clear shall cancel the Give-Up Contract, which shall from the time of such cancellation cease to have effect between LME Clear and the Give-Up Executor.

3.5 In the event that the steps in Clearing Procedure B 3.4(a) or (b) are not completed, the step in (c) shall not take effect and the Give-Up Contract shall continue to be cleared in accordance with these Rules, unless and until LME and LME Clear agree with the Give-Up Executor to take any further action in respect of such Give-Up Contract.

### 3.6 Transaction Data Capture

For the avoidance of doubt, LMEselect (in respect of Transactions agreed via LMEselect) and LMEsmart (in respect of Transactions agreed via the LME Inter-Office Market) shall capture the Transaction Data in respect of each Transaction to:

- (a) enable such systems to verify that the Transaction and the Member(s) responsible for such Transaction satisfy the static data, risk and credit checks applied by LME Clear to the Transaction;
- (b) identify the Member or Members responsible for clearing the Transaction, and whether such Member or Members are acting in a proprietary capacity or on behalf of a Client;
- (c) specify all relevant details required by LME Clear in order to identify the rights and obligations of each party under the Transaction; and

## Clearing Procedure Part B

- (d) specify, in respect of each Member that is to accept responsibility for the Transaction, the Account designated by the Member to which the Contracts, Positions, Collateral and other the rights and obligations relating to such Transaction should be allocated.

### 3.7 Transaction Data Checks

3.8 The Approved Transaction Platform will perform checks in respect of Transactions agreed pursuant to the LME Rules, on behalf of LME Clear. Such checks shall include:

- (a) a check that the Transaction Data is complete and readable (the "**syntax validation**"); and
- (b) a check that the Transaction Data content is valid, including whether the relevant Acceptance Criteria are satisfied (the "**static data validation**");
- (c) a risk review (the "**Credit Check**") in order to determine whether:
  - (i) the Acceptance of the Transaction would cause the Member's Risk Threshold to be reached or exceeded; or
  - (ii) the Member has deposited with LME Clear insufficient Collateral to enable LME Clear to accept the risk of the new Transaction; and
- (d) such other checks as LME Clear may require the Approved Transaction Platform to perform on its behalf in order to confirm that the Transaction Data is operationally capable of being processed within LME Clear's systems, and the Transaction is not inconsistent with any requirements specified in these Rules.

3.9 Such checks will be performed:

- (a) prior to Acceptance Time where the Transaction is agreed via the LME Inter-Office Market; and
- (b) following the Acceptance Time where the Transaction is agreed in LMEselect or the Ring.

3.10 The LME Rules shall set out and govern:

- (a) the obligations of each Member with respect to the submission of appropriate information to ensure that such checks can be performed;
- (b) the consequences of any check not being satisfied, and the obligations of the relevant Members in such circumstances; and
- (c) the basis on which such checks will be confirmed as satisfied.

### 3.11 Notification

3.12 On each Business Day, LME Clear shall notify the Member of all Transactions in respect of such Member that have been Accepted or rejected by the Approved Transaction Platform or LME Clear on that Business Day, by the issue of a Report.

3.13 During each Business Day, Members may access information regarding:

- (a) the status of Transactions submitted to the Clearing System; and



## Clearing Procedure Part B

- (b) the status of Open Contracts via the LMEmercury GUI or the Member Interface.

### 3.14 OTC Backloading

- 3.15 LME Clear may offer services to enable Members to identify the relevant Transaction Data to be input into LMEsmart pursuant to a Contingent Agreement to Trade, in order to clear through the Clearing System Contracts representing previously executed over-the-counter contracts in Eligible Products (such services being "**OTC Backloading Services**"). Such OTC Backloading Services may include the provision of netting or compression data.

- 3.16 LME Clear may offer OTC Backloading Services in respect of one or more Services.

- 3.17 Where LME Clear makes OTC Backloading Services available:

- (a) LME Clear shall specify a form of agreement to be executed between LME Clear and each Member that participates in such the OTC Backloading Service;
- (b) the terms on which the OTC Backloading Service shall be provided, and the respective rights and obligations of LME Clear and a Member participating in the service, shall be as set out in such agreement; and
- (c) the operational processes relating to the provision of, and use of, the OTC Backloading Service shall be as specified in the DSS.

## 4. POSITION UPDATE AND MAINTENANCE AND SETTLEMENT TO MARKET

- 4.1 Upon registration of a Transaction within the Clearing System, LME Clear shall determine the Member's Positions in the Eligible Products to which the Transaction relates. Such Positions shall be reflected in the relevant Account to which the Contracts relating to such Transaction have been designated (the "**Designated Account**"). (Rule 4 (*Accounts*) specifies the Rules applicable to the establishment and operation of Accounts opened by the Member).

- 4.2 Positions in Designated Accounts shall be created and updated following Acceptance in accordance with the following criteria:

- (a) where the Designated Account does not currently record any other Open Contract for that Instrument a new Position shall be created within the Designated Account to reflect the Member's rights and obligations in respect of the Open Contract; and
- (b) where the Designated Account contains existing Positions in respect of multiple Open Contracts for that Instrument, then each additional Open Contract in such Instrument shall be added to the volume of such existing Positions in that Designated Account.

- 4.3 Positions in an Account therefore represent the consolidated rights and obligations arising from all Open Contracts within the same Instrument that have been allocated to that Account.

- 4.4 All new Open Contracts in each Business Day are maintained on a gross basis intra-day, such that LME Clear records to each Account the total Open Contracts with Purchase Positions and total Open Contracts with Sale Positions allocated to that Account on that Business Day.

## Clearing Procedure Part B

4.5 Following the completion of LME Clear's netting and reconciliation processes at End of Day:

- (a) Positions in Gross Position Products allocated to an Account shall be maintained on a gross basis; and
- (b) Positions in Net Position Products allocated to an Account shall be maintained in accordance with Clearing Procedure B5, either:
  - (i) on a net basis, such that the Purchase Positions and the Sale Positions in respect of each Open Contract for the same Instrument are netted to the smallest number of obligations; or
  - (ii) on an aggregated basis, such that the Purchase Positions and the Sale Positions in respect of each Open Contract for the same Instrument are added together to result in a single aggregated Purchase Position and a single aggregated Sale Position; and
- (c) the application of Clearing Procedure B:4.4 and B4.5 (a) and (b) above to Positions allocated to a Gross Omnibus Segregated Account shall be applied separately to each Allocation ID in such Account, such that each gross calculation, net calculation or aggregation calculation shall be applied separately in respect of each Allocation ID and their corresponding Positions as if such Allocation IDs represented separate Accounts.

4.6 The following table identifies those Eligible Products that are Gross Position Products and Net Position Products respectively, and the basis on which position keeping may be applied to such Eligible Products.

| Type of Product         | Eligible Products                       | Basis of Netting |
|-------------------------|---|------------------|
| Gross Position Products | Exchange Traded Forwards                | Gross            |
|                         | Exchange Traded Monthly Average Futures | Gross            |
|                         | OTC Bullion Forwards                    | Gross            |
| Net Position Products   | Exchange Traded Futures                 | Net or Aggregate |
|                         | LMEprecious Futures                     | Net or Aggregate |
|                         | All Option Contracts                    | Net or Aggregate |

#### 4.7 Responsibilities of Members in respect of mis-allocated Contracts

4.8 In the event that a Contract is allocated to an Administrative Account due to any determination by LME Clear that the Transaction Data in respect of a Transaction has incorrectly identified the Account to which such Contract should be allocated, the Member must submit corrected instructions to LME Clear, specifying the correct Account to which the Contract should be allocated, in accordance with the requirements of the LME Rules

## Clearing Procedure Part B

and in any event prior to the Close of Business on the next following Business Day after the Acceptance of the Contract.

4.9 In the event that a Default Event arises prior to the receipt by LME Clear of the instructions specifying the correct Account, the Contract shall remain within the Administrative Account, and shall be subject to the application of the Default Rules to that Account.

4.10 Notwithstanding paragraph 4.9 above, LME Clear may transfer a Contract from an Administrative Account to another Account of the Member where LME Clear considers it appropriate to do so.

**4.11 Aggregated Contracts Close Out Netting Process**

(a) Where a Member holds Aggregated Contracts in an Omnibus Segregated Client Account, the Member may utilise LME Clear's close-out process in order to:

- (i) identify the open interest recorded in an Aggregated Contract which represents the open interest of a single Client; and
- (ii) net any such open interest in an Aggregated Contract with a Purchase Position against any open interest in an Aggregated Contract with a Sale Position which is identical except in respect of its direction,

so that, following the application of such process:

- (1) the relevant Aggregated Contracts shall remain in the Account and in force between LME Clear and the Member but with an amended Purchase Position or Sale Position, as the case may be; or
  - (2) where the netting reduces a Purchase Position or Sale Position to zero, the Aggregated Contract represented by that zero Position is automatically terminated.
- (b) The time at which such netting shall take effect shall be the time at which the same is recorded in the Clearing System.
- (c) The DSS sets out the requirements to be applied in order to carry out the close-out process set out in this paragraph 4.11 (including the cancellation of such close-out process).
- (d) LME Clear may require a Member to close-out open interest in certain circumstances. Any such circumstances shall be set out in the DSS.

**4.12 Operational Requirements in support of gross Accounts**

4.13 Where a Member maintains Contracts allocated to a Gross Omnibus Segregated Client Account, the Member must provide to LME Clear a file, in such format and at such times each Business Day as shall be specified in the DSS, identifying the Allocation IDs for each such Contract.

4.14 Any Contracts allocated to a Gross Omnibus Segregated Client Account shall be subject to the following requirements:

- (a) during the Business Day on which such Contracts are Accepted:

## Clearing Procedure Part B

(i) Positions in respect of such Contracts shall be maintained by LME Clear on a gross basis in accordance with Clearing Procedure B:4.4; and

(ii) such Positions shall be subject to Margin Requirements calculated in accordance with Clearing Procedure C,

in each case until LME Clear has received the Allocation IDs in respect of such Contracts and the subsequent completion of LME Clear's netting and reconciliation processes at End of Day for such Business Day in accordance with Clearing Procedure B:4.5(c) above; and

(b) in the event that a Member fails to provide an Allocation ID in respect of any such Contracts, LME Clear shall:

(i) apply its End of Day netting and reconciliation process to the Positions in respect of such Contracts, in accordance with Clearing Procedure B:4.5(c) on the basis of the table set out below; and

(ii) such Positions shall be subject to Margin Requirements calculated in accordance with Clearing Procedure C,

in each case until the End of Day on the Business Day on which LME Clear has received the Allocation IDs in respect of such Contracts and the subsequent completion of LME Clear's netting and reconciliation processes at End of Day for such Business Day in accordance with Clearing Procedure B:4.5(c) above.

**Table referable to Clearing Procedure B:4.14(b)(i):**

| Type of Product         | Eligible Products                       | Basis of Netting for Unallocated Contracts |
|-------------------------|---|--|
| Gross Position Products | Exchange Traded Forwards                | Gross                                      |
|                         | Exchange Traded Monthly Average Futures | Gross                                      |
|                         | OTC Bullion Forwards                    | Gross                                      |
| Net Position Products   | Exchange Traded Futures                 | Aggregate                                  |
|                         | LMEprecious Futures                     | Aggregate                                  |
|                         | All Option Contracts                    | Aggregate                                  |

4.15 In the event that a Member identifies that any Allocation ID notified to LME Clear in respect of any Contract is incorrect, the Member must promptly submit to LME Clear an updated file specifying the correct Allocation ID, in accordance with the requirements specified in the DSS. For the avoidance of doubt, the Member must not submit to LME Clear any file or any additional Transactions, in order to correct any such mis-allocated

## Clearing Procedure Part B

Contract that would, or which would purport to, have the effect of creating a new Contract that has not been executed pursuant to an Approved Execution Arrangement.

- 4.16 LME Clear reserves the right not to allocate any Contract to an Allocation ID, either intra-day or in accordance with its End of Day netting and reconciliation process, where LME Clear so determines on the grounds of prudent risk management, including in the event that the Member has become a Defaulting Member.

## 5. SETTLEMENT TO MARKET PROCESS

### 5.1 Application of Netting or Aggregation

- 5.2 The netting processes set out in this Clearing Procedure B5 shall be applied as follows:

- (a) for any House Account (including any Administrative Account treated as a House Account), LME Clear shall maintain the Positions in Net Position Products in the Account on a net basis, and shall be subject to daily settlement to market in accordance with Clearing Procedure B 5.8 and 5.9 below;
- (b) for any Direct Individual Segregated Client Account or Indirect Individual Segregated Client Account LME Clear shall maintain the Positions in Net Position Products in the Account on a net basis, and shall be subject to daily settlement to market in accordance with Clearing Procedure B 5.8 and 5.9 below;
- (c) for any Direct Net Omnibus Segregated Client Account or Indirect Net Omnibus Segregated Account, LME Clear shall maintain Positions in Net Position Products in the Account either:
  - (i) (in relation to certain designated Administrative Accounts), on a net basis; and
  - (ii) (in relation to all other Net Position Products in a Direct Net Omnibus Segregated Client Account or an Indirect Net Omnibus Segregated Client Account) on an aggregated basis (except where LME Clear agrees with the Member that they may be held on a net basis);
- (d) for any Gross Omnibus Segregated Client Account, LME Clear shall maintain Positions in Net Position Products in the Account on a net basis per Allocation ID, except in the case of Contracts that have not been allocated to an Allocation ID, which shall be held on an aggregated basis with other unallocated Contracts,

subject that (in the case of (c) and (d) above:

- (1) the Member may not maintain Positions on a net or aggregate basis where such Positions are allocable to more than one Client (or, in respect of any Indirect Net Omnibus Segregated Client Account or Indirect Gross Omnibus Segregated Client Account, to more than one Indirect Client) unless and except to the extent that the Member has the legal authority and power to do so, in accordance with Applicable Law and the Member's contractual terms with such Clients;
- (2) Rule 6.11.4 shall apply;

## Clearing Procedure Part B

- (3) the Positions to be netted shall be subject to settlement to market in accordance with Clearing Procedure B 5.8 and 5.9 below; and
- (4) the Positions to be aggregated shall be subject to settlement to market in accordance with Clearing Procedure B 5.11 and 5.12 below.

5.3 **Calculations**

5.4 LME Clear shall, at the End of Day, determine:

- (a) in respect of each Instrument in a Net Position Product for each Account: the Position for all Open Contracts as at the End of Day, comprising the Brought Forward Position, as adjusted by any New Contract Positions (the "**End of Day Position**") (subject that, in respect of a Gross Omnibus Segregated Client Account, references to "each Account" in this provision shall instead be construed as references to "each Allocation ID allocated to each Account"); and
- (b) in respect of each Instrument in a Net Position Product to which Realised Variation Margin applies pursuant to the Product Specifications (a "**relevant Net Position Product**"), for each Account: the Realised Variation Margin in respect of the Instrument for that Business Day.

5.5 The determination made pursuant to Clearing Procedure B 5.4 above shall be applied:

- (a) where (b) does not apply:
  - (i) to those Positions in an Account that are to be netted, in accordance with Clearing Procedure B 5.8, 5.9 and 5.14 below; and
  - (ii) to those Positions in an Account that are to be aggregated, in accordance with Clearing Procedure B 5.11, 5.12 and 5.14 below;
- (b) in respect of a Gross Omnibus Segregated Client Account:
  - (i) to those Positions in an Allocation ID allocated to the Account that are to be netted, in accordance with Clearing Procedure B 5.8 and 5.9; and
  - (ii) to those Positions in an Allocation ID allocated to an Account that are to be aggregated, in accordance with Clearing Procedure B 5.11 and 5.12; and
  - (iii) Realised Variation Margin shall be calculated, in accordance with Clearing Procedure B 5.14, on a per-Account basis and not on a per-Allocation ID basis.

5.6 LME Clear's calculations of the respective Positions and Realised Variation Margin for the purpose of this Settlement to Market Process shall be definitive.

5.7 **Establishment of End of Day Positions per Instrument and Account (or Allocation ID allocated to an Account): Netted Positions**

5.8 For Positions that are to be netted, the End of Day Position shall represent a single net Position in respect of the Instrument at the relevant Closing Price for that Business Day, identifying:

- (a) a single Purchase Position for the Buyer under the Instrument; and

## Clearing Procedure Part B

(b) a single Sale Position for the Seller under the Instrument.

5.9 Upon the establishment by LME Clear of the End of Day Position, all Open Contracts represented by:

(a) the Brought Forward Position; and

(b) each New Contract Position,

shall be treated as being discharged and replaced by a single Open Contract at that Business Day's Closing Price. Such Open Contract shall be deemed to come into effect pursuant to the Rules.

5.10 **Establishment of End of Day Positions per Instrument and Account (or Allocation ID allocated to an Account): Aggregated Positions**

5.11 For Positions that are to be aggregated, separate End of Day Positions for Purchase Positions and Sale Positions shall be identified in respect of the Instrument at the relevant Closing Price for that Business Day, identifying:

(a) a single Purchase Position for the Buyer under the Instrument; and

(b) a single Sale Position for the Seller under the Instrument.

5.12 Upon the establishment by LME Clear of the End of Day Position:

(a) all Open Contracts represented by:

(i) the Brought Forward Position in respect of Purchase Positions; and

(ii) each New Contract Position comprising Purchase Positions,

shall be treated as being discharged and replaced by a single Open Contract comprising the aggregated Purchase Positions identified in (i) and (ii) at that Business Day's Closing Price;

(b) all Open Contracts represented by:

(i) the Brought Forward Position in respect of Sale Positions; and

(ii) each New Contract Position comprising Sale Positions,

shall be treated as being discharged and replaced by a single Open Contract comprising the aggregated Sale Positions identified in (i) and (ii) at that Business Day's Closing Price,

and such Open Contracts shall be deemed to come into effect pursuant to the Rules.

5.13 **Calculation of Realised Variation Margin**

5.14 For each Account, LME Clear shall determine, in respect of each Instrument in a relevant Net Position Product for which End of Day Positions have been calculated in accordance with Clearing Procedure B5.8 and 5.9 or B5.11 and 5.12 above, the Realised Variation Margin resulting as a consequence of such calculations. In order to do so, LME Clear shall calculate, separately in respect of Purchase Positions and Sale Positions for each Instrument:



## Clearing Procedure Part B

- (a) the difference between:
  - (i) the value of the Brought Forward Position at the previous Business Day's Closing Price; and
  - (ii) the value of the Brought Forward Position at that Business Day's Closing Price;
- (b) in respect of each New Contract Position, the difference between:
  - (i) the value of such New Contract Position at the Execution Price of the Contract; and
  - (ii) the value of the Contract at that Business Day's Closing Price,

(and for the avoidance of doubt, this calculation in (b) shall be performed in respect of each New Contract Position arising in that Business Day); and
- (c) the sum of the calculations in (a) and (b), which shall represent the Realised Variation Margin.

For the avoidance of doubt, the Realised Variation Margin may be a positive or a negative figure, representing a profit or a loss to either LME Clear or the Member.

- 5.15 The Realised Variation Margin calculated in respect of an Account pursuant to Clearing Procedure B 5.14 above shall represent a Payment Obligation to be made by the party that is at loss (whether this is LME Clear or the Member) to the party that is in profit. Such Payment Obligation shall be discharged as a Cash Settlement in accordance with Clearing Procedure E.

## 6. OPTION EXERCISE AND ASSIGNMENT

- 6.1 The rules applying to the exercise and assignment of rights under Option Contracts (the "**Option Exercise Rules**") are specific to each Eligible Product. The types of exercise and the basis on which such exercise is settled, for each type of Eligible Product that comprises an Option Contract, is summarised in the table below.

| Option Contracts                              | Exercise Type      |
|---|--------------------|
| Exchange Traded Average Price Options (TAPOS) | Automatic Exercise |
| LMEprecious Options                           | Automatic Exercise |
| Exchange Traded American Options              | Manual Exercise    |

- 6.2 The Option Exercise Rules comprise the relevant "Option Regulations" set out in the LME Rules from time to time, together with the provisions of this Clearing Procedure B6. The Option Regulations determine:
- (a) the processes to be applied in relation to the automatic exercise of rights under Automatic Exercise Option Contracts; and



## Clearing Procedure Part B

- (b) the timings applying to any manual exercise by an Option Holder of its rights under Manual Exercise Option Contracts.
- 6.3 LME Clear and each Member will therefore comply with the Option Regulations and this Clearing Procedure B6 in the exercise and discharge of their respective rights and obligations under Option Contracts.
- 6.4 The remaining provisions of this Clearing Procedure B6 define, for each type of Eligible Product that may result in a cleared Option Contract:
- (a) the last time on a Business Day on which a Transaction in such Eligible Product may be effected on the Exchange (the "**Last Traded Time**");
  - (b) the time on the Expiry Date on which the option on an Automatic Exercise Option Contract will be exercised (the "**Expiry Time**");
  - (c) the times on Business Days on which instructions may be submitted by Members to LME Clear in order to exercise options under a Manual Exercise Option Contract (the "**Exercise Time**");
  - (d) the final time on the Expiry Date by which the option under a Manual Exercise Option Contract may be exercised (the "**Final Exercise Time**");
  - (e) the basis on which option-exercise instructions under a Manual Exercise Option Contract may be cancelled ("**Exercise Instruction Cancellation**");
  - (f) the basis on which the option under the Option Contract shall be exercised (the "**Exercise Type**", that is, either automatically or manually);
  - (g) the "**Option Exercise Reference Price**" or "**Preliminary Reference Price**" (as applicable), which shall be interpreted in accordance with the relevant Official Price determined under the LME Rules specified in the table;
  - (h) how the exercise of the option shall take effect (the "**Exercise Result**"); and
  - (i) the manner in which the Option Holder will be notified by LME Clear of the exercise of the option.

6.5 **Exchange Traded Average Price Options (TAPOS)**

The table below summarises the Option Exercise Rules for Option Contracts in Exchange Traded Average Price Options (TAPOs):

| Product          | Exchange Traded Average Price Options (TAPOs)  |
|------------------|--|
| Last Traded Time | 18:00hrs on the Business Day prior to the Expiry Date.   |
| Expiry Time      | 15:00hrs on the Expiry Date.   |
| Exercise Type    | Automatic.<br><br>All positions that are USD0.01 or greater in the money when compared to the Option Exercise Reference Price will be exercised automatically by LME Clear at the Expiry Time. |
| Option Exercise  | Monthly Average Settlement Price, (" <b>MASP</b> "), as specified by the   |

## Clearing Procedure Part B

|                  |   |
|------------------|---|
| Reference Price  | Exchange on the date and time of exercise.  |
| Exercise Result  | <p>Exercise creates between the Member and LME Clear two Contracts representing open LME Exchange Traded Forwards for Prompt Date the second Business Day of the month following the month of the Expiry Date.</p> <p>These LME Exchange Traded Forwards are equal and opposite in all respects except that:</p> <ul style="list-style-type: none"> <li>• one is created at the MASP; and</li> <li>• the other is created at the Strike Price of the original Transaction.</li> </ul> |
| Notification via | LMEmercury GUI.   |

## 6.6 Exchange Traded American Options

The table below summarises the Option Exercise Rules for Option Contracts in Exchange Traded American Options:

| Product                           | Exchange Traded American Options   |
|-----------------------------------|--|
| Last Traded Time                  | 18:00hrs on the Business Day prior to the Expiry Date.   |
| Exercise Type                     | Manual, via the LME Clear Options Exercise Screen.   |
| Exercise Times                    | Exercise instructions can be input between 07:30hrs and 11:15hrs on any LME Business Day up to, and including, the Expiry Date.  |
| Exercise Instruction Cancellation | Exercise instructions can be cancelled via the LME Clear Options Exercise Screen before 11:15 hours on the day the exercise instruction is input to the Clearing System.   |
| Final Exercise Time               | 11:15hrs on the Expiry Date.   |
| Preliminary Reference Price       | Closing Price for the Underlying Forward (as defined below), as determined by the LME in accordance with the LME Rules, for the third Wednesday of the month in which the Prompt Date falls, as calculated on the Business Day prior to the Expiry Date.   |
| Exercise Result                   | <p>Exercise creates between the Member and LME Clear an Open Contract representing an LME Exchange Traded Forward at the Strike Price for Prompt Date on the third Wednesday of the month of the Expiry Date of the original Option Contract.</p> <p>The direction of LME Exchange Traded Forward (the "<b>Underlying Forward</b>") shall be determined as follows:</p> <ul style="list-style-type: none"> <li>• Buyer of exercised call – Buys Underlying Forward</li> <li>• Seller of exercised call – Sells Underlying Forward</li> </ul> |

## Clearing Procedure Part B

|                  |   |
|------------------|---|
|                  | <ul style="list-style-type: none"> <li>• Buyer of exercised put – Sells Underlying Forward</li> <li>• Seller of exercised put – Buys Underlying Forward.</li> </ul> |
| Notification via | LMEmercury GUI.   |

## 6.7 Expiry Date Process for Exchange Traded American Options

The following provisions apply to the manual exercise of Exchange Traded American Options:

- (a) In accordance with the Option Regulations under the LME Rules, prior to the opening of the Clearing System on the Expiry Date, LME Clear shall flag for exercise all Exchange Traded American Options that, by reference to the previous day's Closing Price for the third Wednesday prompt date, it calculates are in the money by more than two Strike Price Gradations.
- (b) Members who are Option Holders may, in accordance with the LME Rules, reverse LME Clear's exercise flag. Members that wish to enter such flag reversals shall have done so by the 11:15 hours Final Exercise Time.
- (c) Members who are Option Holders may, in accordance with the LME Rules, manually exercise additional options that have not been flagged for exercise by LME Clear. Members that wish to exercise additional options shall have done so by the 11:15 hours Final Exercise Time.
- (d) Only those options:
  - (i) flagged for exercise by LME Clear under (a) and which have not been reversed by the Member in accordance with (b); or
  - (ii) flagged for exercise by the Member under (c) above and which have not subsequently been reversed by the Member by the Final Exercise Time,
 shall be treated as being exercised at the Final Exercise Time.

## 6.8 Exchange Traded American Options – Assignment to Option Granters by LME Clear

6.9 Where LME Clear has Positions in Exchange Traded American Options in respect of which:

- (a) under certain Open Contracts, LME Clear is the Option Holder; and
- (b) under other Open Contracts, one or more Members are the Option Holders,

and a Member that is an Option Holder (an "**Exerciser**") exercises an option against LME Clear, then LME Clear shall exercise such options under the Open Contracts for which it is the Option Holder in order to ensure that it is able to satisfy its obligations to the Exerciser.

6.10 LME Clear shall exercise its options in the circumstances described in Clearing Procedure B6.9 above by selecting one or more Members who are Option Granters under Open Contracts against whom to exercise its options. LME Clear shall make such selection:

## Clearing Procedure Part B

- (a) based on the open Positions in such Open Contracts at Close of Business on the Business Day prior to the Business Day on which the Exerciser exercised its option; and
- (b) on the basis of a random scatter allocation, under which LME Clear shall randomly determine each lot to be assigned to an Option Granter in such a way that its selection is independent of either the preceding lot or the subsequent lot allocated via the selection process.

## 6.11 LMEprecious Options

The table below summarises the Option Exercise Rules for LMEprecious Options:

| Product                         | LMEprecious Option  |
|---------------------------------|---|
| Last Traded Time                | 20:00hrs on the Business Day prior to the Expiry Date.  |
| Expiry Time                     | 15:02hrs on the Expiry Date or, in the case of a postponement by the LME in accordance with the LME Rules, such other time specified by the LME.  |
| Exercise Type                   | Automatic.<br><br>An LMEprecious Option shall be automatically exercised by LME Clear at the Expiry Time if at that time it is: <ul style="list-style-type: none"> <li>(a) "In the Money", as defined in the LME Rules (in summary, such that the strike price is, in the case of a put option, above or, in the case of a call option, below the Option Exercise Reference Price); or</li> <li>(b) a call option that is "At the Money", as defined in the LME Rules (in summary, such that the Option Exercise Reference Price is equal to the strike price).</li> </ul>  |
| Option Exercise Reference Price | The Settlement Price for the LMEprecious Option identified as the "Exercise Reference Price", in accordance with the LME Rules.   |
| Exercise Result                 | Exercise creates between the Member and LME Clear an Open Contract representing an LMEprecious Future at the Strike Price for Prompt Date on the third Wednesday of the month of the Expiry Date of the original Option Contract.<br><br>The direction of LMEprecious Future (the " <b>Underlying Future</b> ") shall be determined as follows: <ul style="list-style-type: none"> <li>• Buyer of exercised call – Buys Underlying Future</li> <li>• Seller of exercised call – Sells Underlying Future</li> <li>• Buyer of exercised put – Sells Underlying Future</li> <li>• Seller of exercised put – Buys Underlying Future.</li> </ul> |
| Notification via                | LMEmercury GUI.   |

## Clearing Procedure Part B

## 7. DELIVERY POSITIONS

7.1 The following table specifies:

- (a) those Eligible Products that are Physically Settling Products; and
- (b) the Underlying Asset that is to be delivered on settlement of Contracts for each such Physically Settling Product.

| Physically Settling Product  | Delivery Commodity – the Underlying Asset |
|------------------------------|---|
| LME Exchange Traded Forwards | LME Warrants                              |
| LMEprecious Futures          | Unallocated Precious Metal                |
| OTC Bullion Forwards         | Unallocated [Bullion]                     |

7.2 Contracts for Physically Settling Products are defined as Physical Delivery Contracts pursuant to Rule 1 (*Definitions and Interpretations*).

7.3 LME Clear shall determine, in respect of each Account maintained by the Member, a net Delivery Position in respect of all Positions under Instruments comprised of Physical Delivery Contracts remaining open at the time of their expiry. Such net Delivery Position shall be determined by reference to the Settlement Price for the Underlying Asset on the Prompt Date, and shall comprise:

- (a) a single Payment Obligation in respect of each Settlement Currency under which the Instruments are to be settled;
- (b) (where applicable) a single Payment Obligation comprised by the LME Premium Warrant Payment Obligations in respect of the LME Aluminium Premium Contracts under which the Member is a Buyer;
- (c) a single Delivery Obligation in respect of all obligations to deliver LME Warrants that are not LME Premium Warrants;
- (d) (where applicable) a single Delivery Obligation in respect of each Premium Warrant Jurisdiction relating to LME Aluminium Premium Contracts under which the Member is a Seller; and
- (e) a single Delivery Obligation in respect of all obligations to deliver unallocated Precious Metal in respect of LMEprecious Futures,

and such Payment Obligations and Delivery Obligations shall represent a **"Final Delivery Position"** at the Account level.

7.4 For the discharge of Delivery Obligations in respect of Contracts for which the Underlying Asset is LME Warrants, LME Clear shall determine in respect of each Member, the Warrant Movements required to settle the Final Delivery Positions between LME Clear and the Member, on the following basis:

## Clearing Procedure Part B

- (a) separate net and total Warrant Movements shall be established under (b) and (c) below in respect of:
  - (i) Delivery Obligations in respect of LME Premium Warrants for each Premium Warrant Jurisdiction; and
  - (ii) Delivery Obligations in respect of LME Warrants other than LME Premium Warrants;
- (b) in respect of the Member's House Account(s), the Final Delivery Positions of each account shall be netted together to produce a single net Warrant Movement;
- (c) in respect of the Member's Client Accounts:
  - (i) the Final Delivery Positions for all Client Accounts where the member is the Buyer under the relevant Contracts will be summed to produce a single total "buying" Warrant Movement;
  - (ii) the Final Delivery Positions for all Client Accounts where the Member is the Seller under the relevant Contracts will be summed to produce a single total "selling" Warrant Movement.

Consequently, a Member may have a maximum of three (3) Warrant Movements (in respect of LME Warrants other than LME Premium Warrants) with LME Clear in a single Underlying Asset on a single Business Day.

7.5 For the discharge of Delivery Obligations in respect of Contracts for which the Underlying Asset is unallocated Precious Metal, LME Clear shall determine, separately in respect of Gold and Silver, in respect of each Account of each Member:

- (a) the Delivery Obligations of LME Clear as the Seller; and
- (b) the Delivery Obligations of the Member as the Seller,

in order to determine a net movement of Precious Metal between LME Clear and the Member that is required to settle the Final Delivery Positions between LME Clear and the Member for that Account.

7.6 Delivery Positions (including Warrant Movements) are settled through:

- (a) physical delivery of Underlying Assets by the Seller in discharge of the Delivery Obligation;
- (b) against the discharge of the Payment Obligation by:
  - (i) payment of cash by the Buyer; and
  - (ii) (in respect of LME Aluminium Premium Contracts) the physical delivery by the Buyer of LME Warrants.

7.7 The Settlement Price for Underlying Assets applicable to each relevant Eligible Product is set out in the Product Specifications for the Eligible Product in Annex 1 (*Eligible Products*).

7.8 The delivery process for Underlying Assets under Contracts in respect of:

## Clearing Procedure Part B

- (a) LME Exchange Traded Forwards is defined by the LME Rules (including the Rules and procedures applicable to the operation of LMEsword) and is summarised in Clearing Procedure F2 (*LME Warrant Delivery Procedures*); and
- (b) LMEprecious Futures is defined by the LME Rules and is summarised in Clearing Procedure F3 (*LMEprecious Future Delivery Procedures*); and
- (c) OTC Bullion Forwards is set out in Clearing Procedure F4 (*OTC Bullion Delivery Procedures*).

## Clearing Procedure Part C

**PART C – VALUATION, MARGINING AND RISK MANAGEMENT****1. INTRODUCTION**

This Part C specifies the Clearing Procedures applicable to:

- (a) the composition of Margin Requirements (**Clearing Procedure C2**);
- (b) the calculation of Initial Margin Requirement (**Clearing Procedure C3**);
- (c) the calculation of the Variation Margin Requirement (**Clearing Procedure C4**);
- (d) the calculation of additional margin (**Clearing Procedure C5**); and
- (e) the calculation of Margin Requirements (**Clearing Procedure C6**).

**2. COMPOSITION OF MARGIN REQUIREMENTS**

- 2.1 When determining its End of Day Margin Requirement and its Intra-Day Margin Requirement(s) for a Member under Rule 8 (*Margin Requirements and Collateral*), LME Clear may have taken into account the Initial Margin Requirement and/or the Variation Margin Requirement then applicable to such Member (as calculated in accordance with this Clearing Procedure C).
- 2.2 Members shall maintain sufficient Collateral with LME Clear at all times to cover their Margin Requirement as calculated by LME Clear.
- 2.3 LME Clear shall calculate Margin Requirements:
  - (a) on a per-Account basis;
  - (b) subject that in relation to Gross Omnibus Segregated Client Accounts, Margin Requirements shall be calculated:
    - (i) separately in respect of Positions having Allocation IDs, on per-Allocation ID basis; and
    - (ii) in respect of all Positions without Allocation IDs in each Account,

(such that each Margin Requirement for the Account shall be the aggregated sum of the corresponding Margin Requirements determined pursuant to (i) and (ii) above for such Account and any other margin requirements imposed in respect of the Account and/or Allocation IDs by LME Clear pursuant to the Rules and Procedures).

**3. INITIAL MARGIN REQUIREMENT**

- 3.1 “**Initial Margin Requirement**” is the amount of Collateral required by LME Clear in order to protect itself against potential fluctuations in the market value of a Defaulting Member's open Positions until those Positions are discharged or are closed out, fully hedged, or transferred by LME Clear under Rule 10 (*Default*) following the occurrence of a Default Event.
- 3.2 The calculation of the Initial Margin Requirements will be based on assumed close-out periods, confidence levels and historical look-back periods in line with the LME Clear margin policy from time to time in force.



## Clearing Procedure Part C

- 3.3 The calculation of the Initial Margin Requirement will be made by reference to the most up-to-date novated Positions and LME Clear Price Sets.

**Account-Level Initial Margin Requirement**

- 3.4 The Initial Margin Requirement will be calculated for each Member in respect of the net Positions on each Account both intra-day and at the end of every Business Day for the following types of Account:

- (a) House Account;
- (b) Direct Individual Segregated Client Account;
- (c) Indirect Individual Segregated Client Account;
- (d) Direct Net Omnibus Segregated Client Account; and
- (e) Indirect Net Omnibus Segregated Client Account.

- 3.5 For the types of Accounts identified in Clearing Procedure C:3.4, margin limits will be set by LME Clear for all Members on all Accounts and payment of margin will be called from a Member in respect of its net Positions on its Accounts on an intra-day basis in the event that margin limits or any applicable Risk Thresholds have been exceeded. For the avoidance of doubt, a reduction in value of the Collateral provided by the Member to LME Clear may cause such limits or Risk Thresholds to be exceeded, resulting in a requirement to for payment of additional margin.

**Initial Margin Requirement for Accounts with Allocation IDs**

- 3.6 For Gross Omnibus Segregated Client Accounts:

- (a) the Initial Margin Requirement will be calculated for each Member in respect of the net Positions for each Allocation ID allocated to each Account intra-day and at the end of every Business Day;
- (b) in respect of Positions that have not been allocated to an Allocation ID, the Initial Margin Requirement will be calculated for each Member in respect of:
  - (i) the net Positions on each Account intra-day; and
  - (ii) the gross Positions on each Account at the end of every Business Day; and
- (c) the Initial Margin Requirement for each Account, both intra-day and at the end of every Business Day, shall be the respective aggregates of the Initial Margin Requirements calculated pursuant to (a) (in respect of all Allocation IDs in the Account) and (b).

- 3.7 For the types of Accounts identified in Clearing Procedure C:3.6, margin limits will be set by LME Clear for all Members on all Accounts (at an Account-level) and, in the event that any applicable margin limits or Risk Thresholds are exceeded, payment of margin will be called from a Member. For the avoidance of doubt, a reduction in value of the Collateral provided by the Member to LME Clear may cause such limits or Risk Thresholds to be exceeded, resulting in a requirement for payment of additional margin.

## Clearing Procedure Part C

**Initial Margin Methodology**

- 3.8 The Initial Margin Requirement will be calculated using the SPAN methodology. Details of the SPAN methodology are available on the Website.
- 3.9 The SPAN parameters are set by LME Clear in accordance with LME Clear's "Risk Policy", as amended by LME Clear from time to time. The level of the parameters is actively monitored and subject to regular review by LME Clear. Members will be informed of any changes to SPAN parameters by a Member circular published by LME Clear on its Website and through an email to each Member's designated email address.

**4. VARIATION MARGIN REQUIREMENT**

- 4.1 "**Variation Margin Requirement**" is the amount of Collateral required by LME Clear in order to protect itself against losses that have accumulated on any open Positions of a Member prior to a Default Notice being issued by LME Clear in relation to such Member.

- 4.2 The Variation Margin Requirement will be calculated by reference to each type of Contract as follows:

- (a) Exchange Traded Futures and LMEprecious Futures will be margined as realised profits and losses using the "**Realised Variation Margin**" ("**RVM**") approach, which is calculated as the difference between:

- (i) the contract value of today's trades and the value of any carried forward Positions; and
- (ii) the Position value as at the time of calculation of the Variation Margin Requirement,

in accordance with the more detailed Settlement to Market Process set out in Clearing Procedure B4.

- (b) Exchange Traded Forwards are margined as liabilities or contingent credits using the "**Discounted Contingent Variation Margin**" ("**DCVM**") approach, which is calculated as the difference between:

- (i) the contract value of the original transaction; and
- (ii) the contract value as at the time of calculation of the Variation Margin Requirement.

- (c) OTC derivatives are margined as a cash amount using the "**Cash Contingent Variation Margin**" ("**CCVM**") approach, which is calculated as the daily change in the difference between:

- (i) the contract value of the original transaction; and
- (ii) the contract value as at the time of calculation of the Variation Margin Requirement,

inclusive of an adjustment for Price Alignment Interest.

- (d) options are margined as liabilities or contingent credits using the "**Net Liquidation Value**" ("**NLV**") approach, which is calculated as the current value of the option Position.

## Clearing Procedure Part C

- 4.3 The calculation of the Variation Margin Requirement will be based on the most up-to-date Accepted Positions and LME Clear Price Sets.
- 4.4 Variation Margin Requirements will be calculated and payment shall be called at least once every Business Day as:
- (a) part of the End of Day Margin Requirement (in respect of the DCVM and NLV); or
  - (b) a Payment Obligation (in respect of the RVM or CCVM),
- the Cash Settlements in respect of which shall be determined in accordance with the Cover Distribution Process set out in Clearing Procedure D5.
- 4.5 LME Clear reserves the right to call for payment of an Intra-Day Margin Requirement at any point during the Business Day.
- 4.6 All contingent variation margin credits may be used to offset all Margin Requirements and other contingent variation margin debits, but contingent credits may not be realised as cash. Notwithstanding the foregoing, in a Gross Omnibus Segregated Client Account, such offset shall be applied on a per-Allocation ID basis, such that no offset shall be applied between Allocation IDs.
- 4.7 All payment balances due to or from a Member pursuant to the calculation of the Member's Variation Margin Requirement shall be discharged by Cash Settlements that are determined pursuant to the Cover Distribution Process set out in Clearing Procedure D5.
5. **ADDITIONAL MARGIN**
- 5.1 LME Clear may, in accordance with Rule 8 (*Margin Requirement and Collateral*), require a Member to provide additional Collateral if it determines that further amounts of Collateral are necessary to satisfy the Member's Margin Requirement. For example (but without limitation), LME Clear may request additional Collateral where it believes that the risk of a Position is not sufficiently covered by the existing Collateral provided by the Member in respect of the Initial Margin Requirement and the Variation Margin Requirement (as included in the then current Margin Requirement for the Member). Risks that may be covered by additional Collateral include (but are not limited to):
- (a) delivery risk (that is, the risk that the Member will not fulfil a Delivery Obligation in respect of one or more Contracts);
  - (b) concentration risk (the risk that the Member's Account(s) cannot be liquidated within the close out period assumed by the Initial Margin Requirement);
  - (c) wrong-way risk (the risk that the Member or the Member's Positions has excessive negatively correlated exposure to collateral assets provided as Collateral);
  - (d) credit risk (the increased risk of a Member defaulting in the performance of its obligations to LME Clear as determined by the LME Clear internal credit ratings).

## Clearing Procedure Part C

6. **CALCULATION OF MARGIN REQUIREMENTS**6.1 **End of Day Margin Requirement**

End of Day Margin Requirements are calculated net of cash settlements. Calculated risk is compared with any remaining Cash Collateral balance and non-cash Collateral, after the appropriate Haircut and any other applicable parameters or limits set by the Rules (including the applicable Collateral Limits), have been applied, and any shortfall requested in cash.

6.2 **Intra-Day Margin Requirement**

(a) Intra-day risk is continuously compared with the post-Haircut valuation applicable to Collateral and the applicable Collateral Limits to ensure that sufficient Collateral is available to LME Clear. LME Clear will set risk thresholds ("**Risk Thresholds**") to determine:

- (i) when additional Collateral will be required; and/or
- (ii) whether a Transaction may become Accepted, where such Transaction is agreed via the LME Inter-Office Market.

and LME Clear shall determine any additional amount of Collateral that may be required to cover such intra-day risk and such calculation shall comprise the Intra-Day Margin Requirement.

(b) Additional Collateral will be requested from a Member whenever its Risk Threshold has been exceeded or where LME Clear believes that the value of available Collateral has been significantly eroded or otherwise as maybe required under Clearing Procedure C7 below. Members shall provide additional Collateral which is requested intra-day in the form of Eligible Cash unless LME Clear instructs otherwise. Members shall provide such additional Collateral promptly, and in any event not later than sixty (60) minutes after receipt from LME Clear of its request for such Additional Collateral.

6.3 **Regular Intra-day Margin Call**

Without prejudice to LME Clear's right under Rule 8 (*Margin Requirement and Collateral*) to require Members to satisfy Margin Requirements at any time during a Business Day, LME Clear may specify a regular margin call to meet an Intra-Day Margin Requirement at 14:00 hours (or at such other time as it may specify) on each Business Day.

7. **MEMBER'S OBLIGATION TO ENSURE TRANSACTIONS ARE COLLATERALISED**

7.1 It is the responsibility of each Member to monitor the Transactions it enters into, is likely to enter into, or is otherwise responsible for clearing, and to post additional Collateral if the Member anticipates that such Collateral may be required.

7.2 In the event that any Member fails, on multiple occasions, to post sufficient Collateral to cover the additional risk arising from Transactions entered into on LMEselect outside the opening hours of LME Clear (as specified in the Opening Hours Circular), LME Clear may require such Member to provide additional Collateral (including in advance of the Member entering into, or permitting any Client to enter into, any such Transactions).

## Clearing Procedure Part D

**PART D – TREASURY AND COLLATERAL MANAGEMENT****1. INTRODUCTION**

This Part D of the Clearing Procedures specifies the Clearing Procedures applicable to:

- (a) the treasury management arrangements to be applied by LME Clear (**Clearing Procedure D2**);
- (b) approved forms of Collateral to be provided to LME Clear (**Clearing Procedure D3**);
- (c) LME Clear's arrangements for the management of Collateral (**Clearing Procedure D4**); and
- (d) LME Clear's process for cover distribution (**Clearing Procedure D5**).

**2. LME CLEAR TREASURY ARRANGEMENTS**

- 2.1 At any time, relevant details of LME Clear's investment policy in force at that time will be published on its Website.
- 2.2 LME Clear's Treasury function will on a daily basis re-invest Cash Cover, in accordance with its investment policy. Investment decisions will be taken within the context of LME Clear's Risk Appetite and any proceeds of such investment activity will be solely for the account of LME Clear.
- 2.3 LME Clear may pay interest on (or, if the rate of interest is negative, deduct interest) Cash Cover deposited by Members with LME Clear, pursuant to Rule 8.3.3 and 9.1.4. The amount of interest paid is at the discretion of LME Clear and is not required to be linked to, or dependent upon, the earnings made by LME Clear from the investments.

**3. ACCEPTABLE FORMS OF COLLATERAL****3.1 Approved types of Collateral**

- 3.2 The following assets and instruments may be provided by a Member to satisfy its Margin Requirement:
  - (a) Eligible Cash;
  - (b) Eligible Securities;
  - (c) Eligible Gold;
  - (d) Eligible LME Warrants; and
  - (e) such other assets and instruments with such eligibility criteria as LME Clear may from time to time specify,

provided that in each case it is made available in such manner and on such terms as LME Clear considers necessary to comply with the applicable requirements of EMIR. In particular, Eligible LME Warrants shall only constitute Eligible Collateral in relation to any liabilities under one or more Open Contracts between LME Clear and the Member relating to the same metal as the metal underlying such Eligible LME Warrants.

## Clearing Procedure Part D

- 3.3 To manage its concentration risk, LME Clear requires that each Member maintains a minimum proportion and/or minimum amount of its Collateral in Eligible Cash. This minimum proportion and/or minimum amount is set out in the Collateral Specifications. LME Clear may alter this minimum proportion and/or minimum amount at any time. LME Clear may specify in the Collateral Specifications the Eligible Currency in which this minimum proportion and/or minimum amount must be paid to LME Clear.
- 3.4 Any Collateral or Default Fund Contributions which is not, or ceases to be, immediately accessible or otherwise available to LME Clear to use or liquidate (whether pursuant to enforcement, set-off or otherwise) shall not be eligible including the following: (a) Collateral or Default Fund Contribution which ceases to be immediately accessible by LME Clear due to the insolvency or default of any Custodian, Securities Systems Operator, central securities depository, bank (including any Approved Settlement Bank), Warehouse, the LMEsword Depository or other person holding or processing Collateral or Default Fund Contributions or any sanctions or embargo impacting any of the foregoing parties shall not be eligible for the duration of the period during which it is not immediately accessible by LME Clear; (b) the currency in which any Cash Cover is held is not, or ceases to be, fully liquid, exchangeable and transferable or is otherwise the subject to currency controls, as a result of which LME Clear determines that Cash Cover in such currency is not appropriate; and (c) in the case of LME Warrant Collateral, the relevant LME Warrants are cancelled or expire, or the Warehouse or the relevant Member fails to perform its obligations under the related Warehouse Contract and/or contract of storage (including, without limitation, in relation to the maintenance of insurance and the payment of rent and weight adjustments). In the event that any Collateral or Default Fund Contributions provided by a Member ceases to be eligible, the Member shall immediately provide such additional Collateral or Default Fund Contributions as may be required to ensure that the Member is in compliance with the Rules (including in the case of Collateral Rule 8.1).
- 3.5 Any Collateral that does not conform to the requirements of this Clearing Procedure D will be ineligible at LME Clear. If any is received, it will be subject to a one hundred per cent (100%) Haircut and returned as soon as is practicable but subject to the provisos in Rule 8.7.2.
- 3.6 Collateral may be denominated in any Eligible Currency in accordance with the criteria specified in the Rules, including the Procedures and Annexes. Haircuts will be applied to Eligible Collateral on the basis determined by LME Clear from time to time (and as set out in Annex 2). In the event that Collateral is denominated in an Eligible Currency other than that of the liability which it secures a further Haircut will be applied in order to address the additional foreign exchange exposure.
- 3.7 **Cash Collateral**
- 3.8 The part of a Member's Cash Collateral held in a particular Eligible Currency may not at any time exceed the Collateral Limits, if any, set out in Annex 2 (*Eligible Currencies, Collateral and Haircuts*).
- 3.9 Cash Collateral will be collected through the Secure Payment System.
- 3.10 Members will be requested to satisfy all margin calls in cash in the currency required by LME Clear. Only an Eligible Currency set out in the Collateral Specifications may be used as Collateral for this purpose. Where LME Clear requires all Cash Collateral to be



## Clearing Procedure Part D

provided in a single Eligible Currency, it will specify the relevant currency in the Collateral Specifications.

- 3.11 LME Clear reserves the right to add or remove a currency as an Eligible Currency at any time and otherwise to amend or replace the Collateral Specifications at any time.
- 3.12 The exchange of Cash Collateral from one Eligible Currency to another Eligible Currency or from cash to non-cash Collateral (or vice versa) may be carried out only in accordance with the substitution procedure set out in Clearing Procedure D4.5 to 4.13 below.
- 3.13 **Securities Collateral**
- 3.14 All a Member's right, title and interest in and to any Securities Collateral (together with any accrued interest) provided by that Member shall be charged to LME Clear under the Security Documents.
- 3.15 Securities Collateral will be delivered by the Member either to LME Clear or to a depository institution approved by LME Clear (as listed in Annex 2 (*Eligible Currencies, Collateral and Haircuts*)) which will hold such Securities Collateral to the order of LME Clear. If such Securities Collateral consist of securities, the title to which is evidenced by entries in a register or account maintained by or on behalf of an intermediary, the Member will cause those securities to be credited to a securities account in the name of LME Clear (or the Custodian, Securities System Operator or nominee acting for LME Clear) at such intermediary and on such terms as LME Clear may require (consistent with the procedures applicable to securities accounts held with the relevant intermediary).
- 3.16 Securities Collateral will be valued, for collateral valuation purposes, on such basis and subject to such Haircuts or other adjustments, as may be determined by LME Clear from time to time. Securities Collateral may be denominated in an Eligible Currency other than that of the liability which it secures (in which case an appropriate Haircut will be applied).
- 3.17 Any dividend, interest or other income earned or paid on Securities Collateral which is received by LME Clear will be added to the Member's Collateral once received (and, where the Member maintains multiple accounts with LME Clear, will be allocated by LME Clear amongst the Account or Accounts in respect of which the relevant securities were delivered), unless the Member has defaulted in payment of any of its obligations to LME Clear, in which case LME Clear may first liquidate such securities and apply all or part of them, including any interest earned on them, as provided for in Rule 10 (*Default*).
- 3.18 **Gold Collateral**
- 3.19 All a Member's right, title and interest in and to any Gold Collateral provided by that Member shall be transferred to LME Clear in accordance with paragraph 3.20 below.
- 3.20 Gold Collateral may be provided only by means of credit to an Unallocated Gold Account in the name of LME Clear (or as it may direct) with the Gold Custodian in accordance with Annex 2 (*Eligible Currencies, Collateral and Haircuts*). The Member shall have no proprietary interest in Precious Metal Collateral provided by it to LME Clear and agrees that such Precious Metal Collateral shall be repayable or returnable to the Member only at the times and in the amounts applicable under the Rules. Where Precious Metal is provided by the Member to LME Clear as an entitlement (including unallocated Precious Metal on an Unallocated Account), LME Clear may freely use and apply the amount so provided to it in acquiring actual Precious Metal (including allocated Precious Metal) which LME Clear shall hold as legal and beneficial owner (free of any rights or interest of

## Clearing Procedure Part D

the Member or any third party). LME Clear may convert all or part of the credit balance on such account into allocated Gold to be held on such terms and for such period as it may direct. Only allocated Gold shall be Eligible Collateral and so unless and until LME Clear has converted such unallocated Gold into allocated Gold, and only for so long as LME Clear holds allocated Gold, shall such Gold count against the Member's Margin Requirement. When Gold Collateral becomes returnable in whole or part to the Member, the relevant amount will be credited to the Member's Unallocated Gold Account with such member of LPMCL as the Member shall direct. The crediting of the relevant amount to such account will be a good discharge of LME Clear's obligations for the return of such amount.

### 3.21 LME Warrant Collateral

3.22 A Member shall create security by way of pledge over all LME Warrant Collateral in favour of LME Clear in accordance with the terms of the Security Documents.

3.23 LME Warrant Collateral will be delivered by the Member to the LME Clear Pledged Account in LMEsword notified to it by LME Clear from time to time.

3.24 LME Warrant Collateral will be valued, for collateral valuation purposes, on such basis and subject to such Haircuts or other adjustments as may be determined by LME Clear from time to time. LME Warrants may only be accepted by LME Clear as Eligible Collateral if there are no outstanding rent payments at the time of the eligibility assessment and no Rent Date will occur in relation to such Warrants within five (5) Business Days of the eligibility assessment.

### 3.25 Security Documents

3.26 In order to secure all its obligations, liabilities and debt of any kind (present or future, actual or contingent) to LME Clear under the Rules or in relation to the operation of the Clearing System, each Applicant will, where required by LME Clear, deliver to LME Clear (or as it may otherwise direct) one or more duly executed Security Documents in such terms as LME Clear may require. The Security Document(s) will include a perfected, first-ranking, fixed security interest (or the equivalent under the law of any jurisdiction outside England and Wales) over all Asset Cover (other than cash and Gold) provided by it to LME Clear (or its agents, Custodians or Securities System Operator) pursuant to the Rules.

3.27 The Security Documents (where required by LME Clear) will secure all obligations, liabilities and debt of the Member to LME Clear whether (in LME Clear's books of account) such transactions are recorded in a Client Account or House Account of the Member or otherwise.

3.28 Money received or realised by LME Clear on any enforcement of the Security Documents will, where LME Clear maintains in its books of account one or more Client Accounts and House Accounts for the relevant Member, be applied in the proportions and subject to the restrictions on the use of Client Collateral applicable under the Rules.

3.29 LME Clear may require a Member to grant a subordinated or other Security Interest (pursuant to documentation in a form specified by LME Clear) to its Clients over any rights of the Member in, and/or any rights of the Member to the return of, any Collateral provided by the Member which is recorded on a Client Account to facilitate LME Clear's observance of (i) Article 48(5) or (6) of the EMIR Level 1 Regulation and Rule 10.7 and (ii) Article 48(7) of the EMIR Level 1 Regulation and Rule 10.5.1(c).



## Clearing Procedure Part D

4. **COLLATERAL MANAGEMENT**4.1 **General Information**

Without prejudice to LME Clear's rights under Clearing Procedure C (*Valuation, Margining and Risk Management*):

- (a) LME Clear may determine what will be acceptable to it as Eligible Collateral and will also determine when any form of collateral will cease to be acceptable as Eligible Collateral;
- (b) LME Clear may determine the Haircuts to be applied to the valuations of Eligible Collateral and will also determine when such Haircuts will be subject to change (the list of Eligible Collateral and Haircuts is set out in Annex 2 (*Eligible Currencies, Collateral and Haircuts*));
- (c) LME Clear will only accept delivery of non-cash Collateral in accordance with these Clearing Procedures; and
- (d) LME Clear reserves the right to change the information required on instructions received via the LMEmercury GUI whenever LME Clear considers that it would be appropriate to do so.

4.2 **Collateral Settlement**

- (a) All non-cash Collateral deposited with LME Clear will be subject to the application of fees and charges levied at the discretion of LME Clear.
- (b) It will only be possible for a Member to deposit with LME Clear non-cash Collateral after its acceptability has been agreed or verified through the LMEmercury GUI.
- (c) Non-cash Collateral transfers initiated through the LMEmercury GUI generate the appropriate straight-through processing ("**STP**") messages for the relevant LME Clear collateral agents. Members will need to instruct their own agents directly to avoid unmatched transactions; alternatively, Members may provide LME Clear with a Power of Attorney to address this requirement.
- (d) All transactions to lodge or withdraw securities from LME Clear will be executed as "free of payment".
- (e) All transactions to transfer LME Warrants in LMEsword to or from the LME Clear Pledged Account will be executed via an Ex-cleared Transfer Instruction.

4.3 **Additional Collateral Management Charge**

- (a) Where a Member has deposited Eligible Collateral with LME Clear that exceeds the required Margin Requirement, or Excess Collateral has otherwise arisen as a consequence of changes to the Market Value of the deposited Eligible Collateral, LME Clear may request a Member to withdraw the Excess Collateral. (By way of example, but without limitation, this may occur where LME Clear may incur financial exposure or charges as a consequence of holding such Excess Collateral). If the Member is unable to comply with the request to remove the Excess Collateral, LME Clear may either:

## Clearing Procedure Part D

- (i) in the case of cash, return an appropriate amount to the Member; or
- (ii) where it is able to do so, return the securities, Gold or LME Warrants to the Member; or
- (iii) levy an "Additional Collateral Management Charge" (or "**ACMC**") on the Member.

Where LME Clear attempts to return securities, Gold or LME Warrants to the Member pursuant to this Clearing Procedure D 4.3(a), the Member shall take any and all such actions as may be necessary to facilitate the relevant transfers including, in the case of LME Warrant Collateral, by executing any necessary Ex-Cleared Accept Instructions (as such term is defined in the LMEsword Regulations).

- (b) An ACMC will be charged from the date the Member was requested to remove the Excess Collateral until the date of its removal, and will be collected monthly in arrears by deduction from the Member's House Account.

#### 4.4 Insurance

It is the responsibility of a Member to maintain adequate insurance against such risks as it deems appropriate (or as may be required by LME Clear) in respect of all non-cash assets lodged as Collateral with LME Clear.

#### 4.5 Collateral Substitutions and Transfers

- 4.6 A substitution or transfer of Collateral is permitted only in accordance with Clearing Procedure D4.7(a) or D4.7(b) or with the prior written consent of LME Clear in each specific instance, provided that in each case the Member has given prior notice via the LMEmercury GUI (such notice being for the minimum period specified in Annex 2 (*Eligible Currencies, Collateral and Haircuts*)) to LME Clear of its request for such substitution or transfer and LME Clear is able to carry out such substitution or transfer. If a Member requests a substitution or transfer without giving such minimum prior notice, LME Clear may decline to effect such substitution or transfer until the end of the required notice period. LME Clear may impose such limits (either generally or in respect of a particular Member) as it may choose on the minimum and maximum amounts of any substitutions and transfers which may be carried out by a Member and on their frequency and may alter such limits from time to time.

- 4.7 A Member may from time to time request LME Clear to release Collateral provided by it:

- (a) after payment to LME Clear of Eligible Cash in substitution for the Collateral to be released (a "**Substitution of Cash**"); or
- (b) after transfer to LME Clear of Eligible Collateral (other than cash) in substitution for the Collateral to be released (a "**Substitution of Non-cash Assets**"); or
- (c) where the Collateral Value of such Collateral at the relevant time represents an excess in the Margin Requirement then applicable to the Member (an "**Excess Release**"),

provided that in each case the amount to be substituted or withdrawn exceeds the *de minimis* levels specified in Annex 2 (*Eligible Currencies, Collateral and Haircuts*) for such purpose.

## Clearing Procedure Part D

4.8 Each request for a Substitution of Cash, Substitution of Non-cash Assets or Excess Release will be acted upon only upon LME Clear being satisfied that:

- (a) the Collateral Value of the Eligible Collateral provided by the Member (both immediately prior to, and immediately after, giving effect to that release and applying the appropriate Haircut to the new Eligible Collateral) would be more than the Margin Requirement then applicable to the Member and such Eligible Collateral is not of a type which would breach any Collateral Limits (such as concentration limits) or any requirement for a minimum proportion and/or a minimum amount from time to time specified by LME Clear or, in the opinion of LME Clear, would create any additional risks (such as wrong way risk);
- (b) no Default Event has occurred and is continuing in relation to the Member; and
- (c) no circumstance referred to in Rule 2.4.1 or 2.4.4 has occurred and is continuing which may adversely affect the execution or pricing of such substitution.

4.9 If a Default Event has occurred and is continuing in relation to the Member, LME Clear will not release such Collateral unless and until otherwise expressly agreed by it.

4.10 In the case of a request to release Collateral in return for a Substitution of Cash, then where:

- (a) the Collateral transferred to LME Clear on that substitution is Eligible Cash;
- (b) the amount of Eligible Cash so transferred to LME Clear is such that its Market Value (less the appropriate Haircut) is not less than the Market Value (less the appropriate Haircut) of the Eligible Collateral being released on that substitution;
- (c) the requirements set out in Clearing Procedure D4.8 above are fulfilled;
- (d) LME Clear has consented to the Substitution of Cash (which may be conditional on the above requirements being fulfilled); and
- (e) the Substitution of Cash would not result in the breach of any applicable Collateral Limits,

LME Clear will promptly arrange for the release of that Eligible Collateral in accordance with its usual practice as specified in Clearing Procedure D4.16 below.

4.11 In the case of a request to release Collateral in return for a Substitution of Non-cash Assets, then where:

- (a) the Collateral transferred to LME Clear on that substitution is Eligible Collateral;
- (b) the amount of Eligible Collateral so transferred to LME Clear is such that its Market Value (less the appropriate Haircut) is not less than the Market Value (less the appropriate Haircut) of the Eligible Collateral being released on that substitution;
- (c) the requirements set out in Clearing Procedure D4.8 above are fulfilled; and
- (d) LME Clear has consented to the Substitution of Non-cash Assets (which may be conditional on the above requirements being fulfilled); and

## Clearing Procedure Part D

- (e) the Substitution of Non-cash Assets would not result in the breach of any applicable Collateral Limits,

LME Clear will promptly arrange for the release of that Eligible Collateral in accordance with its usual practice as specified in Clearing Procedure D4.16 below.

4.12 In the case of a request to release Collateral as part of an Excess Release, then where:

- (a) the requirements set out in Clearing Procedure D4.8 above have been fulfilled;
- (b) LME Clear has consented to the release (which may be conditional on the above requirements being fulfilled); and
- (c) the release of Collateral would not result in the breach of any applicable Collateral Limits,

LME Clear shall promptly arrange for the release of that Eligible Collateral in accordance with its usual practice as specified in Clearing Procedure D4.16 below.

4.13 Notwithstanding the foregoing provisions of this Clearing Procedure D, LME Clear shall have discretion whether to give or refuse its consent under Clearing Procedure D4.10 to 4.12 and, for this purpose, will run such series of limit and availability checks as it deems appropriate before deciding whether or not to release any Collateral.

4.14 **Collateral Timetable**

4.15 The following Table specifies the timescales within which Members shall ensure that Collateral called by LME Clear is deposited with LME Clear. All times are London times.

| Placement                                     |  |  |
|---|--|--|
|   | Lodged by  | Member given value on  |
| Cash – o/n Call                               | 09:00  | Day of receipt   |
| Cash lodge (EUR and GBP)                      | 09:00  | Day of receipt   |
| Cash lodge (USD)                              | 17:00  | Day of receipt   |
| Cash – intra-day Call                         | Within one (1) hour of call  | Day of receipt   |
| Cash (EUR and GBP) – substitution, post 09:00 | 20:00  | One (1) Business Day after the request (exclusive of the day of the request) |
| Financial Instruments                         | Central Securities Depository cut-off time: <ul style="list-style-type: none"> <li>- Euroclear Bank: 15:00</li> <li>- Euroclear UK &amp; Ireland: 12:00</li> <li>- Federal Reserve: 19:00</li> </ul> | Settlement   |

## Clearing Procedure Part D

|              |                 |   |
|--------------|-----------------|---|
| Gold         | 14:00           | Upon allocation                             |
| LME Warrants | LMEsword: 12:30 | Day of receipt in LME Clear Pledged Account |

A Member must notify LME Clear in advance of its intention to deposit Cash Collateral in the form of Yen or renminbi not later than the following deadlines:

- (a) for Cash Collateral in the form of Yen, 12:00 hours London time on the Business Day prior to the day on which the Cash Collateral is to be lodged;
- (b) for Cash Collateral in the form of renminbi, 09:00 hours London time on the US Business Day that falls not less than two (2) US Business Days prior to the day (which must be a US Business Day) on which the Cash Collateral is to be lodged,

and such notification shall specify the amount of Yen or renminbi (as applicable) that the Member will deposit with LME Clear. Such notification shall be made in writing and delivered through such means as detailed in the Operations GUI User Guide, as amended from time to time.

- 4.16 The following Table specifies the timescales within which LME Clear will endeavour to release to a Member Collateral that the Member has requested (where LME Clear has agreed to release such Collateral in accordance with these Clearing Procedures). These timescales are indicative only and are not contractually binding on LME Clear, and are subject to the Collateral Limits specified in Annex 2 (*Eligible Currencies, Collateral and Haircuts*) (see Collateral Management / Acceptable Collateral / Documents). The withdrawal timelines also assume that sufficient Collateral is in place with LME Clear to meet the Member's Margin Requirement prior to release of the requested Collateral, and will remain sufficient following the release of the requested Collateral:

| Withdrawal                                    |  |   |
|---|--|---|
|   | Notice by  | Assets released to member on  |
| Cash (EUR and GBP) – o/n                      | 09:00  | Day of the request  |
| Cash (USD)                                    | 14:30  | Day of the request  |
| Cash (EUR and GBP) – substitution, post 09:00 | 20:00  | One (1) Business Day after the request (exclusive of the day of the request)                                  |
| CNH Cash -                                    | 09:30  | The US Business Day which is two (2) US Business Days after the request (exclusive of the day of the request) |
| Financial Instruments                         | Central Securities Depository cut-off time:<br>- Euroclear Bank: 14:00<br>- Euroclear UK | Upon settlement   |

## Clearing Procedure Part D

|              |   |                          |
|--------------|---|--------------------------|
|              | & Ireland:<br>12:00<br>- Federal<br>Reserve:<br>18:00 |                          |
| Gold         | 10:00   | Upon settlement          |
| LME Warrants | LMEsword: 09:00                                       | Day of receipt of notice |

**4.17 Expiry, Payment of Rent and Withdrawals**

- (a) Members will be required to withdraw non-cash Collateral prior to its expiry date.
- (b) In the case of LME Warrants, LME Clear will notify Members of the forthcoming occurrence of a Rent Date on the day falling five Business Days prior to such Rent Date. Members may be required to withdraw LME Warrants immediately upon request from LME Clear either at any time where such LME Warrants have unpaid rent outstanding or at any time on or after the day falling five (5) Business Days before the Rent Date.
- (c) The Haircut applied to non-cash Collateral will be amended to one hundred per cent (100%) within such period prior to its expiry as is specified in Annex 2 (*Eligible Currencies, Collateral and Haircuts*) or, in the case of LME Warrant Collateral, from and including the day falling three (3) Business Days prior to the due date for payment of rent.
- (d) In the case of a request to substitute, transfer or release LME Warrant Collateral the Haircut applied to the LME Warrants which are the subject of such substitution, transfer or release will be amended to one hundred per cent (100%) from the time that such request is received by LME Clear.

**4.18 Interpretation of "take", "release" and "return" of Collateral**

4.19 Where in the Rules LME Clear is stated to "take" any Collateral it shall mean the following:

- (a) in the case of any Cash Collateral, exercising a right of set-off against or deduction from that cash;
- (b) in the case of any Gold Collateral, disposing or otherwise liquidating that Gold;
- (c) in the case of any Securities Collateral, disposing or otherwise liquidating those securities; and
- (d) in the case of any LME Warrant Collateral, disposing of or otherwise liquidating those LME Warrants,

and depending on the context, "take" shall also mean enforcing any security interest in the relevant Collateral or exercising any right or remedy provided for in any Security Document in relation to the relevant Collateral.

## Clearing Procedure Part D

4.20 Where in the Rules LME Clear is stated to "return" or "release" any Collateral to the relevant Member it shall be taken to mean the following:

- (a) in the case of any Cash Collateral, paying a sum to that Member equal to that cash;
- (b) in the case of any Gold Collateral, transferring it into the name of that Member or otherwise returning it to that Member as contemplated by Clearing Procedure D 3.20;
- (c) in the case of any Securities Collateral, delivering to that Member securities equivalent to those securities; and
- (d) in the case of any LME Warrant Collateral, instructing an ex-cleared transfer from the relevant LME Clear Pledged Account to such account of the Member in LMEsword as is notified to LME Clear by the Member for such purposes.

4.21 **Return of Renminbi Collateral**

- (a) Notwithstanding any other provision of Rule 8 (*Margin Requirement and Collateral*) or this Clearing Procedure D, LME Clear may postpone any return that is due to a Member of Cash Collateral denominated in renminbi if and to the extent that LME Clear has not received, or cannot deliver, the same into or from:
  - (i) its Settlement Account at its Approved Settlement Bank; or
  - (ii) its concentration bank account at its relevant Concentration Bank,
 due to renminbi not being, or ceasing to be, sufficiently liquid, exchangeable or transferable or otherwise being the subject of currency controls.
- (b) All payments in respect of Cash Collateral denominated in renminbi will be made solely by transfer to a renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. LME Clear cannot be required to make a payment by any other means (including in bank notes, by cheque or draft or by transfer to a bank account in the People's Republic of China).

4.22 **Renminbi Collateral Delivery**

Once a Member has notified LME Clear of its intention to lodge or withdraw renminbi Cash Collateral, the Member has an obligation to make such lodgement or withdrawal and will be liable for the reasonable costs and expenses of LME Clear in making arrangements for such lodgement or withdrawal should the Member wish to cancel, with LME Clear's agreement, such lodgement or withdrawal for any reason.

5. **COVER DISTRIBUTION**

5.1 **"Cover Distribution Process"** is the name given to the process operated by LME Clear at End of Day on each Business Day in order to calculate the amount of any net Cash Settlements between LME Clear and Members to be processed on the following Business Day. This includes both the Payment Obligations in respect of settled Contracts and the payment of Collateral in satisfaction of Margin Requirements.

5.2 The Cover Distribution Process involves the following steps, which shall be taken separately in relation to each Account:



## Clearing Procedure Part D

- (a) Step 1: determine Payment Obligations and calculate Available Cash;
- (b) Step 2: calculate End of Day Margin Requirement;
- (c) Step 3: calculate Available Non-cash Collateral;
- (d) Step 4: calculate Available Cash Collateral;
- (e) Step 5: calculate Minimum Cash Requirement;
- (f) Step 6: determine Cash Settlement payable to or from Member (the Cover Distribution Process calculation).

5.3 These steps are explained in the following paragraphs below.

5.4 **Step 1: Determine Payment Obligations and calculate Available Cash**

5.5 LME Clear shall calculate:

- (a) the amount of cash it holds at End of Day;
- (b) the Payment Obligations, in each currency, and other Cash Settlements that are known to LME Clear to be due to be made on the following Business Day; and
- (c) (for payments in a Forward Dated Currency) the Payment Obligations and other Cash Settlements that are known to LME Clear to be due to be made on the Business Day following the next Business Day,

in order to determine the balance of cash remaining, in each relevant currency, net of such Payment Obligations and other known Cash Settlements (such net balance being the "**Available Cash**").

5.6 For the avoidance of doubt, Payment Obligations include any Fees and other charges payable by the Member, together with those Payment Obligations specified in the table of Cash Settlements set out in Clearing Procedure E 3.3. For the avoidance of doubt, cash held as Default Fund Contributions and any Cash Settlements relating to Default Fund Contributions shall not be included in the calculation in Clearing Procedure D 5.5 above and shall be dealt with as separate Cash Settlements.

5.7 **Separate Process: Delivery Position Settlements for Sellers**

5.8 In order to manage physical delivery risk, LME Clear will only pay Sellers for their physical delivery of any Underlying Assets after the relevant Underlying Asset has been received by LME Clear. Consequently, LME Clear shall effect a Cash Settlement in satisfaction of LME Clear's Payment Obligation separately from any other Cash Settlements calculated and settled under the Cover Distribution Process described under this Clearing Procedure D5.

5.9 **Step 2: Calculation of End of Day Margin Requirement**

5.10 LME Clear shall calculate, in respect of each Account, the following values:

- (a) the Initial Margin Requirement (IM) (*which shall always be a negative value*);
- (b) the Discounted Contingent Variation Margin (DCVM) (*which may be a positive or a negative value*);



## Clearing Procedure Part D

- (c) the Net Liquidation Value (NLV) (*which may be a positive or a negative value*); and
- (d) any additional margin determined in accordance with Clearing Procedure C5 (AM) (*which shall always be a negative value*).

For the avoidance of doubt, when making such calculations for a Gross Omnibus Segregated Client Account, the values to be applied in (a) to (d) above shall be the aggregated values for each such Account (comprising the values for all Allocation IDs, together with any values applicable to any Positions without Allocation IDs), as specified by Clearing Procedure C:2.3(b).

5.11 The sum of IM + DCVM + NLV + AM shall be the total End of Day Margin Requirement for the Account. Such End of Day Margin Requirement shall be determined in the Base Currency (USD), unless otherwise specified by LME Clear.

5.12 In the event that the End of Day Margin Requirement is a positive number, there shall be no liability to be offset and, due to the contingent nature of DCVM and NLV, the End of Day Margin Requirement to be included in the Cover Distribution Process shall be zero.

5.13 **Step 3: Calculation of Available Non-cash Collateral**

5.14 The "**Available Non-cash Collateral**" shall be calculated in respect of each Account on the basis that:

- (a) non-cash Collateral held in respect of the Account shall be valued using the End of Day Price Set in order to identify a current value (after any applicable Haircut) for each asset comprised within such Collateral;
- (b) any non-cash Collateral that is still held by LME Clear but which has been flagged by the Member for withdrawal or substitution on the following Business Day or on the Business Day thereafter (in accordance with Clearing Procedure D4) and any expired non-cash Collateral or Collateral to be withdrawn in accordance with the Clearing Procedure D4.17 shall not be considered to be Available Non-cash Collateral and shall be excluded from the Cover Distribution Process;
- (c) LME Clear shall treat as available only the non-cash Collateral that is within any applicable Collateral Limits;
- (d) LME Warrants will only be considered to be Available Non-cash Collateral if, at least three (3) Business Days prior to any Rent Date in respect of such LME Warrants, all amounts in respect of rent relating to such LME Warrants (including any amounts due on the applicable Rent Date) have been unconditionally paid in full;
- (e) LME Warrants will only be considered to be Available Non-cash Collateral in respect of liabilities under Open Contracts outstanding between a Member and LME Clear which relate to the same metal as that underlying such LME Warrants; and
- (f) Rule 10.7.11 and Default Procedure Part D 2.12 shall apply.

## Clearing Procedure Part D

5.15 **Step 4: Calculation of Available Cash Collateral**

5.16 LME Clear shall then determine what proportion and/or amount of the Available Cash can be treated as Cash Collateral.

5.17 When making such determination, LME Clear shall have regard to the fact that:

- (a) a Member may have specified, in respect of any Account, that Cash Collateral will only be provided in US Dollars in which case, LME Clear will exclude any other currency credit balances from the Cash Collateral calculation;
- (b) any Cash Settlement in respect of such 'excluded' currencies shall be settled through the Secure Payment System independently of the Cover Distribution Process. For the avoidance of doubt, Members will be called for, and must settle, all Payment Obligations in the relevant currency and are not permitted to have any debit balances with LME Clear; and
- (c) LME Clear shall treat as available only the Cash Collateral that is within any applicable Collateral Limits.

(In the event of a currency holiday for the currency in which the debit balance occurs or which settlement in that currency on the following Business Day is not possible, LME Clear may request cover in an alternative currency.)

5.18 The Available Cash in each currency (as calculated under Step 1 and after any applicable Haircut) shall then be validated against the account criteria set by the Member to determine what should be included within the Cover Distribution Process calculation. Available Cash that is included in the Cover Distribution Process calculation is considered to be "**Available Cash Collateral**".

5.19 **Step 5: Calculate Minimum Cash Requirement**

5.20 For liquidity management purposes LME Clear imposes a "**Minimum Cash Requirement**" that is applicable to each Account maintained by the Member with LME Clear. This requires that for every Account a minimum proportion and/or minimum amount of the End of Day Margin Requirement shall be covered by cash.

5.21 The Minimum Cash Requirement is expressed as a percentage and/or an amount which is defined in Annex 2 (*Eligible Currencies, Collateral and Haircuts*).

5.22 **Step 6: Cover Distribution Calculation**

5.23 Available Cash Collateral and Available Non-cash Collateral are then applied against the End of Day Margin Requirement according to the following rules:

- (a) Subject to Clearing Procedure Part D5.24 below, Available Non-cash Collateral shall be used before Available Cash Collateral, regardless of Haircut or currency.
- (b) Within Available Non-cash Collateral, apply LME Warrant Collateral in priority to other Available Non-cash Collateral in respect of liabilities under Open Contracts relating to metal of the same type as that underlying the applicable LME Warrant Collateral, and otherwise apply assets (other than LME Warrant Collateral) with the lowest combined Haircut in priority to those with higher Haircuts. LME Warrant Collateral shall not be applied other than as set out in this paragraph (b).

## Clearing Procedure Part D

- (c) Where any Gold Collateral and any instruments comprising Securities Collateral have the same Haircut, LME Clear shall use the Gold Collateral in priority to the Securities Collateral.
- (d) Where different instruments comprising Securities Collateral have the same Haircut, LME Clear shall:
  - (i) use same-currency assets before cross-currency assets; and
  - (ii) use assets with the shortest tenor first (for example, a five (5) year bond before a 10 year bond).
- (e) Within Available Cash Collateral, where the option to use other currencies in addition to the Base Currency (USD) for cover purposes has been taken, LME Clear shall apply any RMB first, then apply assets with the lowest combined Haircut in priority to those with higher Haircuts, then apply Base Currency (USD) cash.
- (f) The cash balance for each currency on the Account shall not be permitted to be in debit. The Cover Distribution Process therefore calculates three amounts in respect of each Account:
  - (i) the cash amount for each currency required to bring the cash balance on the Account back into credit or to a zero balance;
  - (ii) the cash amount required to ensure that sufficient Collateral is available and within applicable Collateral Limits (including bringing the cash balance on the Account back into credit or to a zero balance); and
  - (iii) the cash amount required to ensure that the Minimum Cash Requirement is available and within applicable Collateral Limits.
- (g) If the Cover Distribution Process calculates that a cash amount shall be payable by the Member under (f) above, for each currency, the cash call made for the Account through the Secure Payment System shall be determined as the largest of these three numbers and shall be discharged as a Cash Settlement.
- (h) If the Cover Distribution Process calculates that the Margin Requirements are covered and the cash balance on the Account is in credit and is greater than the Minimum Cash Requirement and within applicable Collateral Limits, the Member may:
  - (i) leave the excess cash with LME Clear, or
  - (ii) make an individual request for the return of any excess cash, or
  - (iii) have such excess cash, to the extent that it is in excess of any applicable balance agreed between the Member and LME Clear from time to time, auto-repaid by LME Clear (where such option has been selected by the Member as part of the set-up profile for that Account),

subject in each case to LME Clear's rights under the Rules, including in particular but without limitation any rights to limit or delay repayment of any Excess Collateral under Rule 8 (*Margin Requirement and Collateral*) or Clearing

## Clearing Procedure Part D

Procedure D4, and provided that any withdrawal would not result in a breach of the Rules including in relation to Collateral Limits.

- 5.24 Where LME Clear imposes a Minimum Cash Requirement applicable to each Account maintained by a Member with LME Clear, then Available Cash Collateral shall be used before Available Non-Cash Collateral for the purposes of the Cover Distribution Calculation, but only up to the amount of the Minimum Cash Requirement.

5.25 **Excess Cash Auto-repay**

A Member may nominate, in respect of an Account, that any cash balance calculated as being held by LME Clear in excess of its Cash Settlement obligations and Margin Requirements, after application of the Cover Distribution Process and above a level that can be specified by the Member, should be automatically returned to the Member's Settlement Account at the relevant Approved Settlement Bank on the next Business Day or (where the cash balance on the relevant Account is in a Forward Dated Currency) on the Business Day following the next Business Day. Notwithstanding that such option may have been selected by the Member in respect of any Account, LME Clear shall still be entitled to exercise its rights under Clearing Procedure D4 to refuse, delay or impose conditions on any such Excess Release.

5.26 **De minimis Limit for Cash Movements**

LME Clear may apply a *de minimis* limit to cash movements and will not call for or make Cash Settlements for amounts that are below this limit. This limit is defined in Annex 2 (*Eligible Currencies, Collateral and Haircuts*).

5.27 **Currency Centre Opening and Bank Holidays**

- (a) Cash Settlement in any currency shall be made on those Business Days that are days on which cash payments may be facilitated in the country of issue of that currency, unless LME Clear determines that such payments can be made by alternative means on any day on which such country of issue is not capable of facilitating such payments.
- (b) In the event that a Member is due to make a Cash Settlement in a currency on a Business Day which is a bank holiday or a public holiday in the country of issue of that currency, LME Clear may require that the Cash Settlement be made in an alternative currency (in accordance with Rule 2.17 (*Currency Conversion*)) and shall apply the Cover Distribution Process on the basis that the relevant Cash Settlement is to be made in that alternative currency.
- (c) Cash Settlement in renminbi (CNH) shall be made on a US Business Day, in accordance with the timescales for settlements of Cash Collateral (CNH) set out in Clearing Procedures D4.15 and D4.16, as applicable.

5.28 **Intra-Day Cover Distribution Process**

An intra-day cover distribution run will also take place each Business Day at 14:00 hours which, where relevant, will follow the processes as described in Steps 1 to 6 above, with the exception that any excess cash balances will not be available for repayment. Non-cash Collateral that is held in excess of the Member's Margin Requirement subsequent to this process will be available for same day withdrawal, provided that the cut-off times set out at Clearing Procedure D 4.16 shall continue to be observed.

## Clearing Procedure Part E

**PART E – SECURE PAYMENT SYSTEM AND CASH SETTLEMENTS****1. INTRODUCTION**

This Part E of the Clearing Procedures specifies the Clearing Procedures applicable to:

- (a) the operation of the Secure Payment System (**Clearing Procedure E2**); and
- (b) Cash Settlements (**Clearing Procedure E3**).

**2. SECURE PAYMENT SYSTEM**

2.1 LME Clear operates a direct debit system for the transfer of cash to and from the Settlement Accounts of Members held at Approved Settlement Banks. This system is called the Secure Payment System.

2.2 Each Member shall establish and maintain with one or more Approved Settlement Banks one or more Settlement Accounts capable of holding and making to LME Clear Cash Settlements in:

- (a) the Eligible Currencies for any Asset Cover payable by the Member to LME Clear;
- (b) the Settlement Currencies for any Eligible Product for which the Member effects or clears Transactions; and
- (c) any other Currency in which the Member may be required to make (or receive) Cash Payments to (or from) LME Clear.

Different Approved Settlement Banks may be used for different currencies. A Member may not maintain more than one Approved Settlement Bank in respect of payments to be made in respect of any single Account in a single currency.

2.3 Members shall maintain their Settlement Accounts with institutions that are able to meet the payment deadlines determined by LME Clear from time to time. Failure of an Approved Settlement Bank to confirm a payment within the relevant payment deadlines specified by LME Clear may result in the Member being declared in Default.

2.4 LME Clear may issue Settlement Instructions in respect of Cash Settlements or in respect of a Member to the Member's Approved Settlement Bank in accordance with the operation of the Secure Payment System. Each Member shall ensure that its Approved Settlement Bank shall act on:

- (a) Settlement Instructions calling for payment to LME Clear by debiting from the Member's Settlement Account the required cash amount and irrevocably crediting such cash amount to LME Clear's Settlement Account at the Approved Settlement Bank; or
- (b) Settlement Instructions calling for receipt of payment from LME Clear by irrevocably crediting the Member's Settlement Account with the required cash amount.

2.5 A Member's obligation to make any Cash Settlement shall not be treated as discharged until the full amount of the cash payment, in the correct currency, is received and credited to LME Clear's concentration bank account at the Concentration Bank nominated by LME

## Clearing Procedure Part E

Clear to receive the payment. LME Clear's obligation to make any Cash Settlement shall be treated as discharged when the full amount of the cash payment, in the correct currency, is debited from LME Clear's concentration bank account at the relevant Concentration Bank.

- 2.6 LME Clear shall be responsible for issuing instructions to each Approved Settlement Bank to transfer cash amounts in the discharge of Cash Settlements from LME Clear's Settlement Account at the Approved Settlement Bank. Notwithstanding the foregoing, LME Clear shall have no liability to any member for any failure by an Approved Settlement Bank to act on LME Clear's instructions.
- 2.7 In the event that one or more Members do not receive a payment due to it as a consequence of the insolvency of its Approved Settlement Bank, LME Clear shall, if LME Clear makes a recovery from the estate of the Approved Settlement Bank, credit such recovery, net of LME Clear's costs, to the Members affected by such insolvency, in proportion to the respective amounts of the payments that such Members did not receive.
- 2.8 It is the responsibility of the Member to have sufficient funds or other arrangements in place with their Approved Settlement Bank(s) to ensure that calls by LME Clear for funds are met promptly.
- 2.9 Members shall complete and maintain in effect at all times SPS Mandate Forms for each Approved Settlement Bank at which they wish to operate a Settlement Account. These forms shall either be in the form available on the Website or (where no such form is available) in the form provided by each Approved Settlement Bank. Each Member shall ensure that copies of the completed SPS Mandate Forms, put in place with each Approved Settlement Bank, shall also be provided to LME Clear prior to the Member's commencing settlement operations using that Approved Settlement Bank. The Member shall notify LME Clear immediately if any SPS Mandate Form ceases to apply in respect of any Settlement Account maintained by the Member with an Approved Settlement Bank.
- 2.10 **SPS Payment Deadlines**
- 2.11 Members shall, and shall ensure that their Approved Settlement Banks, comply with the deadlines set out below. All times are London times.

| Deadline  | Required Action  |
|---|--|
| <b><i>End of Day Margin Requirement – margin call</i></b> |  |
| 09:00hrs  | Final confirmation required from Member's Approved Settlement Bank that any cash Collateral in respect of the End of Day Margin Requirement has been paid.   |
| <b><i>Intra-Day Margin Requirement – margin call</i></b>  |  |
| Between: 07:30hrs & 20:00hrs                              | Member's Approved Settlement Bank is required to confirm within sixty (60) minutes of LME Clear issuing an instruction to pay cash Collateral in respect of an Intra-Day Margin Requirement that such cash has been paid for value on the same Business Day. |



## Clearing Procedure Part E

- 2.12 The times by which Cash Settlement in different currencies shall be completed shall be as specified in the file that can be accessed by logging in at the following link:

<https://www.lme.com/LME-Clear/Technology#tabIndex=1>

2.13 **Non-UK Bank Holidays**

The Member's payments to or from its Approved Settlement Bank shall be received within the deadlines set out in Clearing Procedure E2.11 (*SPS Payment Deadlines*). The Member's payments to or from its Approved Settlement Bank shall be issued:

- (a) for a valid value date for the corresponding currency only; and
- (b) for execution on said value date only.

LME Clear shall require payments to be made, for value, on Business Days that are also days on which the relevant institutions in the country of issue of the relevant currency are able to facilitate such payment. Where a call for a currency is issued for a value date that is or subsequently becomes a bank holiday or public holiday in the country of issue of that currency and such payment cannot consequently be made on that value date (for example, in the event of the declaration of a bank holiday at short notice), LME Clear reserves the right to require such payment to be made in an alternative currency (in accordance with Rule 2.17 (*Currency Conversion*) and Clearing Procedure D).

2.14 **Contingency Payment Arrangements**

Each Member shall maintain appropriate contingency arrangements for the payment to LME Clear of Cash Settlements in the event that the Approved Settlement Bank appointed by the Member is unable for any reason to facilitate Cash Settlements in accordance with LME Clear's Settlement Instructions. Each Member shall notify LME Clear in writing of the contingency arrangements it maintains in accordance with this provision and shall ensure that LME Clear is notified of any change to such arrangements. The Member is responsible for ensuring that all Cash Settlements are discharged by or on its behalf by the times specified in the Clearing Procedures.

3. **CASH SETTLEMENTS**

- 3.1 All Cash Settlements in respect of Payment Obligations shall be calculated and settled in the currency of the relevant Contract, with the exception of LME Warrant Delivery Adjustments for Rent and Weight. LME Warrant Delivery Adjustments for Rent and Weight shall be settled in the Base Currency (USD).
- 3.2 There shall be no cross-currency netting of Cash Settlements.
- 3.3 **Cash Settlement Summary**
- 3.4 Each Cash Settlement specified in the table below shall be recorded against the relevant Account of the Member maintained in the books and records of LME Clear in accordance with Rule 4 (*Accounts*).

| Cash Settlement Type   | Description   |
|--|---|
| Cash Contingent Variation Margin – Settlement to Market (inclusive Price Alignment Interest) | Debited from or credited to the relevant Account in the Settlement Currency on a daily basis. |

## Clearing Procedure Part E

|  |   |
|--|---|
| Realised Variation Margin – Settlement to Market   | Debited from or credited to the relevant Account in the Settlement Currency on a daily basis.   |
| Option Premium   | <p>Either:</p> <p>(a) debited from the relevant Account (where the Member is the Buyer); or</p> <p>(b) credited to the relevant Account (where the Member is the Seller),</p> <p>in each case on the due date (as defined for the Eligible Product).</p>  |
| Position Expiry – Exchange Traded Futures (LMEminis & LME Index)   | On expiry of the Instrument a final Settlement to Market net cash posting is calculated for each Account as the difference between the Settlement Price and the Closing Price for the open Position.  |
| Position Expiry – Exchange Traded Monthly Average Futures  | On expiry of the Instrument a net profit or loss Cash Settlement for the Prompt Date is calculated for each Account as the difference between the Monthly Average Settlement Price (MASP), and the traded price of the Open Contract.   |
| Position Expiry – Exchange Traded Forwards, LMEprecious Futures & OTC Bullion Forwards                             | On expiry of the Instrument a net profit or loss Cash Settlement for the Prompt Date is calculated for each Account as the difference between the Settlement Price and the traded price of the Open Contracts.  |
| Cash Settlement for Final Delivery Position - Exchange Traded Forwards, LMEprecious Futures & OTC Bullion Forwards | <p>The procedures for Cash Settlements arising from Delivery Positions are documented in either:</p> <p>(a) The LME Warrant Delivery Procedure for LME Exchange Traded Forwards (See Clearing Procedure F2); or</p> <p>(b) The LMEprecious Future Delivery Procedure for LMEprecious Futures (See Clearing Procedure F3); or</p> <p>(c) The OTC Bullion Delivery Procedure for OTC Bullion Forwards. (See Clearing Procedure F4).</p> |
| Delivery Adjustments for Rent and Weight Cash - Exchange Traded Forwards   | The procedures for Cash Settlements arising from Delivery Adjustments for Rent and Weight   |



## Clearing Procedure Part E

|  |   |
|--|---|
|  | <p>Differences are documented in:</p> <p>The LME Warrant Delivery Procedure for LME Exchange Traded Forwards. <b>(See Clearing Procedure F2).</b></p> |
|--|---|

- 3.5 Each Business Day, the net Cash Settlements calculated as falling due on the next Business Day in respect of each Account, pursuant to the table above shall be calculated by LME Clear.
- 3.6 The total net Cash Settlement amounts for each currency due to LME Clear from the Member are debited in the relevant currency to each Member's Settlement Account via the Secure Payment System on the due date subject to, and in accordance with, the daily Cover Distribution Process.
- 3.7 The total net Cash Settlement amounts for each currency arising as due to the Member from LME Clear are credited in the relevant currency to each Member's Settlement Account via the Secure Payment System on the due date subject to, and in accordance with, of the daily Cover Distribution Process.

## Clearing Procedure Part F

**PART F – PHYSICAL DELIVERY****1. INTRODUCTION**

This Part F of the Clearing Procedures specifies the Clearing Procedures applicable to:

- (a) the procedures for the discharge of Delivery Obligations in respect of Contracts for LME Warrants (**Clearing Procedure F2**); and
- (b) the procedures for the discharge of Delivery Obligations in respect of Contracts for LMEprecious Futures (**Clearing Procedure F3**).
- (c) the procedures for the discharge of Delivery Obligations in respect of Contracts for OTC Bullion Products (**Clearing Procedure F4**).

**2. LME WARRANT DELIVERY PROCEDURES****2.1 Interaction with LME Rules for LMEsword**

- (a) LMEsword is the Approved Delivery Facility for Contracts in LME Warrants.
- (b) A Member may not submit to LME Clear any Transaction in respect of LME Warrants unless it has first set-up the appropriate number and type of "Member Accounts" in LMEsword (referred to in this Clearing Procedure F2 as the "**Member LMEsword Clearing Account**"). This shall include establishing such number of Member LMEsword Clearing Accounts designated as "house" or "client" as shall be necessary to ensure that the LME Warrants can be delivered appropriately. As a minimum, each Member must establish a Member House LMEsword Clearing Account. Each Member that is a General Clearing Member must establish a Member Client LMEsword Clearing Account.
- (c) LME Clear maintains one or more accounts for the collection and delivery of LME Warrants at LMEsword (referred to in this Clearing Procedure F2 as the "**LME Clear LMEsword Clearing Account**").
- (d) LME Warrant deliveries are effected through LMEsword in accordance with the LME Rules. The LME Rules contain specific procedures applicable to the operation of LMEsword.
- (e) For the purpose of this Clearing Procedure F:
  - (i) "**LMEsword**" means the system defined under the LME Rules as the "LMEsword System";
  - (ii) "**LMEsword Regulations**" and "**LMEsword Operating Procedures**" shall have the definitions set out in the LME Rules;
  - (iii) "**LME Warrants**" are "Warrants" within the meaning of the LME Rules; and
  - (iv) "**LME Premium Warrants**" are LME Warrants that are allocable to a specific geographical region, as further described in the LME Rules.
- (f) Consequently, this Clearing Procedure F2 shall be read in conjunction with the LME Rules and the LMEsword Regulations and Operating Procedures. LME Clear and the Member shall therefore comply with the LME Rules and the LMEsword

## Clearing Procedure Part F

Regulations and Operating Procedures in relation to the performance of their respective Delivery Obligations under Contracts in LME Warrants.

- (g) In the event of any conflict between this Clearing Procedure F2 and the LME Rules, the LME Rules shall prevail.

### 2.2 Instructions for Settlement of Delivery Positions

The Delivery Positions established in respect of each Account maintained by the Member with LME Clear shall be settled on the Prompt Date. This means that, on the Prompt Date:

- (a) the Payment Obligation and the Delivery Obligation comprising the Delivery Position in respect of Contracts to be settled on that date, shall be fulfilled by LME Clear and the Member respectively;
- (b) Members who are Sellers under Contracts for LME Warrants (and who therefore have the Delivery Obligation) shall issue a Warrant Transfer Instruction to LME Clear via LMEsword on which the Delivery Position for LME Warrants indicates that the Member is to perform the Delivery Obligation;
- (c) Members who are Buyers under Contracts for LME Warrants (and who therefore have the Payment Obligation) shall receive from LME Clear a Warrant Transfer Instruction via LMEsword on which the Delivery Position for LME Warrants indicates that LME Clear is to perform the Delivery Obligation; and
- (d) in respect of LME Aluminium Premium Contracts:
  - (i) Members who are Buyers (and who therefore have an LME Premium Warrant Payment Obligation) shall issue a Warrant Transfer Instruction to LME Clear via LMEsword which indicates that the Member is to perform the LME Premium Warrant Payment Obligation; and
  - (ii) Members who are Sellers shall receive from LME Clear a Warrant Transfer Instruction via LMEsword which indicates that LME Clear is to perform the LME Premium Warrant Payment Obligation.

### 2.3 Final Delivery Position and Warrant Movements

Where:

- (a) Delivery Positions for the same Prompt Date exist on an Account in respect of the same Underlying Asset, but for different Settlement Currencies;  
then
- (b) a Final Delivery Position in respect of that Underlying Asset on the Account shall be calculated by LME Clear by applying the calculation set out in Clearing Procedure B7.3 in order to determine the net of the Purchase Positions and Sale Positions for the Underlying Asset across currencies on that Account;  
then
- (c) the Warrant Movements for the Member in respect of that Underlying Asset shall be calculated by LME Clear by applying the calculation set out in Clearing Procedure B7.4 in order to determine the Warrant Movements required to settle

## Clearing Procedure Part F

the Final Delivery Positions through LMEsword between LME Clear and the Member.

The Warrant Movements shall be the number of LME Warrants deliverable through LMEsword by whichever of LME Clear or the Member has the Delivery Obligation.

For the avoidance of doubt, LME Clear and the Member shall also be subject to additional obligations to deliver LME Warrants pursuant to LME Premium Warrant Payment Obligations in respect of any LME Aluminium Premium Contracts for which they are, respectively, the Buyer.

For the further avoidance of doubt, Delivery Positions, Final Delivery Positions and Warrant Movements in respect of Gross Omnibus Segregated Client Accounts shall be determined on an Account-level basis, and shall not be determined separately for each Allocation ID. It shall be the sole responsibility of the Member to manage the allocation of Warrant Movements to each entity identified by an Allocation ID.

#### 2.4 LME Clear LMEsword Clearing Account

LME Warrants transferred:

- (a) from a Member (as Seller) to LME Clear; and
- (b) from LME Clear to a Member (as Buyer),

will be made to or from (as applicable) the LME Clear LMEsword Clearing Account. The allocation of LME Warrants to Members (as Buyers) will be performed whilst the LME Warrants are held in this account.

#### 2.5 Member LMEsword Clearing Account

##### 2.6 LME Warrants allocated to:

- (a) a Member (as Buyer) in fulfilment of Delivery Obligations of LME Clear; or
- (b) a Member (as Seller) in fulfilment of LME Premium Warrant Payment Obligations of LME,

will be transferred:

- (i) from the LME Clear LMEsword Clearing Account; and
- (ii) to the Member LMEsword Clearing Account to which the Warrant Movement or LME Premium Warrant Payment Obligation (as applicable) relates. For the avoidance of doubt:
  - (1) the LME Warrants that discharge a net Purchase Position on the Member's House Accounts will be transferred to the Member House LMEsword Clearing Account; and
  - (2) the LME Warrants that discharge a gross Purchase Position on the Member Client Accounts will be transferred to the Member Client LMEsword Clearing Account.

## Clearing Procedure Part F

**2.7 LMEsword - Notification of Delivery Commitments and Entitlements**

- (a) Members with Delivery Positions will be notified of the Warrant Movements required to settle their Delivery Obligations, via LMEsword, for the relevant Prompt Date.
- (b) Members with LME Premium Warrant Payment Obligations will be notified of such, via LMEsword, for the relevant Prompt Date.

**2.8 LME Warrant Collection**

- (a) LME Clear will, via LMEsword, automatically initiate a LME Warrant collection process at the delivery deadline (11:00 hours). All LME Warrants nominated in a Warrant Transfer Instruction issued by the Member (as Seller) will be transferred from the relevant Member LMEsword Clearing Account to the LME Clear LMEsword Clearing Account.
- (b) The Member (as Seller) will receive a separate notification, via LMEsword, in respect of each Underlying Asset, informing them that the LME Warrant collection process has been executed. This shall also apply where the Member is a Buyer with an LME Premium Warrant Payment Obligation.

**2.9 LME Warrant Allocation and Delivery**

- (a) LME Clear will initiate the LME Warrant allocation and delivery process.
- (b) The LME Warrants held in the LME Clear LMEsword Clearing Account will be sorted and allocated in accordance with the "LMEsword Warrant Allocation Method" (as documented in the LMEsword Operating Procedures).
- (c) The LME Warrants allocated to a Member (as Buyer) will be transferred from the LME Clear LMEsword Clearing Account to the relevant Member LMEsword Clearing Account as described in Clearing Procedure F2.6.
- (d) The Member (as Buyer) will receive a separate notification, via LMEsword, in respect of each Underlying Asset, informing them that the transfer of LME Warrants has been executed.
- (e) Clearing Procedures F2.2.9(c) and (d) above shall also apply to a Member (as Seller) in respect of any LME Premium Warrant Payment Obligation under which the Member is due to receive LME Warrants.

**2.10 Clearing System Reports**

- (a) LME Clear shall make available certain Reports relating to deliveries of LME Warrants via the Website.
- (b) Details regarding the nature and content of these Reports are set out in Annex 4 (*List of Available Reports*).

**2.11 LMEsword Reports**

The following reports can be accessed by Members via LMEsword:

- (a) Warrant Collection Adjustment Invoice

## Clearing Procedure Part F

This report lists the LME Warrants collected by LME Clear from the Member (as Seller) and displays to the Member the rent and weight adjustment due on those LME Warrants. A separate report is produced for each Warrant Movement and for each LME Premium Warrant Payment Obligation.

## (b) Warrants Allocation Adjustment Invoice

This report lists the LME Warrants allocated by LME Clear to the Member (as Buyer) and displays to the Member the rent and weight adjustment due on those LME Warrants. A separate report is produced for each Warrant Movement and for each LME Premium Warrant Payment Obligation.

## 2.12 Invoice and Account Sales Calculation

LME Clear calculates the amounts due to the Member (as Seller) or payable by the Member (as Buyer) against the net Open Contracts in the relevant Eligible Product and Settlement Currency. The calculation is as follows:

$$\text{Amount} = \text{Contract weight} \times \text{Settlement Price} \times \text{lots.}$$

where:

- (i) the Settlement Price is in the Settlement Currency of the open Position (JPY, EUR, USD, GBP) and is set in accordance with LME Rules (specifically the "Trading Regulations");
- (ii) the Contract weight is determined in accordance with the LME Rules (specifically the "Special Contract Rules for Metals").

**Invoice and Account Sales Calculation – Example:**

Using the above formula where:

|                            |   |                 |
|----------------------------|---|-----------------|
| Contract weight            | = | 25 Tonnes       |
| Settlement Price           | = | USD 1,500.00    |
| Delivery Position in Lots  | = | 10              |
| Total Invoice/Account Sale | = | 25 x 1,500 x 10 |
| Value                      | = | USD 375,000.00  |

The total invoicing amount is shown on relevant Reports made available by LME Clear each of which may be accessed via the Website.

## 2.13 Payment of Invoice and Account Sales

- (a) The Payments Obligations of each Member (as Buyer) on each Business Day are posted to the debit of the relevant Account of the Member as part of the previous Business Day's End of Day Cover Distribution process (in accordance with Clearing Procedure D5). Notwithstanding the foregoing, Payment Obligations that are to be discharged by payments in Japanese Yen shall be posted to the debit of

## Clearing Procedure Part F

the relevant Account in accordance with the End of Day Cover Distribution process applicable to Japanese Yen.

- (b) Following the receipt of LME Warrants from Members (as Sellers), LME Clear makes the Settlement Payment to the Member's Settlement Account at an Approved Settlement Bank, via the Secure Payment System (or by any other method specified by LME Clear).
- (c) **Japanese Yen**
  - (i) Payments are made to, or called from, LME Clear's Settlement Account at the Approved Settlement Bank.
  - (ii) Where the Member has the Payment Obligation, the invoice value is a debit posted to the Member's Settlement Account at the Approved Settlement Bank and called by 09:00 hours on the morning of the Business Day prior to the day on which delivery is due, but for value on the delivery day.
  - (iii) Where LME Clear has the Payment Obligation, the Settlement Payment value is a credit posted to the LME Clear's Settlement Account at the Approved Settlement Bank prior to the delivery day. Payment will be made against the delivery of LME Warrants, on the delivery day, for same day value to the Members' Settlement Account via the Secure Payment System (by approximately 12:30 hours).
  - (iv) Members may access the "Member Japanese Yen Settlement Advice Listing Report" via the Website.
- (d) **US Dollar/Sterling and Euro**
  - (i) Payments are made to or called from LME Clear's Settlement Account at the Approved Settlement Bank.
  - (ii) All Payment Obligations of the Member and all Settlement Payments due from LME Clear are debited and credited on the delivery day for same day value.
  - (iii) Where the Member has the Payment Obligation, the invoice value is a debit posted to the Member's Settlement Account at the Approved Settlement Bank and paid by 09:00 hours.
  - (iv) Where LME Clear has the Payment Obligation, the Settlement Payment value is a credit posted to the Members' Settlement Account via the Secure Payment System after the delivery of LME Warrants (by approximately 12:30 hours).
  - (v) On the Settlement Date, sold lots, for the same Underlying Asset, in USD, GBP or EUR are netted against bought lots in other Settlement Currencies. The Settlement Payment for the netted lots shall be credited or debited to the appropriate LME Clear Settlement Account for the Settlement Currency. Remaining sold lots are delivered under normal procedures.

**Example:**

## Clearing Procedure Part F

|          |       |        |      | Invoice Value   | Account Sale     | Confirmation |
|----------|-------|--------|------|-----------------|------------------|--------------|
| Currency | Metal | Bought | Sold | DR              | Value CR         | Time         |
|          |       |        |      |                 |                  |              |
| USD      | AHD   |        | 25   |                 | USD 1,250,000.00 | 12:30hrs     |
| EUR      | AHE   | 20     |      | EUR1,300,000.00 |                  | 09:00hrs     |

In the above example, the "Account Sale" value of USD 1,250,000 (that is, the Settlement Payment value due from LME Clear) in respect of the remaining sold five (5) lots will be credited to the Member's Settlement Account at its Approved Settlement Bank at approximately 12:30 hours following delivery by the Member of the appropriate LME Warrants.

**Note: for the purpose of this example approximate Invoice and Account Sale values are used.**

#### 2.14 Settlement Adjustment – Rent and Weight Differences

- (a) The Payment Obligations under each Contract for LME Warrants shall be subject to adjustments to reflect the accrued rent and any difference between LME Warrant weight and Contract tonnage weight ("**Rent and Weight Adjustments**").
- (b) Rent and Weight Adjustments due to or from a Member are detailed on the Warrant Collection Adjustment Invoice and Warrant Allocation Adjustment Invoice produced by LMEsword.
- (c) The rent and weight values in respect of each Warrant Movement and LME Premium Warrant Payment Obligation settling on any Business Day, calculated in the Base Currency (USD), are netted against each other to create an overall debit or credit amount in respect of all Delivery Positions and LME Premium Warrant Payment Obligations settling with the Member on that Business Day. This overall debit or credit amount shall be the "**Rent and Weight Debit or Credit**".
- (d) This Rent and Weight Debit or Credit is posted to the Member's USD Settlement Account at the Approved Settlement Bank on the Business Day on which delivery of the LME Warrant takes place, for value and settlement on the next Business Day.
- (e) The rent and weight accounting entries are posted separately to the Member's primary House Account in respect of each type of Underlying Asset (metal) and can be reconciled against either the Warrant Collection Adjustment Invoice or the Warrant Allocation Adjustment Invoice.
- (f) In the event that a Member allocates any LME Warrant delivered by LME Clear to a Client, it is the sole responsibility of the Member to ensure that any right or obligation of the Member in respect of Rent and Weight Adjustments associated



## Clearing Procedure Part F

with that LME Warrant are recorded in an appropriate Account, in order to enable the Member to satisfy any obligations it has under Applicable Law to segregate client monies from monies due to or from the Member for its own account. In the event that the Member requires any Rent and Weight Debit or Credit to be allocated to a Client Account, it must promptly notify LME Clear and in any event must make such notification prior to the Close of Business on the day on which the relevant LME Warrant was delivered by LME Clear to the Member.

## 2.15 Delivery Timetable

LME Warrants shall be delivered in accordance with the delivery timetable set out in Annex 7 (*Delivery Timetables*), as amended by LME Clear from time to time. LME Clear may temporarily extend any timescales or deadlines set out below where LME Clear considers it necessary or appropriate to do so. In the event that LME Clear extends any deadline or timetable, LME Clear shall notify the affected Members.

## 2.16 Delivery Procedures

### (a) Cessation of Trading

#### (i) Japanese Yen

Transactions shall be input to the LMEsmart Matching System by 20:00 hours, two (2) Business Days prior to the delivery day (i.e. "cash" Prompt Date).

#### (ii) US Dollar, Sterling and Euro

Contracts shall be entered into by 12:30 hours and input to the LMEsmart Matching System by 13:30 hours on the Business Day prior to the delivery day (i.e. "TOM" Prompt Date).

### (b) On the Day Prior to Delivery Date

#### (i) By 09:00 Hours

For JPY (only)

LME Clear will:

(1) debit Members (as Buyers) their Payment Obligation as specified on the invoice; and

(2) credit Members (as Sellers) the Settlement Payment,

for value on the Prompt Date.

#### (ii) By 16:00 Hours

The netted Final Delivery Position, for each Account of the Member is calculated by netting the uncovered lots across Settlement Currencies for each Underlying Asset (metal). The Warrant Movements and LME Premium Warrant Payment Obligations are then calculated for the Member as described in Clearing Procedure B7.

## Clearing Procedure Part F

The *Invoice and Account Sales* report is made available via an enquiry screen in the Clearing System.

The Warrant Movements and relevant Settlement Prices (including LME Premium Warrant Payment Obligations) are notified by the Clearing system to the LMEsword system.

(iii) **By 16:30 Hours**

Each Member (i) (as Seller) with a Delivery Obligation or (ii) (as Buyer) with an LME Premium Warrant Payment Obligation, receives, in respect of its Member LMEsword Clearing Account an "*Unauthorised*" *Warrant Transfer Instruction* from LMEsword for each Underlying Asset (metal).

This instruction may be discarded by the Member (as Seller) and a new instruction created.

Members (as Sellers) shall deliver to LME Clear the number of LME Warrants equal to their selling Warrant Movements.

Members (as Buyers) shall deliver to LME Clear the number of LME Warrants equal to their LME Premium Warrant Payment Obligations.

The Member (as Seller or, in the case of LME Premium Warrant Payment Obligations, as Buyer) may nominate LME Warrants as soon as the "*Unauthorised*" *Warrant Transfer Instruction* is received by making an "*Authorised*" *Warrant Transfer Instruction* to LME Clear. The nomination can take place at any time up to 11:00 hours on the Prompt Date.

(c) **Delivery Date**

(i) **By 07:30 Hours**

LME Clear will make the following Reports available in the Clearing System, via the Website:

- (1) Invoice and Account Sales; and
- (2) Prompt Date Settlement Report.

(ii) **By 09:00 Hours**

LME Clear will debit Members (as Buyers) their Payment Obligations in respect of their Receive Entitlements for the amount specified in the *Invoice and Account Sales* Report.

(iii) **By 10:30 Hours**

Members (as Sellers) who anticipate that their Delivery Obligation will be made after the 11:00 hours delivery deadline or who are unable to fulfil their Delivery Obligation shall inform LME Clear.

Members (as Buyers) who anticipate that their LME Premium Warrant Payment Obligation will be made after the 11:00 hours delivery deadline or who are unable to fulfil their LME Premium Warrant Payment Obligation shall inform LME Clear.

## Clearing Procedure Part F

**Any delivery failure of LME Warrants, absent the declaration of a Default Event, will be resolved in accordance with the LME Rules. For the avoidance of doubt, in the event that LME Clear determines that the delivery failure shall constitute a Default Event, it shall be entitled to take any action or exercise any right permitted under the Rules. This paragraph is without prejudice to any other rights that LME Clear may have under the Rules in relation to any breach by a Member of its obligations under the Rules, including any right to effect a Buy-In and/or to Invoice Back.**

**(iv) By 11:00 Hours**

The Member (as Seller) shall nominate LME Warrants in fulfilment of their advised selling Warrant Movements by issuing to LME Clear an *"Authorised" Warrant Transfer Instruction*.

Where applicable, the Member (as Buyer) shall nominate LME Warrants in fulfilment of their advised LME Premium Warrant Payment Obligations by issuing to LME Clear an *"Authorised" Warrant Transfer Instruction*.

**(v) At 11:00 Hours - Delivery Deadline**

The LMEsword system will initiate the LME Warrant collection process. All LME Warrants specified in a Member's (as Seller) *Authorised Cleared Transfer Instruction* will be transferred to the LME Clear LME Sword Clearing Account.

**(vi) Approximately 11:30 Hours**

The Member (as Seller or, in the case of LME Premium Warrant Payment Obligations, as Buyer) will receive notification, via LMEsword, that the LME Warrants specified in their *"Authorised" Warrant Transfer Instruction* have been collected.

LME Clear will initiate the *Warrant Allocation and Delivery* process. All LME Warrants collected will be ordered in accordance with the LMEsword warrant allocation method.

LME Clear will transfer the allocated LME Warrants to the Member's (as Buyer or, in the case of LME Premium Warrant Payment Obligations, as Seller) relevant Member LMEsword Clearing Account. The Member will receive notification via the LMEsword system of the LME Warrants transferred from LME Clear.

**(vii) Approximately 12:30 Hours**

Following receipt of all LME Warrant Delivery Obligations from the Member (as Seller) LME Clear will credit the Settlement Payment amount to the Member's Settlement Accounts at its Approved Settlement Banks via the Secure Payment System, for value on the Prompt Date.

**(viii) By 13:00 Hours**

## Clearing Procedure Part F

Following the completion of the *Warrant Collection* and *Warrant Allocation Delivery* process the LME will make the following reports available via LMEsword:

- (1) Warrant Collection Adjustment Invoice; and
- (2) Warrant Allocation Adjustment Invoice.

The Rent and Weight Credit and Debit amounts are posted to Members' USD Settlement Accounts for value and settlement on the next Business Day after the Prompt Date.

**Members are advised to print these reports and retain them as a record of their LME Warrant deliveries.**

- (ix) **At 15:00 Hours - End of LMEsword cleared transfer day**

## 2.17 Post-Default Delivery at the Request of LME Clear

Where LME Clear exercises its powers under Rule 10.4.1(u) to require LMEsword to deliver to LME Clear an LME Warrant that is the subject of an "Authorised Warrant Transfer Instruction" issued by a Member prior to its becoming a Defaulting Member, the procedures for delivery of such LME Warrant in this Clearing Procedure F2 shall be applied to the transfer of such LME Warrant subject to, and in accordance with, the following:

- (a) LME Clear shall record any Rent and Weight Debit or Credit arising from such settlement as a debit or credit against the relevant Account of the Defaulting Member; and
- (b) where and to the extent that the Settlement Payment, in respect of the LME Warrant, is not received or accepted by the Defaulting Member's Approved Settlement Bank, the amount of such Settlement Payment shall be recorded as a credit against the relevant Account of the Defaulting Member.

## 3. LMEPRECIOUS FUTURE DELIVERY PROCEDURE

### 3.1 Introduction

- (a) Physical metal settlement of Contracts in respect LMEprecious Futures is discharged by the transfer of unallocated Precious Metal between metal accounts held with Precious Metal Clearers.
- (b) Therefore, prior to clearing LMEprecious Futures, Members shall open and maintain appropriate "**Unallocated Metal Accounts**" with a Precious Metal Clearer that LME Clear has confirmed can act as an Approved Delivery Facility for the purpose of this Clearing Procedure F3. Members shall advise LME Clear of their Unallocated Metal Accounts as part of their application to LME Clear to commence clearing of LMEprecious Futures.
- (c) Members shall at all times comply with any applicable rules and operating procedures of the Precious Metal Clearer.
- (d) Delivery Positions are settled separately in respect of each Account of the Member on the Prompt Date.

## Clearing Procedure Part F

- (e) Separate Delivery Positions in respect of different Precious Metals shall be established in respect of each Account.
- (f) All unallocated Precious Metal shall be delivered free and clear of all encumbrances.
- (g) This Clearing Procedure F3 shall be read in conjunction with the LME Rules. LME Clear and the Member shall therefore comply with the LME Rules in relation to the performance of their respective Delivery Obligations under LMEprecious Contracts. In the event of any conflict between this Clearing Procedure F3 and the LME Rules, the LME Rules shall prevail.
- (h) In this Clearing Procedure F3, Precious Metal shall be considered to have been "received" by a party when its Precious Metal Clearer records the receipt of such unallocated Precious Metal in its books and records as being credited to the Unallocated Precious Metal Account maintained for such party.

### 3.2 Standing Settlement Instructions for LME Clear

All unallocated Precious Metal deliveries to LME Clear should be made to LME Clear's nominated Precious Metal Clearer, in accordance with the Settlement Instructions issued by LME Clear.

### 3.3 Notification of Delivery Commitments and Entitlements

Members with Delivery Positions shall be notified of their Delivery Obligations and Receive Entitlements for the relevant Prompt Date.

### 3.4 Clearing System Reports

- (a) LME Clear shall make available certain Reports relating to deliveries of unallocated Precious Metal via the LMEmercury GUI.
- (b) Details regarding the nature and content of these Reports are set out in Annex 4 (*List of Available Reports*).

### 3.5 Payment of Invoice and Account Sales

- (a) Payments are made to or called from LME Clear's Settlement Account at the Approved Settlement Bank.
- (b) The Payment Obligations of each Member (as Buyer) on each Business Day are:
  - (i) posted to the debit of the relevant Account of the Member as part of the previous Business Day's Cover Distribution Process; and
  - (ii) called by 09:00 hours.
- (c) Following the receipt of unallocated Precious Metal from a Member (as Seller), the Settlement Payment value is posted to the credit of the Members' Settlement Account at its Approved Settlement Bank via the Secure Payment System (or by any other method specified by LME Clear). As this posting is dependent on performance by the Member of its Delivery Obligation, it may take place between approximately 09:05 hours and the daily delivery deadline of 16:00 hours.

## Clearing Procedure Part F

3.6 **Delivery Timetable**

LMEprecious Futures shall be settled in accordance with the timetable for deliveries set out in Annex 7 (*Delivery Timetables*), as amended by LME Clear from time to time.

3.7 **Delivery Procedures**(a) **Cessation of Trading**

Transactions shall be executed and input into the LMEsmart matching system by 16:00 hours on the Business Day prior to the delivery day (i.e. "TOM" Prompt Date).

(b) **On the Day Prior to Delivery Date**(i) **During the End of Day processes**

The Delivery Position, in respect of each Account of the Member is calculated for each type of Underlying Asset (metal).

The "*Invoice and Account Sales*" Report is made available via an enquiry screen in the Clearing System.

(c) **Delivery Date**(i) **By 07:30 Hours**

LME Clear will make the certain Reports available in the Clearing System, as specified in Annex 4 (*List of Available Reports*).

(ii) **By 09:00 Hours**

LME Clear will debit Members (as Buyers) their Payment Obligations in respect of their Receive Entitlements for the amount specified in the "*Invoice and Account Sales*" Report.

(iii) **By 15:00 Hours**

Members (as Sellers) shall instruct their Precious Metal Clearer to transfer unallocated Precious Metal to LME Clear in order to fulfil their Delivery Obligations.

Members (as Buyers) shall instruct their Precious Metal Clearer to receive unallocated Precious Metal from LME Clear, which will fulfil their delivery entitlement.

(iv) **By 9.05 Hours**

Subject to Rule 7.9 (*Postponed Delivery (LMEprecious)*), LME Clear (as Seller) shall instruct its Precious Metal Clearer to transfer unallocated Precious Metal to Buyers.

(v) **From 9.05 Hours to 16:00 Hours**

LME Clear (as Buyer) will receive the unallocated Precious Metal from each Seller.

## Clearing Procedure Part F

Each Buyer will receive the unallocated Precious Metal from LME Clear.

The Sellers will receive notification from their Precious Metal Clearer that their unallocated Precious Metal transfer instruction has been executed.

Following receipt of all Delivery Obligations from the Member (as Seller) LME Clear will credit the Settlement Payment amount to the Member's Settlement Account at its Approved Settlement Bank via the Secure Payment System, for value on the Prompt Date (or, where Rule 7.9.1 applies, and LME Clear has accepted the delivery of the Underlying Asset, for value on the next following Business Day, at a time and to such of the Member's Settlement Accounts that are capable of accepting such Settlement Payment at the relevant time as LME Clear may nominate).

### (vi) **At 16:00 Hours - End of Precious Metal Transfer Day**

## 4. **OTC BULLION PRODUCT DELIVERY PROCEDURE**

**[Note that OTC Bullion Products are not Eligible Products at the moment. This section is therefore included to ensure that the Rulebook is easily adaptable to new products that may be included in the future.]**

### 4.1 **Introduction**

- (a) Physical metal settlement of Contracts in respect of OTC Bullion Products ("**OTC Bullion Contracts**") is discharged by the transfer of unallocated [Bullion] between accounts held with Precious Metal Clearers.
- (b) Therefore, prior to clearing OTC Bullion Contracts, Members shall open and maintain appropriate "**Unallocated Metal Accounts**" with Precious Metal Clearers that LME Clear has confirmed can act as an Approved Delivery Facility for the purpose of this Clearing Procedure F4. Members shall advise LME Clear of their Unallocated Metal Accounts as part of their application to LME Clear to commence clearing of OTC Bullion Contracts.
- (c) Members shall at all times comply with any applicable rules and operating procedures of the Precious Metal Clearer.
- (d) Delivery Positions are settled separately in respect of each Account of the Member on the Prompt Date.
- (e) All unallocated [Bullion] shall be delivered free and clear of all encumbrances.

### 4.2 **Standing Settlement Instructions for LME Clear**

All unallocated metal deliveries to LME Clear should be made to LME Clear's nominated Precious Metal Clearer, in accordance with the Settlement Instructions issued by LME Clear.

### 4.3 **Notification of Delivery Commitments and Entitlements**

Members with Delivery Positions will be notified of their Delivery Obligations and Receive Entitlements for the relevant Prompt Date.



## Clearing Procedure Part F

**4.4 Clearing System Reports**

- (a) LME Clear shall make available certain Reports relating to deliveries of LME Warrants via the Website.
- (b) Details regarding the nature and content of these Reports are set out in Annex 4 (*List of Available Reports*).

**4.5 Payment of Invoice and Account Sales**

- (a) Payments are made to or called from LME Clear's Settlement Account at the Approved Settlement Bank.
- (b) The Payments Obligations of each Member (as Buyer) on each Business Day are:
  - (i) posted to the debit of the relevant Account of the Member as part of the previous Business Day's Cover Distribution Process; and
  - (ii) called by 09:00 hours.
- (c) Following the receipt of unallocated [Bullion] from a Member (as Seller), the Settlement Payment value is posted to the credit of the Members' Settlement Account at its Approved Settlement Bank via the Secure Payment System (or by any other method specified by LME Clear). As this posting is dependent on performance by the Member of its Delivery Obligation, it may take place between approximately 12:30 hours and the LPMCL daily delivery deadline of 16:00 hours.

**4.6 Delivery Timetable**

OTC Bullion Contracts shall be settled in accordance with the timetable for deliveries set out in Annex 7 (*Delivery Timetables*), as amended by LME Clear from time to time.

**4.7 Delivery Procedures****(a) Cessation of Trading**

Transactions shall be executed by 14:30 hours and input into the LMEsmart matching system by 14:45 hours on the Business Day prior to the delivery day (i.e. "TOM" Prompt Date).

**(b) On the Day Prior to Delivery Date****(i) By 16:00 Hours**

The Delivery Position, in respect of each Account of the Member is calculated for each type of Underlying Asset ([Bullion]).

The "Invoice and Account Sales" Report is made available via an enquiry screen in the Clearing System.

**(c) Delivery Date****(i) By 07:30 Hours**

LME Clear will make the certain Reports available in the Clearing System, as specified in Annex 4 (*List of Available Reports*).



## Clearing Procedure Part F

(ii) **By 09:00 Hours**

LME Clear will debit Members (as Buyers) their Payment Obligations in respect of their Receive Entitlements for the amount specified in the "Invoice and Account Sales" Report.

(iii) **By 11:00 Hours**

Members (as Sellers) shall instruct their Precious Metal Clearer to transfer unallocated [Bullion] to LME Clear in order to fulfil their delivery commitment.

(iv) **From approximately 11:30 Hours**

The seller will receive notification from their Precious Metal Clearer that their unallocated [Bullion] transfer instruction has been executed.

(v) **From approximately 12:30 Hours**

Following receipt of all Delivery Obligations from the Member (as Seller) LME Clear will credit the Settlement Payment amount to the Member's Settlement Accounts at its Approved Settlement Banks via the Secure Payment System, for value on the Prompt Date.

(vi) **At 16:00 Hours - End of Precious Metal Transfer Day**

## Clearing Procedure Part G

**PART G – INTEREST, FEES AND CHARGES****1. INTRODUCTION**

This Part G of the Clearing Procedures specifies the Clearing Procedures applicable to:

- (a) the Fees that LME Clear will levy on Members who use the Clearing System (**Clearing Procedure G2**);
- (b) the basis on which LME Clear will pay or charge interest to Members on cash balances maintained with LME Clear (**Clearing Procedure G3**); and
- (c) the process by which LME Clear will issue invoices to Members (**Clearing Procedure G4**).

**2. FEES**

- 2.1 Members shall pay such Fees to LME Clear as shall be specified by LME Clear from time to time.
- 2.2 Annex 3 (*Fees and Charges*) sets out the current tariff that LME Clear will use to determine Fees payable by each Member.
- 2.3 In addition to the Fees set out in the tariff, LME Clear may levy the following additional charges on each Member:
  - (a) LME Clear shall be entitled to charge Members, on a pass-through basis, for any costs, charges, Taxes, levies or fees incurred by LME Clear in the clearing of any Contract with a Member.
  - (b) A Member shall be responsible for all costs which it may incur in using or accessing the Clearing System, including:
    - (i) any fees or expenses charged to the Member by any Settlement Bank, Settlement Agent or Approved Delivery Facility, with which the Member has an account, for the use of such account;
    - (ii) any fees or expenses charged to the Member by any Settlement Bank, Settlement Agent or Approved Delivery Facility for the processing of any payment or transaction for or on behalf of the Member; and
    - (iii) any Tax or government levy imposed on any transfer of any cash, securities or other instrument made in connection with the Member's use of the Clearing System.
  - (c) LME Clear shall be entitled to charge Members for any unusual expenses incurred by LME Clear that are caused directly or indirectly by the Member, including the cost of producing records pursuant to a court order or other legal process in or in relation to any legal proceeding in which such records relating to such Member are so required to be produced, whether such production is required at the instance of the Member, or of any other party other than LME Clear.
  - (d) LME Clear may charge Members for costs or charges payable by the Member to the LME, which may be charged to the Member by LME Clear on behalf of the LME.

## Clearing Procedure Part G

**3. INTEREST ON BALANCES****3.1 Interest on Default Fund Contributions and Cash Balances**

3.2 The rates that LME Clear shall apply to determine the interest payable to or from a Member from time to time shall be specified on the Member-specific, secure log-in, section of the Website. LME Clear reserves the right to alter the basis of calculating interest rates from time to time. Any such alteration will be notified to Members by Notice and shall be effective on the date of Notification.

3.3 LME Clear shall pay or charge interest to each Member in respect of the Default Fund Contributions maintained by the Member at LME Clear on the basis of LME Clear's "Daily Deposit Rate" (as published on the Website and as amended by LME Clear from time to time).

3.4 LME Clear shall pay to, or charge interest to, each Member in respect of that Member's Cash Collateral balances held with LME Clear on the basis of LME Clear's "Daily Deposit Rate" (which may provide for different rates of interest on different amounts and in different currencies).

**3.5 Accommodation Charges**

3.6 LME Clear shall levy interest and accommodation charges in respect of non-cash Collateral held with LME Clear.

3.7 Such accommodation charges shall be calculated on a daily basis in accordance with Annex 3 (*Fees and Charges*).

**3.8 VAT**

3.9 All amounts payable to LME Clear are stated exclusive of VAT which, if chargeable, shall be paid by the relevant Member to LME Clear at the rate for the time being in force, against delivery by LME Clear of an appropriate tax invoice for VAT purposes.

3.10 Where a Member is required under the Rules, the Procedures and/or the Participant Obligations to reimburse LME Clear for any costs or expenses, it shall also at the same time pay and indemnify LME Clear against all VAT incurred by LME Clear in respect of such costs or expenses, provided such VAT is not otherwise recoverable by LME Clear or the representative member of any VAT group of which LME Clear forms part, subject to LME Clear or the representative member, as the case may be, using reasonable endeavours to recover such amount of VAT as may be practicable.

3.11 On foreign currency amounts, VAT is stated in Sterling on each invoice at the converted value of any relevant charges.

**4. INVOICING**

4.1 LME Clear shall invoice each Member on a monthly basis in respect of:

- (a) Fees incurred in the previous calendar month;
- (b) interest and accommodation charges incurred in the previous calendar month; and
- (c) any other amounts payable by the Member (other than the Member's Payment Obligations in respect of Contracts).

## Clearing Procedure Part G

- 4.2 Invoices shall be issued on a monthly basis for each Service. Separate invoices shall be issued for each Service and for each Settlement Currency in which Fees have been incurred.
- 4.3 LME Clear shall be entitled to deduct the Fees owed by the Member in accordance with the invoice submitted under 4.1 from the Member's House Account(s).
- 4.4 Subject to Clearing Procedure G 4.3 above, Members shall settle all amounts specified in such invoices, as a Cash Settlement in accordance with Rule 7.4. on the next Business Day following the date of the invoice.
- 4.5 If a Member fails to pay any amount payable to LME Clear under the Rules or the Procedures on its due date, interest shall accrue on the overdue amount from (and including) the due date up to (and including) the date of actual payment the rate specified in Annex 3 (*Fees and Charges*).

## DEFAULT PROCEDURES

## Default Procedure Part A

**PART A – INTRODUCTION****1. INTERPRETATION AND INTRODUCTION**

- 1.1 These Default Procedures form part of, and shall be read in conjunction with, the Rules and are legally binding on each Member. Terms defined in the Rules have the same meaning in these Default Procedures. In the event of any conflict or inconsistency between the Rules and these Default Procedures, the Rules shall prevail.
- 1.2 These Default Procedures are arranged into the following Parts:
  - (a) Part A: introduction
  - (b) Part B: calculation and maintenance of the Default Fund;
  - (c) Part C: the manner in which LME Clear will manage a Default; and
  - (d) Part D: the porting of Client Accounts.
- 1.3 These Default Procedures also include Annex 6 (*Client Business Terms*), which supports and supplements Default Procedure D.

## Default Procedure Part B

**PART B – DEFAULT FUND****1. CALCULATION OF DEFAULT FUND CONTRIBUTIONS****1.1 General**

- (a) Rule 9 (*Default Fund*) sets out the basis on which LME Clear will establish and maintain each Default Fund.
- (b) Without prejudice to LME Clear's rights under Rule 9 (*Default Fund*), the following provisions summarise how LME Clear shall calculate Default Fund Contributions of each Member and collect them from Members.
- (c) LME Clear shall maintain separate Default Funds in respect of each Service.
  - (i) The Default Fund Contributions in respect of the LME Base Service shall be calculated in accordance with the principles set out in Default Procedure B1.2 below;
  - (ii) The Default Fund Contributions in respect of the LMEprecious Service shall be calculated in accordance with the principles set out in Default Procedure B1.3 below; and
  - (iii) Default Procedures B2 to B4 shall apply separately and equally in respect of each Default Fund and the terms "**Default Fund**" and "**Default Fund Contributions**" shall be construed accordingly.

**1.2 Principles for calculating Default Fund Contributions for LME Base Service**

- (a) With respect to Positions in LME Base Products, LME Clear shall calculate potential stress losses (to the extent not covered by existing Collateral provided to satisfy the End of Day Margin Requirement) in respect of each Account of each Member, using such historical and theoretical scenarios as LME Clear may choose in accordance with LME Clear's default fund policy. LME Clear will calculate the potential stress losses arising in respect of LME Base Products across all Accounts of each Member (including House Accounts and Client Accounts).
- (b) The amount of the Default Fund shall then be determined as:
  - (i) the sum of the two largest Member losses determined pursuant to (a) above, where such losses are assessed over a historic period comprising the previous six (6) months, as further described in the default fund policy published by LME Clear on the Website;
  - plus
  - (ii) the amount resulting from the application by LME Clear of an additional ten per cent (10%) multiplier to provide for future increases in stress testing losses in between Default Fund calculations.
- (c) Notwithstanding the calculation specified in (b) above, the Default Fund in respect of the LME Base Service shall not be permitted to fall below US\$400 million except where and to the extent that any amount of the Default Fund is applied towards any Default Loss in accordance with Rule 10 (*Default*). This minimum

## Default Procedure Part B

level will be subject to periodic review by LME Clear. Any amendment to this minimum level will be notified to Members by Circular.

- (d) Each Member's Default Fund Contribution will be calculated as a pro-rata allocation based on that Member's average Initial Margin Requirement (including their End of Day Margin Requirement and their Intra-Day Margin Requirement calculations) over a preceding one-month period, as a percentage of the total average Initial Margin Requirement of all Members over the preceding one-month period, as further described in the default fund policy published by LME Clear on the Website.
- (e) The minimum amount of a Default Fund Contribution for a Member will be US\$1,000,000, or such other amount as LME Clear may determine on assessment of the stress test results in accordance with LME Clear's default fund policy.

### 1.3 Principles for calculating Default Fund Contributions for LMEprecious Service

- (a) With respect to Positions in LMEprecious Products, LME Clear shall calculate potential stress losses (to the extent not covered by existing Collateral provided to satisfy the End of Day Margin Requirement) in respect of each Account of each Member, using such historical and theoretical scenarios as LME Clear may choose in accordance with LME Clear's default fund policy. LMEC will calculate the potential stress losses arising in respect of LMEprecious Products across all Accounts of each LMEprecious Clearing Member (including House Accounts and Client Accounts).
- (b) The amount of the Default Fund shall then be determined as:
  - (i) the sum of the two largest Member losses determined pursuant to (a) above, where such losses are assessed over a historic period comprising the previous six (6) months, as further described in the default fund policy published by LME Clear on the Website;
  - plus
  - (ii) the amount resulting from the application by LME Clear of an additional ten per cent (10%) multiplier to provide for future increases in stress testing losses in between Default Fund calculations.
- (c) Notwithstanding the calculation specified in (b) above, the Default Fund in respect of the LMEprecious Service shall not be permitted to fall below the product of:
  - (i) US\$1,000,000
  - multiplied by
  - (ii) the number of LMEprecious Clearing Members,

(the "**LMEprecious DF Floor**") except where and to the extent that any amount of the Default Fund is applied towards any Default Loss in accordance with Rule 10 (*Default*).



## Default Procedure Part B

- (d) From the date of commencement of the LMEprecious Service (the "**LMEprecious Commencement Date**") and for a period of six (6) months thereafter (the "**Initial LMEprecious Period**"):
- (i) the calculation specified in (a) above may be based on projected volumes as determined by LME Clear in its sole discretion; and
  - (ii) each LMEprecious Clearing Member's Default Fund Contribution will be calculated as follows:
    - (1) each LMEprecious Clearing Member that has been admitted to participate in the Service at the LMEprecious Commencement Date (each an "**Initial LMEprecious Member**") shall contribute an amount notified by LME Clear to each such Initial LMEprecious Member in advance of the LMEprecious Commencement Date (and the sum of such Default Fund Contributions on the Commencement Date shall constitute the "**Initial DF**") and shall maintain with LME Clear such amount, or any re-calculated amount of Default Fund Contribution that may be notified by LME Clear from time to time, on an ongoing basis;
    - (2) any new LMEprecious Clearing Member accepted to participate in the LMEprecious Service during the Initial LMEprecious Period, will contribute the greater of:
      - i. the Minimum DF Contribution (as specified in (f) below); and
      - ii. the sum of the Minimum DF Contribution and its share, based on its Initial Margin Requirement, of any incremental increase in the Default Fund over and above the Initial DF; and
    - (3) where LME Clear decides, based on its Initial Margin Requirement, that the additional risk represented by the positions of a Member are material in the context of the LMEprecious Service (such that the Member shall be designated as a "**Significant LMEprecious Member**") the Significant LMEprecious Member shall be required to contribute an amount notified by LME Clear to such Significant LMEprecious Member and shall maintain with LME Clear such amount, or any re-calculated amount of Default Fund Contribution that may be notified by LME Clear from time to time, on an ongoing basis.
- (e) Following the Initial LMEprecious Period and subject to (g) below, each Member's Default Fund Contribution will be calculated as a pro-rata allocation based on that Member's average Initial Margin Requirement (including their End of Day Margin Requirement and their Intra-Day Margin Requirement calculations) over a preceding one-month period, as a percentage of the total average Initial Margin Requirement of all Members over the preceding one-month period, as further described in the default fund policy published by LME Clear on the Website.
- (f) The minimum amount of a Default Fund Contribution for each LMEprecious Clearing Member will be US\$1,000,000 (the "**Minimum DF Contribution**"), or such other amount as LME Clear may determine on assessment of the stress test results in accordance with LME Clear's default fund policy.

## Default Procedure Part B

- (g) Prior to the expiry of the Initial LMEprecious Period, LME Clear shall review the methodology for calculating the Default Fund in respect of the LMEprecious Service, and may decide, in its sole discretion to continue to operate the methodology for the Initial LMEprecious Period described in (d) above or to cease operating in accordance with such methodology subject to, if relevant, the specification of a change to the LMEprecious DF Floor. LME Clear shall notify LMEprecious Clearing Members of such decision prior to the expiry of the Initial LMEprecious Period.

## 2. FREQUENCY AND REPORTING

### 2.1 Daily Review

- (a) At the end of each Business Day and at such other times during each Business Day as LME Clear may determine, LME Clear shall review the size of the Default Fund relative to each Member's potential stress positions (in excess of the existing Collateral provided by the Member to satisfy the End of Day Margin Requirement).
- (b) In the event that any Member's stress positions (in excess of the existing Collateral provided by the Member to satisfy the End of Day Margin Requirement) are at any time in excess of the percentage of the Default Fund specified by LME Clear on its website from time to time (the "Default Fund Additional Margin Threshold"), LME Clear may require that Member immediately to provide additional Collateral in order to reduce its stress positions to a level below the Default Fund Additional Margin Threshold. The Default Fund Additional Margin Threshold shall not be changed without 30 days' prior notice to Members.

### 2.2 Monthly Review

- (a) The Default Fund will be recalculated and reset on a monthly basis or at or following the ending of a Default Period (provided that LME Clear shall exercise its discretion as to the timing of such recalculation where LME Clear considers it necessary to protect the integrity of the Clearing System or the orderliness of the markets supported by LME Clear).
- (b) LME Clear will not increase the size of the Default Fund within the period between each monthly recalculation.
- (c) In order to ensure that LME Clear will always have sufficient financial resources to cover a default by its two largest Members, no Member will be permitted to have at any time stress positions (in excess of the existing Collateral provided by the Member to satisfy the End of Day Margin Requirement) in excess of the Default Fund Additional Margin Threshold.
- (d) In the event that any Member's stress positions (in excess of the existing Collateral provided by the Member to satisfy the End of Day Margin Requirement) are at any time in excess of the Default Fund Additional Margin Threshold, LME Clear may require that Member immediately to provide additional Collateral in order to reduce its stress positions to a level below the Default Fund Additional Margin Threshold.
- (e) The monthly review and recalculation of the Default Fund will include a review of the relevant markets over the previous three (3) months in order to identify and consider possible new stress scenarios.

## Default Procedure Part B

**3. COLLECTION OF DEFAULT FUND CONTRIBUTION**

- 3.1 All Default Fund Contributions shall be paid in US Dollars to LME Clear via the Secure Payment System not later than 09:00 hours on the Business Day following the date of request or the date of the report identifying the need to provide such Default Fund Contribution. Payment of a Default Fund Contribution will be made separately to any payment of Collateral.

**3.2 Monthly Process**

A report specific to each Member (a "**Default Fund Report**") will be issued after the last Business Day of each calendar month and will be made available to the relevant Member on the Website. The Default Fund Report will show the Default Fund Contribution required from the relevant Member.

**3.3 Interim Payments**

- (a) In the event that the daily review of the Default Fund shows that:
- (i) the amount of the Default Fund is insufficient, having regard to the principles and thresholds specified in Default Procedure B1; and
  - (ii) an individual Member's Default Fund Contribution is insufficient, having regard to Default Procedure B2.1(b) or B2.2(d), as applicable,
- then LME Clear will request the Member to provide additional Collateral in order to ensure both that LME Clear has sufficient Collateral in respect of the Member's positions, and that the Member's stress positions are reduced to a level below the Default Fund Additional Margin Threshold.
- (b) For the avoidance of doubt, LME Clear may also call for additional Collateral under Default Procedure B2.1(b) or B2.2(d), where such provisions are applicable.

**4. INTEREST PAYMENTS**

Interest may be payable by reference to a Default Fund Contribution on the basis set out in Rule 9.1.4. LME Clear reserves the right to use for this purpose different interest rates from those applied under Rule 8.3.3.

## Default Procedure Part C

**PART C – DEFAULT MANAGEMENT****1. DEFAULT MANAGEMENT GENERALLY**

- 1.1 Rule 10 (*Default*) sets out the LME Clear's rights and powers in relation to a Defaulting Member.
- 1.2 Without prejudice to LME Clear's rights under Rule 10 (*Default*), LME Clear may require Members to co-operate with LME Clear in the testing and operation of its default management process.

**2. DEFAULT FIRE DRILL**

- 2.1 All Members shall participate in "**Default Fire Drills**", during which LME Clear, Members and other interested parties will conduct simulations of various Default Event scenarios chosen by LME Clear. These will be held at least annually and will simulate the activities resulting from the occurrence of a Default Event.
- 2.2 Each new Member shall be required to participate in "Default Fire Drill" before it will be permitted to submit Transactions to LME Clear for clearing.

**3. DEFAULT NOTICE**

- 3.1 If LME Clear decides to issue a Default Notice, it shall:
  - (a) first notify the relevant Clearing House Regulator of its intention to do so; and
  - (b) then inform its Members of its decision in accordance with Rule 10.3.
- 3.2 The decision to issue a Default Notice shall be:
  - (a) notified to the authorised representatives of each Member; and
  - (b) published on the Website.

LME Clear may also notify its decision to issue a Default Notice to such other persons as permitted pursuant to Rule 10 (*Default*).

- 3.3 The Default Notice will include:
  - (a) the name of the Member and (where relevant) its category of Membership; and
  - (b) the time that the Default Notice comes into effect.

As soon as practicable after issuing the Default Notice (unless the Default Event has already been discharged), LME Clear will provide to the appropriate Regulator(s) a summary of the Member's open Positions, Margin Requirements, cash and Collateral balances in respect of that Member's Accounts (including, for the avoidance of doubt, Client Accounts).

**4. ACTIVATION OF DEFAULT MANAGEMENT PROCESS**

- 4.1 Following the occurrence of a Default Event, there will be many activities that need to be conducted. These include activities that are procedural, operational, communications and systems-based. The majority of the activities outlined below will be conducted in parallel.

## Default Procedure Part C

4.2 **Initiation of Communication tree**

- 4.3 During a Default Period, LME Clear will communicate with internal stakeholders (in order to initiate its internal default management procedures) and relevant external stakeholders to inform them that LME Clear's default management process is being invoked.

4.4 **Prevention of Defaulting Member Clearing Activity**

- 4.5 LME Clear may exercise such of its powers under the Rules that arise on the occurrence of a Default Event as it thinks fit. This may include taking action to deactivate the Defaulting Member within the Clearing System, which will involve (without limitation):

- (a) curtailing the Defaulting Member's ability to submit Transactions, whether on House Account or Client Account, to the Clearing System;
- (b) instructing the LME (and any other Approved Transaction Platform) to deactivate the Defaulting Member's trading accounts;
- (c) preventing any payments from being made via SPS from LME Clear's accounts at any Approved Settlement Banks for payment to the Defaulting Member;
- (d) preventing any Asset Cover being paid or returned to the Defaulting Member (except if and to the extent expressly permitted by Rule 10 (*Default*) or these Default Procedures); and
- (e) suspending the performance of any delivery or payment obligations otherwise owing by LME Clear to the Defaulting Member.

- 4.6 The Defaulting Member (and Clients of the Defaulting Member) may not effect any further Transactions through the Defaulting Member or submit to the Clearing System any further Transactions for which the Defaulting Member would otherwise be responsible.

5. **DEFAULT MANAGEMENT GOVERNANCE**

- 5.1 The Board will delegate to a committee (the "**Default Management Committee**" or "**DMC**") responsibility for the oversight of the implementation of the default management process and all related strategic decision-making involved in the risk reduction/neutralisation strategy and the subsequent auction(s) employed by LME Clear. The DMC will consist of the following members of LME Clear's management team:

- (a) the Chief Executive Officer (CEO);
- (b) the Chief Risk Officer (CRO);
- (c) the Head of Risk;
- (d) the Chief Operating Officer (COO);
- (e) Head of Legal, LME Clear;
- (f) the Chief Compliance Officer; and
- (g) the Chief Financial Officer (CFO).

- 5.2 LME Clear may also seek to involve the DMC representative(s) from the Approved Transaction Platform(s) in an advisory capacity.

## Default Procedure Part C

- 5.3 LME Clear will consult with the Board Risk Committee and / or obtain the approval of the Board, in relation to actions that it proposes to take in relation to the management of a default, where required pursuant to any Rule or otherwise where LME Clear considers such consultation or approval to be necessary or appropriate.

**6. RISK REDUCTION OF DEFAULTING MEMBER'S POSITIONS**

- 6.1 Following the issue of a Default Notice, the Accounts of the Defaulting Member will be risk managed on the following basis:

- (a) all House Accounts of the Defaulting Member will be managed in the manner stated below; and
- (b) Omnibus Segregated Client Accounts and Individual Segregated Client Accounts will be managed in the manner stated below if they cannot be ported in accordance with Part D of these Default Procedures and Rule 10.7, save that LME Clear may take the steps contemplated in Default Procedure C6.2(e) below notwithstanding that the relevant Porting Period has not expired.

**6.2 Hedging and Liquidity Management**

- (a) LME Clear will assess the portfolio of the Defaulting Member and any Positions and Collateral maintained in Client Accounts in respect of Clients or Indirect Clients that are not to be transferred to another non-defaulting Member and shall take such steps as LME Clear considers are necessary or appropriate to reduce the exposure of the portfolio to minimise the risk that LME Clear may need to utilise any Member's Default Funds or LME Clear's Dedicated Own Resources.
- (b) LME Clear will utilise default brokers and collateral execution agents in order to facilitate:
  - (i) the execution of any hedge trades with non-defaulting Members or other third party counterparties; and
  - (ii) the liquidation of Collateral, if required.
- (c) LME Clear will reduce the risk associated with the Defaulting Member's Positions as far as reasonably practicable by hedging LME Clear's exposure under the Contracts to which the Defaulting Member is a party. Such hedging will be undertaken by LME Clear with non-defaulting Members and other counterparties on the basis of separate agreements between LME Clear and each such Member or other counterparty. LME Clear will consider all Accounts together for hedging purposes. Any proceeds, losses or costs resulting from the hedging process will be allocated to the relevant Defaulting Member's Account (depending on the Positions being hedged) at the discretion of LME Clear.
- (d) LME Clear may also seek to reduce the risk associated with the Defaulting Member's Positions by hedging LME Clear's exposure under the Contracts to which the Defaulting Member is a party against the Contracts of any other Member that is also, at the relevant time, a Defaulting Member.
- (e) As part of the default management process, LME Clear may, wherever reasonably practicable: (i) aim to prevent Positions of a Defaulting Member on any Account going to physical delivery during the Default Period; or (ii) take such actions as LME Clear considers necessary to avoid any circumstance under which LME

## Default Procedure Part C

Clear is unable to perform any Delivery Obligation under any Contract. LME Clear may take such actions as it considers appropriate to facilitate the foregoing. LME Clear shall take such actions in accordance with Rule 10.4.2. The effect of such action would be to limit any immediate liquidity demands for delivery of LME Warrants and/or unallocated Precious Metal. In the event that LME Clear takes steps to prevent such Positions going to physical delivery, LME Clear shall notify the Members via the publication of a Circular on the Website. For the avoidance of doubt, any Transfer made pursuant to Rule 10.7 (*Portability of Client Accounts*) that takes effect in relation to a Client Account containing Positions to which the powers in this Default Procedure C6.2(e) have been applied shall apply to the Positions as created or adjusted pursuant to the exercise of such powers.

- (f) LME Clear may apply the hedging process separately in respect of LME Base Products and LMEprecious Products in a Member's Accounts.

### 6.3 Auction - LME Base Products and LMEprecious Products

- (a) The following auction process shall apply in respect of Open Contracts in LME Base Products and LMEprecious Products. However, the auction process shall be conducted separately in respect of the LME Base Service and the LMEprecious Service (and references to "**Default Fund Contribution**", "**non-defaulting Members**" and "**Open Contracts**" shall be construed accordingly). This auction process shall apply on a per-Defaulting Member basis, so that in the event that a Default Notice is issued in respect of more than one Defaulting Member during a Default Period, the auction process shall be applied separately in respect of the Default Losses of each such Defaulting Member.
- (b) After completion of the hedging and liquidity management process, LME Clear shall carry out an auction process in respect of the remaining Open Contracts (which may include Collateral, if appropriate) amongst non-defaulting Members and prescribe such procedures for the conduct of the auctions as it considers reasonably appropriate in the circumstances.
- (c) Prior to conducting an auction LME Clear shall allocate Open Contracts (and any hedging agreements made by LME Clear under Default Procedure C:6.2) to one or more Auction Portfolios. Each Auction Portfolio shall be subject to a separate auction between such non-defaulting Members as are identified in accordance with the methodology set out below.
- (d) LME Clear shall determine the composition of each Auction Portfolio, provided that an individual Auction Portfolio shall not contain Open Contracts relating to both the LME Base Service and the LMEprecious Service.
- (e) Any auctions will occur at a time judged by the DMC to be optimal to minimise the risk to the Clearing System, to achieve the best possible price, and to ensure maximum competitive participation by non-defaulting Members.

### 6.4 Participation in an auction

- (a) Subject to (c) below, non-defaulting Members that satisfy the entry criteria specified in (b) below will be required to:
  - (i) evaluate the relevant Auction Portfolio(s) in accordance with Annex 8 – Auction Process; and



## Default Procedure Part C

- (ii) submit bids following the process described in Annex 8 – Auction Process.
- (b) A non-defaulting Member will be required to participate in the auction of an Auction Portfolio where:
  - (i) it meets LME Clear's assessment of creditworthiness against a minimum credit rating for participation in the auction specified by LME Clear in Annex 8 – Auction Process;
  - (ii) it is a participant in the individual Service to which the Open Contracts in the relevant Auction Portfolio relate; and
  - (iii) (where LME Clear considers that it has sufficient information regarding the trading history of the non-defaulting Members) it meets such criteria as LME Clear may specify in Annex 8 – Auction Process regarding the non-defaulting Member's history of Positions in the types of Open Contract included in the relevant Auction Portfolio;
 (such Members being "**Mandatory Bidders**").
- (c) A non-defaulting Member may request, prior to any Default Period, that LME Clear exclude it from being required to participate in any future auction on the grounds that it does not have the operational capability or expertise to participate in an auction. Any such non-defaulting Member shall provide a detailed explanation and, where appropriate, evidence to support its request and will inform LME Clear if its circumstances change in any way which is relevant to such explanation or evidence. Any agreement to such request shall be at LME Clear's discretion and will be reviewed annually. LME Clear has provided guidance on the circumstances where this paragraph may apply in Annex 8 – Auction Process.
- (d) LME Clear reserves the right, at any point and in its sole discretion, to exclude a Member from the requirement to participate in an auction if it appears to LME Clear, in its reasonable opinion, that such exclusion is desirable for any reason.
- (e) A non-defaulting Member which is not a Mandatory Bidder may request that LME Clear includes it in an auction. If LME Clear agrees to such request then such non-defaulting Member will become subject to the obligations in 6.4(a) above (such Members being "**Voluntary Bidders**").
- (f) The contents of an Auction Portfolio shall be disclosed only to non-defaulting Members participating in the auction of that Auction Portfolio.

## 6.5 Bidding

- (a) LME Clear shall not specify a minimum bid price for an Auction Portfolio.
- (b) LME Clear shall assess the bids received from non-defaulting Members and the winning bid for each Auction Portfolio shall be selected by the DMC. The decision of LME Clear to accept or reject a particular bid will be conclusive and binding on all Members.
- (c) LME Clear may accept the best price for an Auction Portfolio that it believes accurately reflects the risk of that Auction Portfolio. LME Clear shall have in place an appropriate process for determining an "acceptable auction price" which will consider the risks of the portfolios set out in Annex 8 – Auction Process. For the



## Default Procedure Part C

avoidance of doubt and without affecting the generality of 6.5(c) above, LME Clear reserves the right to reject a bid if it considers that that such bid is not consistent with the acceptable auction price determined by LME Clear.

- (d) In addition, LME Clear reserves the right to reject an auction bid from a Member if it deems the overall risk presented by that Member, following the transfer of any Auction Portfolio, to be in excess of LME Clear's risk tolerance for that Member.
- (e) If two or more Members submit a bid of the same value, LME Clear may, subject to its discretion to reject certain bids, accept the bid which LME Clear considers represents the most favourable risk management solution. If LME Clear determines that bids should not be differentiated on this basis then the winning bid will be the bid which was received by LME Clear first in time. Two or more Members from the same Group may submit identical bids in accordance with Annex 8 – Auction Process.
- (f) Each auction shall have a single winner and the Open Contracts and hedging agreements contained in the relevant Auction Portfolio will then be recorded in the Account of such winner.

## 6.6 Allocation of Default Loss

- (a) Prior to commencing an auction, LME Clear shall determine the proportion of each Member's Default Fund Contribution ("**DFC**") that shall be attributable to each Auction Portfolio for the purposes of applying the juniorisation principles specified in 6.6(b) below (the "**Allocated DFC Amount**"). The Allocated DFC Amount shall be determined on the basis of the principles set out in Annex 8 – Auction Process.
- (b) Where LME Clear incurs a Default Loss in relation to a Service, the non-defaulting Members of such Service shall contribute towards such Default Loss on the basis that each Members' Allocated DFC Amount in relation to a particular Auction Portfolio shall be applied pursuant to Rule 10.10.1(d) in the following order of priority:
  - (i) **first**, by the Allocated DFC Amounts of the non-successful Mandatory Bidders in the auction of that Auction Portfolio on the basis of the methodology set out below;
  - (ii) **second**, if the Allocated DFC Amounts applied under 6.6(b)(i) above are not sufficient to discharge the balance of the Default Loss, by the Allocated DFC Amounts of any non-successful Voluntary Bidders in the auction of that Auction Portfolio on the basis of the methodology set out below:

### Non-Successful Bidder Methodology (for 6.6(b)(i) and (ii)):

Default Losses shall be applied against the Allocated DFC Amounts referred to in (i) and (ii) above in accordance with the following methodology (which shall be applied only in respect of the Members falling within this (i) or (ii), as applicable):

**Step 1 - Determination of Ranking:** Each Member's ranking in the auction shall be determined at the discretion of LME Clear in accordance with the principles set out below. For these purposes:

## Default Procedure Part C

- the ranking will begin at zero (being the ranking of the successful bidder);
- Mandatory Bidders and Voluntary Bidders shall be ranked separately amongst themselves, in each case in an ascending numerical ranking starting with that of the non-successful bidder that was closest to the successful bid, (having a ranking of 1) and ending with the non-successful bidder that was furthest from the successful bid;
- Any Mandatory Bidders or Voluntary Bidders (as applicable) who did not submit a bid will be placed joint last behind the non-successful bidder furthest from the successful bid.

**Step 2 - Calculation of Member DFC at risk:** LME Clear shall calculate the amount of each Member's Allocated DFC Amount that is initially available to LME Clear to be applied against any remaining Default Loss (such amount being the "**Member DFC at risk**"), on the following basis:

$$\frac{R}{N} \times A = \text{Member DFC at risk}$$

Where:

"R" means the non-defaulting Member's ranking in the auction;

"N" means the number of non-successful bidders in the auction;

"A" means the Allocated DFC Amount.

**Step 3 - Contribution towards Default Loss:** The amount of each Member's DFC at risk applied against any remaining Default Loss (the "**Amount Applied**") will be calculated as follows:

$$\frac{TRDL}{TDFCR} \times MDFCR = \text{Amount Applied}$$

Where:

"TRDL" means the total remaining Default Loss (up to a maximum of all Member DFCs at risk);

"TDFCR" means the total of all Member DFCs at risk;

"MDFCR" means the Member DFC at risk.

**Step 4 – Allocation of remaining loss:** Any remaining Default Loss after the application of Member DFCs above shall be covered by each Member's remaining Allocated DFC Amount ("**Remaining DFC**"), on a *pro rata* basis (such that each such Member's Remaining DFC shall be applied towards the remaining Default Loss in the same proportions as such Member's Remaining DFC represents of the total amount of Remaining DFCs of all Members falling within this (i) or (ii), as applicable).

- (iii) **third**, if the Allocated DFC Amounts applied under 6.6(b)(ii) above are not sufficient to discharge the balance of the Default Loss, by the Allocated

## Default Procedure Part C

DFC Amounts of any bidders in the auction of that Auction Portfolio whose bids were rejected, on a *pro rata* basis (such that each such Member's Default Fund Contributions shall be applied towards the remaining Default Loss in the same proportions as such Member's Default Fund Contributions represent of the total amount of Default Contributions of all Members falling within this (iii));

- (iv) **fourth**, if the Allocated DFC Amounts applied under 6.6(b)(iii) above are not sufficient to discharge the balance of the Default Loss, by the Allocated DFC Amounts of the non-defaulting Members that did not participate in the auction of that Auction Portfolio, and were not required to participate in the auction by reason of 6.4(b), (c) or (d) above, on a *pro rata* basis (such that each such Member's Default Fund Contributions shall be applied towards the Default Loss in the same proportions as such Member's Default Fund Contributions represent of the total amount of Default Contributions of all Members falling within this (iv));
- (v) **fifth**, if the Allocated DFC Amounts applied under 6.6(b)(iv) above are not sufficient to discharge the balance of the Default Loss, by the Allocated DFC Amount of the successful bidder in the auction of that Auction Portfolio;
- (vi) **sixth**, if the Allocated DFC Amounts applied under 6.6(b)(v) above are not sufficient to discharge the balance of the Default Loss, by any Default Fund Contributions of the bidders in the auctions of other Auction Portfolios relating to the same Service that are remaining after the satisfaction of any Default Losses in respect of those Auction Portfolios, on the basis of the following methodology (which shall be applied only in respect of the Members falling within this (vi)):

**Other Auction Bidder Methodology (for 6.5(vi)):**

**Step 1 – Determination of Ranking:** In order to establish each Member's ranking across all other Auction Portfolios, each Member's ranking in each other Auction Portfolio shall be aggregated. The Members will then be ranked so that the first ranked Member will be the one with the lowest aggregate ranking and the last ranked Member will be the one with the highest aggregate ranking. Mandatory Bidders and Voluntary Bidders shall be ranked together and not separately provided that any Voluntary Bidders in an auction shall automatically be given a ranking of zero in respect of such auction. In addition, any bidders falling under (iii) or (iv) above shall be given a ranking of zero.

**Step 2 – Calculate Member Additional DFC at risk:** The total amount of each Member's DFC allocated to such other Auction Portfolios that is initially available to LME Clear to be applied against any remaining Default Loss (such amount being the "**Member Additional DFC at risk**") will be calculated as follows:

$$\frac{RO}{NO} \times AO = \text{Member Additional DFC at risk}$$

Where:

## Default Procedure Part C

"RO" means the Member's ranking across all other Auction Portfolios;

"NO" means the number of bidders across all other Auction Portfolios;

"AO" means the sum of the Member's remaining Allocated DFC Amounts for all other Auction Portfolios.

**Step 3 – Contribution towards Default Loss:** The amount of each Member's Additional DFC at risk to be applied against any remaining Default Loss (the "**Additional Amount Applied**") will be calculated as follows:

$$\frac{TRDL}{TADFCR} \times ADFCR = \text{Additional Amount Applied}$$

Where:

"TRDL" means the total remaining Default Loss (up to a maximum of all Member Additional DFC's at risk);

"TADFCR" means the total of all Member Additional DFC's at risk;

"ADFCR" means the Member Additional DFC at risk.

- (vii) **seventh**, if the Allocated DFC Amounts applied under 6.6(b)(vi) above are not sufficient to discharge the balance of the Default Loss, by any remaining Default Fund Contributions of the non-defaulting Members, on a *pro rata* basis (such that each such Member's Default Fund Contributions shall be applied towards the Default Loss in the same proportions as such Member's Default Fund Contributions represent of the total amount of Default Contributions of all Members falling within this (vii)).
- (c) For the avoidance of doubt: (i) the order or priority in paragraph 6.6(b) shall apply only to applications of Members' Default Fund Contributions pursuant to Rule 10.10.1(d) and shall not apply to Rule 10.10.1(e) or to any Stabilisation Replenishment Notice under Rule 10.10.5; and (ii) a Member that has not been admitted to participate in a Service shall have no liability to contribute towards any Default Loss arising in respect of that Service.

## 6.7 Payments and Auction Costs

- (a) Payments resulting from the auction process shall be made via the Secure Payment System. LME Clear shall transfer the purchased Positions (and, where relevant, Collateral) at the appropriate price to the successful bidder and such successful bidder shall pay the amount due to LME Clear in advance of, or simultaneously with, the transfer. Such transfer may take place by way of close out and termination of the relevant Open Contracts and their re-establishment in the Account of the successful bidder or by way of novation of the relevant Open Contracts to the Account of the successful bidder. Where any amount is payable by LME Clear to the successful bidder, LME Clear will not be obliged to make such payment until after the Open Contracts (and, where relevant, Collateral) have been transferred to the successful bidder and any such payment shall be made by the end of the Business Day following such transfer.

## Default Procedure Part C

- (b) The costs arising out the auction process will be allocated amongst the Defaulting Member's Accounts at the discretion of LME Clear.

## 6.8 Failed Auction and Close Out

- (a) Where LME Clear determines that either there is insufficient participation in an auction for Open Contracts or where the bid(s) received are not deemed by LME Clear to be reflective of the risks in the Auction Portfolio, LME Clear will deem an auction to be a **"Failed Auction"**.
- (b) In the event of a Failed Auction, LME Clear may undertake one or more further auctions. LME Clear may adjust the parameters of the new auction in order to increase the likelihood of achieving successful bids (for example, by adjusting the risk profile of the Auction Portfolios (by hedging), or their size (by splitting the portfolios by contract/maturity).
- (c) LME Clear may conduct such further auctions with or without undertaking any of the actions specified in (b). There is no limit to the number of auctions that LME Clear may conduct.
- (d) In the event that LME Clear does not consider that a further auction would be successful, it may seek to close-out the remaining Open Contracts of the Defaulting Member, on a per-metal basis (the Unclosed Metals, as defined in Rule 10.10.2(d)(ii)), through mandatory cash settlement with non-defaulting Members and realise any potential profit or loss. In the event that LME Clear applies cash settlement, LME Clear shall obtain the approval of the Board and:
  - (i) consult with the Board Risk Committee on its proposals to do so, which shall include providing an explanation of the steps LME Clear proposes to take in relation to such cash settlement and its rationale for taking such steps; and
  - (ii) effect such cash settlement at the then prevailing market price for the Underlying Assets or, if such market price is not available, at such price as LME Clear determines is reasonably appropriate in the circumstances in consultation with the Board Risk Committee.
- (e) Where LME Clear takes the steps described in paragraphs (b) to (d) above in respect of an Auction Portfolio that has become a Failed Auction pursuant to paragraph 6.4(a) above and, following the completion of such steps, LME Clear incurs a Default Loss in respect of that Auction Portfolio, the non-defaulting Members shall contribute towards such Default Loss on the basis that each Members' Default Fund Contributions allocated to the Auction Portfolio pursuant to Default Procedure Part C:6.3(s), together with such Default Fund Contributions as are allocated to the Auction Portfolio pursuant to Default Procedure Part C:6.3(u), shall be applied to the Default Loss pursuant to Rule 10.10.1(d) on a pro rata basis. For the purposes of this paragraph (e), the expression "*pro rata*" means in, in respect of the Default Fund Contributions allocated by LME Clear to the Auction Portfolio, the proportion which the amount of the Default Fund Contributions provided to LME Clear by each individual non-defaulting Member bears to the aggregate amount of the Default Fund Contributions provided by all non-defaulting Member, immediately prior to the commencement of the Default Period.

## Default Procedure Part C

**6.9 Allocation of surpluses between Auction Portfolios**

The processes described in Clearing Procedure Part C:6.3 and C:6.4 shall apply on a per-Auction Portfolio basis. In the event that, for the auctions conducted in respect of a Service, the auction for any Auction Portfolio results in a profit to LME Clear, LME Clear may apply such profit against any Default Losses attributable to any other Auction Portfolio as LME Clear, in its sole discretion, deems appropriate in the interests of risk management.

**6.10 Liquidating Collateral**

LME Clear may liquidate (sell) or otherwise generate cash liquidity or other financing from non-cash Collateral provided by the Defaulting Member if and when it thinks fit. The choice of Collateral to use for this purpose will be decided by LME Clear and LME Clear may take into account market conditions at the time.

**7. LOSSES IN EXCESS OF DEFAULT FUND**

7.1 In the event that, following the application of the amounts provided pursuant to the replenishments required under Rule 10.10.1(e), there remains an Excess Loss, LME Clear will seek to discharge such Excess Loss through an equitable allocation of such Excess Losses to non-defaulting Members, in accordance with Rule 10.10.2.

7.2 This allocation of Excess Losses will be carried out through a pre-defined mechanism that has been previously notified to the Members. The methodologies available to LME Clear are as follows:

- (a) the application of a variation margin haircut mechanism, as specified in Rule 10.10.2 (b) and (c);
- (b) in the event that the process in (a) does not result in the discharge in full of the Excess Loss, LME Clear may effect a cash settlement of all Open Contracts, as specified in Rule 10.10.2(d).

**8. BUSINESS VIABILITY REVIEW**

In the event that LME Clear has utilised any unfunded Default Fund Contributions in the management of a default, a business viability review will be conducted immediately following the conclusion of the related default management process. The Board will, in conjunction with LME Clear's Parent Undertakings, seek to determine the most appropriate way forward for the business taking into consideration of the views of non-defaulting Members.

## Default Procedure Part D

### **PART D – PORTING PROCEDURE**

This Porting Procedure contains:

1. (in Section 1) the documentary requirements for the establishment of arrangements in support of the Automatic Porting Process; and
2. (in Section 2) the Porting Process that applies in respect of:
  - (a) Client Accounts to which the Automatic Porting Process applies; or
  - (b) any other Client Account.



## Default Procedure Part D

**SECTION 1: MAINTENANCE DOCUMENTATION IN SUPPORT OF AUTOMATIC PORTING PROCESS****1. AUTOMATIC PORTING DESIGNATION DOCUMENTS**

1.1 In order for any Client Account to be eligible under the Rules for the application of the Automatic Porting Process LME Clear must, at the time of issue of a Default Notice in respect of the Member responsible for such Account, be in receipt of such documents and forms as LME Clear shall prescribe from time to time ("**Automatic Porting Designation Documents**") that:

- (a) identify the Client Account(s) to which the Automatic Porting Process is to apply;
- (b) record the agreement of the Clients allocated to such Client Account(s) to participate in the Automatic Porting Process;
- (c) identify:
  - (i) the potential Member Transferee to which all Clients allocated to an Omnibus Segregated Client Account shall agree (subject to the agreement of that Member) to have their assets and positions transferred pursuant to the Porting Process; and
  - (ii) the potential Member Transferee to which a Client allocated to an Individual Segregated Client Account shall agree (subject to the agreement of that Member) to have its assets and positions transferred pursuant to the Porting Process;

(in each case, the "**Designated Member Transferee**"); and
- (d) record the agreement of such Member(s) identified as Designated Member Transferee(s) to be treated as such.

1.2 LME Clear shall only treat any Automatic Porting Designation Document, or any amendment to it, as representing the accurate wishes of the signatories to it, from the time that it is formally accepted by LME Clear. LME Clear may refuse to accept any Automatic Porting Designation Document or any amendment to any Automatic Porting Designation Document provided by any Client, or by a Member on behalf of its Client(s), where:

- (a) the Automatic Porting Designation Document is not complete in all respects;
- (b) the Automatic Porting Designation Document has not been properly executed, to LME Clear's satisfaction, by all relevant parties;
- (c) less than one Business Day has elapsed since such Automatic Porting Designation Document, or amendment to it, was received by LME Clear; or
- (d) any Member specified in the Automatic Porting Designation Document has become subject to a Default Event prior to the expiry of the period set out in (c) above.

Notwithstanding the foregoing, LME Clear may agree to accept an Automatic Porting Designation Document notwithstanding that some or all of the circumstances described in (a), (b) or (d) has arisen, or otherwise prior to the expiry of the period set out in (c) above.



## Default Procedure Part D

- 1.3 For the avoidance of doubt, in the event that LME Clear receives an Automatic Porting Designation Document less than one Business Day prior to the Member becoming a Defaulting Member, LME Clear may treat such Automatic Porting Designation Document as constituting a valid request by the Client(s) specified in the Automatic Porting Designation Document to effect a Transfer to the Designated Member Transferee in accordance with Rule 10.7.
- 1.4 For the avoidance of doubt:
- (a) the latest Automatic Porting Designation Document received by LME Clear in respect of any Client Account shall represent an instruction by the Client or Clients allocated to that Client Account to implement the Automatic Porting Process in the event that the Member responsible for that Client Account becomes a Defaulting Member;
  - (b) it shall be the responsibility of the Client or Clients allocated to a Client Account to ensure that LME Clear is at all times in receipt of accurate, complete and up-to-date Automatic Porting Designation Documents reflecting the wishes and instructions of all the Clients that are allocated to that Account; and
  - (c) LME Clear shall have no liability whatsoever to any Member or to any Client or Indirect Client in the event that LME Clear implements the Automatic Porting Process in respect of a Client Account, in reliance upon the information contained in the latest Automatic Porting Designation Documents received by LME Clear in respect of such Client Account.

## Default Procedure Part D

**SECTION 2: PORTING PROCESS****2. TRANSFER OF A CLIENT ACCOUNT PURSUANT TO RULE 10.7****2.1** Where a Client has:

- (a) pursuant to its agreement to the lodgement of Automatic Porting Designation Documents, given advance consent to LME Clear under Rule 10.7 to transfer assets and positions from its Client Account with a Member Transferor to a Client Account with a Member Transferee; or
- (b) pursuant to its issue of a Porting Request Notice, requested that LME Clear transfer assets and positions from its Client Account with a Member Transferor to a Client Account with a Member Transferee,

then LME Clear may choose as it considers most appropriate in its sole opinion, either:

- (c) to exercise its powers under Rule 10.4.1(f), to close out and terminate the Open Contracts on such Client Account of the Member Transferor and re-establish them on a Client Account with the Member Transferee; or
- (d) to transfer the assets and positions on the Client Account of the Member Transferor by way of novation to a Client Account of the Member Transferee in accordance with the procedure set out in D2.2 to D2.11 below.

**Automatic Porting Process****2.2** LME Clear will effect such a transfer of assets and positions on a Client Account in respect of which Automatic Porting Designation Documents have been filed in accordance with Rule 5 where:

- (a) the Automatic Porting Designation Documents, completed and signed by the Client(s) allocated to the Client Account and the Designated Member Transferee have been delivered to LME Clear in accordance with Section 1 of this Default Procedure D at least one (1) clear Business Day before the date on which a Default Notice is issued in respect of the Defaulting Member;
- (b) a Designated Member Transferee has provided LME Clear with its written consent to its acceptance of all the assets and positions recorded to the Client Account within the Porting Election Period;
- (c) the conditions set out in Rule 10.7.5 are fulfilled;
- (d) the Transfer is capable of being effected without any breach of Applicable Clearing Regulations on the part of LME Clear or is otherwise not prevented or restricted by the application of any Applicable Law;
- (e) the Transfer requested relates to the whole of the Client Account and not to some only of the Open Contracts or Collateral recorded on the Client Account; and
- (f) the Designated Member Transferee provides to LME Clear written representations that it has established appropriate contractual arrangements with such Clients (in compliance with Rule 5.2) to enable the Member Transferee to perform clearing services for such Clients from the time of the Transfer and, where requested by LME Clear, provides to LME Clear evidence satisfactory to LME Clear that it has established such contractual arrangements.

## Default Procedure Part D

Notwithstanding the foregoing, LME Clear may, if it chooses, agree to vary or waive one or more of the above requirements if it thinks fit.

**Standard Porting Process**

- 2.3 LME Clear will effect such a transfer of assets and positions on a Client Account to which the Automatic Porting Process does not apply where:
- (a) a Porting Request Notice completed and signed by each Client allocated to the Client Account and the Member Transferee has been delivered to LME Clear in accordance with Rule 10.7.5(b), pursuant to which the Member Transferee has provided LME Clear with its written consent to its acceptance of all the assets and positions recorded to the Client Account within the Porting Election Period;
  - (b) subject to (c) below, the conditions set out in Rule 10.7.5 are fulfilled;
  - (c) any Non-Identified Clients have been identified in accordance with Rule 10.7.8;
  - (d) the Transfer is capable of being effected without any breach of Applicable Clearing Regulations on the part of LME Clear or is otherwise not prevented or restricted by the application of any Applicable Law;
  - (e) the Transfer requested relates to the whole of the Client Account and not to some only of the Open Contracts or Collateral recorded on the Client Account; and
  - (f) the Member Transferee provides to LME Clear written representations that it has established appropriate contractual arrangements with such Clients (in compliance with Rule 5.2) to enable the Member Transferee to perform clearing services for such Clients from the time of the Transfer and, where requested by LME Clear, provides to LME Clear evidence satisfactory to LME Clear that it has established such contractual arrangements.

Notwithstanding the foregoing, LME Clear may, if it chooses, agree to vary or waive one or more of the above requirements if it thinks fit.

**Partial Porting**

- 2.4 LME Clear will effect a transfer of the Positions relating to some but not all of the Open Contracts recorded to an Omnibus Segregated Client Account to which the Automatic Porting Process does not apply where:
- (a) Porting Request Notices completed and signed by one or more Clients allocated to the Relevant Account specifying the Positions to be Transferred and one or more Member Transferees have been delivered to LME Clear in accordance with Rule 10.7.6(d), pursuant to which such Member Transferees have provided LME Clear with their written consent to their acceptance of the Positions recorded to the Relevant Account prior to the end of the Porting Election Period or the Porting Transfer Window (if earlier);
  - (b) subject to (c) below, the conditions set out in Rule 10.7.6 are fulfilled;
  - (c) any Requesting Clients that are Non-Identified Clients have been identified in accordance with Rule 10.7.8;

## Default Procedure Part D

- (d) the Partial Transfer is capable of being effected without any breach of Applicable Clearing Regulations on the part of LME Clear or is otherwise not prevented or restricted by the application of any Applicable Law;
- (e) the Partial Transfer relates to all the Open Contracts of the Requesting Client recorded to the Relevant Account; and
- (f) the Member Transferee provides to LME Clear written representations that it has established appropriate contractual arrangements with such Clients (in compliance with Rule 5.2) to enable the Member Transferee to perform clearing services for such Clients from the time of the Partial Transfer and, where requested by LME Clear, provides to LME Clear evidence satisfactory to LME Clear that it has established such contractual arrangements.

Notwithstanding the foregoing, LME Clear may, if it chooses, agree to vary or waive one or more of the above requirements if it thinks fit.

**General**

- 2.5 LME Clear may, when taking action under this Default Procedure D, rely (without further investigation) on the information provided by the Member Transferor (or any Relevant Office-Holder) or its relevant Clients to LME Clear pursuant to the Rules.
- 2.6 Each Member irrevocably and unconditionally agrees that, if it is or becomes a Member Transferor, a Transfer made under these provisions shall take effect (pursuant to this Procedure) and be binding on it without the necessity for any further consent from the Member Transferor.
- 2.7 LME Clear may disclose to the Member Transferee such information relating to the Member Transferor and its Client Accounts as may be relevant for the purpose of the Transfer.
- 2.8 The Transfer referred to in Default Procedure D 2.1 above will take effect at such time as LME Clear shall specify following LME Clear's receipt of consent from a Member Transferee to accept all the assets and positions recorded on the Client Account (the "**Transfer Time**").
- 2.9 The Transfer Time must be within:
  - (a) the Porting Transfer Period; or
  - (b) any Extended Porting Transfer Period specified by LME Clear in accordance with Default Procedure D 2.10 below.
- 2.10 LME Clear may specify, via a circular posted on the Website, that an Extended Porting Transfer Period shall apply, within which LME Clear may effect a Transfer.
- 2.11 At the Transfer Time:
  - (a) the Member Transferor and LME Clear (each acting as principal) shall be released from further obligations towards one another under the Contracts recorded in the Client Account and their respective rights against one another under the relevant transactions recorded in such Client Account shall be cancelled (being the "**Discharged Rights and Obligations**");

## Default Procedure Part D

- (b) the Member Transferee and LME Clear (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as the Member Transferee and LME Clear have assumed and/or acquired the same in place of the Member Transferor and LME Clear; and
  - (c) other than in respect of a Transfer of Positions only, all rights, title and interest of the Member Transferor in or to Collateral provided by it to LME Clear in respect of such Client Account shall be transferred outright to the Member Transferee and, upon such Transfer, the Member Transferor shall cease to have any interest (legal, equitable or otherwise) in such Collateral (which shall be released from the Security Interest granted by the Member Transferor under the Security Documents executed by it in relation to such Client Account in favour of LME Clear) and, subject to Default Procedure D 2.12 below, such Collateral shall form part of the property and rights subject to the Security Interest granted by the Member Transferee in favour of LME Clear under its Security Documents to secure the obligations and liabilities of the Member Transferee to LME Clear.
- 2.12 Upon release of the charge and any pledges held by LME Clear over any LME Warrant Collateral provided to it by the Member Transferor in respect of a Client Account pursuant to Default Procedure D 2.11(c) above, LME Clear shall instruct an Ex-cleared Transfer Instruction in respect of such LME Warrant Collateral for the purposes of effecting a Transfer to a House Account (as such term is defined in the LMEsword Regulations) of the Member Transferee. Immediately following such Transfer, the Member Transferee shall instruct an Ex-cleared Transfer Instruction in respect of the same LME Warrant Collateral for the purposes of effecting a Transfer to the LME Clear Pledged Account in order to create security by way of pledge over such LME Warrant Collateral in accordance with the terms of the Security Documents of the Member Transferee creating security over LME Warrant Collateral. The Member Transferee shall take any and all such actions as may be necessary to facilitate the Transfers contemplated by this Default Procedure D 2.12 including, without limitation, executing Ex-Cleared Accept Instructions (as such term is defined in the LMEsword Regulations) in respect of the relevant LME Warrant Collateral. Any LME Warrant Collateral subject to the procedures described in this Default Procedure D 2.12 shall not constitute Available Non-cash Collateral unless and until LME Clear is satisfied that such LME Warrant Collateral has been delivered into the LME Clear Pledged Account in accordance with the terms hereof.
- 2.13 This Procedure is without prejudice to the right of LME Clear to exercise at any time (whether during the Porting Period or otherwise) all or any of its other powers in relation to a Member Transferor under the Default Rules.
- 2.14 The Member Transferee shall, on the date upon which the Transfer takes effect, pay to LME Clear (for its own account) any applicable Fee in the amount prescribed by LME Clear from time to time. For the avoidance of doubt, no Fee shall be payable to LME Clear in respect of any Transfer unless and to the extent specified in Annex 3 (*Fees and Charges*).

## Settlement Finality Procedure

**SETTLEMENT FINALITY PROCEDURE****1. APPLICATION**

- 1.1 This Settlement Finality Procedure forms part of, and shall be read in conjunction with, the Rules and are legally binding on Members. Terms defined in the Rules have the same meaning in this Settlement Finality Procedure. In the event of any conflict or inconsistency between the Rules and this Settlement Finality Procedure, the Rules shall prevail.
- 1.2 LME Clear is a designated system for the purpose of the Settlement Finality Regulations. The Settlement Finality Regulations reduce the risk that contracts and transfers made by a clearing house and its participants may be challenged in the event of the participant's insolvency. The Settlement Finality Regulations therefore minimise the disruption that can be caused to the Clearing System as a consequence of such an insolvency. In order to benefit from the protection of the Settlement Finality Regulations, LME Clear must meet the requirements of the Settlement Finality Regulations and must be designated by the Bank of England. This Settlement Finality Procedure explains how LME Clear meets such requirements.
- 1.3 As a recognised clearing house, regulated by the Bank of England under FSMA, LME Clear's is also subject to Part VII of the Companies Act 1989 ("**Part VII**"), which provides insolvency protection to Contracts formed under LME Clear's Rules, LME Clear's and Default Rules and certain other matters relating to the Clearing System operated by LME Clear.
- 1.4 In the table in section 3 below:
- (a) Column 1 sets out the types of instruction given by or on behalf of LME Clear or a Member which are Transfer Orders for the purpose of the Rules;
  - (b) Column 2 specifies whether the Transfer Order is a "**Payment Transfer Order**" or a "**Securities Transfer Order**" for the purpose of the Settlement Finality Regulations;
  - (c) Column 3 specifies, for each category of instruction, the time at which it takes effect and is entered into the Designated System;
  - (d) Column 4 specifies, for each category of instruction, the time after which it may not be revoked by a Participant or any other party;
  - (e) Column 5 specifies, for each category of instruction, guidance notes to assist in the interpretation of the table.

**2. DEFINITIONS AND INTERPRETATION**

In this Settlement Finality Procedure, the following words and expressions shall bear the meanings set opposite them:

|                                   |  |
|-----------------------------------|--|
| <b>"Approved Settlement Bank"</b> | has the meaning set out in Rule 1 ( <i>Definitions and Interpretation</i> );   |
| <b>"Cash Investment Agent"</b>    | means a bank, investment firm or other financial institution, which LME Clear has appointed to act as its agent to invest Collateral and / or Default Fund |

## Settlement Finality Procedure

|                                |   |
|--------------------------------|---|
|                                | Contributions;  |
| "Concentration Bank"           | has the meaning set out in Rule 1 ( <i>Definitions and Interpretation</i> );  |
| "Concentration Bank Agreement" | means an agreement between LME Clear and a Concentration Bank pursuant to which the Concentration Bank agrees to provide concentration bank account services to LME Clear;  |
| "Custodian"                    | has the meaning set out in Rule 1 ( <i>Definitions and Interpretation</i> );  |
| "Custody Agreement"            | means an agreement between a Custodian and LME Clear pursuant to which the Custodian holds cash, securities and other assets on behalf of LME Clear;  |
| "Default Rules"                | means Rule 10 ( <i>Default</i> ) and the Default Procedures;  |
| "Designated System"            | means the standardised formal arrangements, common rules and procedures, as set out in the Rules (including the Settlement Finality Procedures and the other Procedures) and service descriptions published by LME Clear and other functionality (in each case as amended from time to time) which: <ul style="list-style-type: none"> <li>(a) enable LME Clear in operating its Secure Payment System (or otherwise) to give instructions to transfer to Members amounts of money on the accounts of certain Approved Settlement Banks;</li> <li>(b) enable LME Clear in operating the Secure Payment System (or otherwise) to give instructions on behalf of Members and to transfer to LME Clear amounts of money on the accounts of certain Approved Settlement Banks;</li> <li>(c) enable LME Clear to give instructions to its Concentration Banks to transfer amounts of money on the accounts of such Concentration Banks to Approved Settlement Banks;</li> <li>(d) enable LME Clear to give instructions to Custodians or Securities Systems Operators or Securities Account Operators to transfer, or arrange the transfer, of title to, or interest in, securities and cash;</li> <li>(e) enable LME Clear to become central</li> </ul> |



## Settlement Finality Procedure

|                                      |  |
|--------------------------------------|--|
|                                      | counterparty to Members in respect of Transactions;  |
|                                      | (f) enable LME Clear to centrally clear Contracts that correspond to Underlying Client Trades;   |
|                                      | (g) enable LME Clear and Members to fulfil obligations they incur in respect of Contracts;   |
|                                      | (h) enable transfers, assignments and novations of Contracts between Members (and the corresponding transfer of Collateral and Positions between the Accounts of such Members) in accordance with the Rules, including following a Default Event and, without limitation, pursuant to the exercise by one or more Clients of Porting Rights; and   |
|                                      | (i) facilitate supplementary and incidental matters relating to the performance or discharge of obligations in respect of Contracts and the collection and payment of amounts due under the Rules;   |
| <b>"Payment Transfer Order"</b>      | has the meaning set out in the Settlement Finality Regulations;  |
| <b>"Participant"</b>                 | means any of the following: <ul style="list-style-type: none"> <li>(a) LME Clear;</li> <li>(b) each Member;</li> <li>(c) each Approved Settlement Bank; or</li> <li>(d) each Concentration Bank,</li> </ul> that are "participants" (as defined in the Settlement Finality Regulations) in the Designated System (and this Settlement Finality Procedure shall apply equally to any insolvency practitioner appointed for, or having powers in respect of, a Participant); |
| <b>"Porting Rights"</b>              | means a right to have a Transfer effected pursuant to Rule 10.7 ( <i>Portability of Client Accounts</i> );   |
| <b>"Securities Account Operator"</b> | means a bank or other financial institution which provides account operator services to LME Clear in respect of accounts maintained by LME Clear with a Securities System Operator;  |
| <b>"Securities Account Operator"</b> | means an agreement between LME Clear and a   |



## Settlement Finality Procedure

|  |   |
|--|---|
| <b>"Agreement"</b>                     | Securities Account Operator pursuant to which the Securities Account Operator agrees to perform account operator services for LME Clear in respect of one or more accounts maintained by LME Clear with a Securities System Operator;   |
| <b>"Settlement Bank Agreement"</b>     | means an agreement between LME Clear and an Approved Settlement Bank pursuant to which the Approved Settlement Bank is authorised to participate in the Secure Payment System;  |
| <b>"Settlement Finality Directive"</b> | means Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems (as subsequently amended and as may be further amended from time to time);  |
| <b>"Securities System Operator"</b>    | <p>means:</p> <ul style="list-style-type: none"> <li>(a) the operator of a relevant system within the meaning of the Uncertificated Securities Regulations 2001;</li> <li>(b) the operator of a securities depository or securities settlement system in the UK or any other jurisdiction;</li> </ul> <p>and includes, without limitation, Euroclear UK &amp; Ireland and Euroclear Bank;</p> |
| <b>"Securities System Terms"</b>       | means the terms of business or agreement pursuant to which LME Clear is permitted to use the securities depository or securities settlement systems of a Securities Systems Operator;   |
| <b>"Securities Transfer Order"</b>     | has the meaning set out in the Settlement Finality Regulations; and   |
| <b>"Transfer Order"</b>                | means a Securities Transfer Order or a Payment Transfer Order.  |

## Settlement Finality Procedure

## 3. SPECIFICATION OF TRANSFER ORDERS FOR THE PURPOSE OF THE SETTLEMENT FINALITY REGULATIONS

|     | 1. TRANSFER ORDER         | 2. TYPE OF TRANSFER ORDER | 3. TIME "ENTERED INTO THE DESIGNATED SYSTEM" | 4. TIME FROM WHICH IRREVOCABLE | 5. NOTES   |
|-----|---------------------------|---------------------------|--|--------------------------------|--|
| 3.1 | Acceptance of Transaction | Payment Transfer Order    | Upon Acceptance                              | The Acceptance Time            | <p>1. A Transaction that is Accepted under Rule 6 gives rise:</p> <ul style="list-style-type: none"> <li>(a) to one or more Payment Obligations pursuant to Rule 7 and the Clearing Procedure,</li> <li>(b) to Contracts formed between the Member and LME Clear in accordance with Rule 6.</li> </ul> <p>2. Acceptance is deemed to occur upon satisfaction of the Acceptance Criteria, at the time specified in Clearing Procedure B 3.1, and the time of such Acceptance shall be the Acceptance Time, in accordance with Rule 6.4.3.</p> <p>3. A Transfer Order in respect of a Transaction shall become irrevocable from the Acceptance Time.</p> <p>4. A Transfer Order in respect of a Transaction shall include:</p> <ul style="list-style-type: none"> <li>(a) the Payment Obligations under any Contract that arises pursuant to the Acceptance of such Transaction; and</li> <li>(b) (where any netting, aggregation or compression process is applied to any Contract under the operation of the Rules), the Payment Obligations under the Contract that is in force following the application of such process, including for the avoidance of doubt any Post-Compression Contract.</li> </ul> |

## Settlement Finality Procedure

|     | 1. TRANSFER ORDER   | 2. TYPE OF TRANSFER ORDER | 3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"  | 4. TIME FROM WHICH IRREVOCABLE   | 5. NOTES   |
|-----|---|---------------------------|---|--|--|
| 3.2 | Instruction by LME Clear to an Approved Settlement Bank to pay to LME Clear a Cash Settlement on behalf of a Member             | Payment Transfer Order    | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Rules, used by LME Clear to transmit the instruction to the Participant. | The time at which the Approved Settlement Bank sends to LME Clear a SWIFT credit confirmation message (by SWIFT message type MT910) or otherwise confirms to LME Clear that such payment will be, or has been, made. | <p>1. The instruction shall be to transfer to LME Clear an amount of money to be debited from an account of the Member with the Approved Settlement Bank and credited to an account of LME Clear with the Approved Settlement Bank.</p> <p>2. The transfer of money shall be to discharge an obligation of the Member to make a Cash Settlement to LME Clear under the Rules.</p> <p>3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Settlement Bank Agreement between LME Clear and the Approved Settlement Bank.</p> |
| 3.3 | Instruction by LME Clear to an Approved Settlement Bank to pay to a Member a Cash Settlement on behalf of LME Clear             | Payment Transfer Order    | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Rules, used by LME Clear to transmit the instruction to the Participant. | The time at which the Approved Settlement Bank sends to LME Clear a SWIFT debit confirmation message (by SWIFT message type MT900) or otherwise confirms to LME Clear that such payment will be, or has been, made.  | <p>1. The instruction shall be to transfer to a Member an amount of money to be debited from an account of LME Clear with the Approved Settlement Bank and credited to an account of the Member with the Approved Settlement Bank.</p> <p>2. The transfer of money shall be to discharge an obligation of LME Clear to make a Cash Settlement to the Member under the Rules.</p> <p>3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Settlement Bank Agreement between LME Clear and the Approved Settlement Bank.</p>  |
| 3.4 | The transfer of Cash Collateral by LME Clear from a Defaulting Member to another Member pursuant to LME Clear's exercise of its | Payment Transfer Order    | The time of the transfer in accordance with the Rules.  | The time at which LME Clear's books and records are updated as a result of a successful  | 1. The transfer may occur as a consequence of Rule 10.7 ( <i>Portability of Client Accounts</i> ) or otherwise pursuant to Rule 10 ( <i>Default</i> ) or the Default Procedures.   |

## Settlement Finality Procedure

|     | 1. TRANSFER ORDER  | 2. TYPE OF TRANSFER ORDER | 3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"  | 4. TIME FROM WHICH IRREVOCABLE  | 5. NOTES   |
|-----|--|---------------------------|---|---|--|
|     | powers under the Default Rules.  |                           |   | transfer of the Collateral.   |  |
| 3.5 | Instruction by LME Clear to an Approved Settlement Bank to transfer to a Defaulting Member or its insolvency practitioner an amount of money to be paid to the Defaulting Member or its insolvency practitioner pursuant to the Default Rules. | Payment Transfer Order    | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Rules, used by LME Clear to transmit the instruction to the Participant. | The time at which the Approved Settlement Bank sends to LME Clear a SWIFT debit confirmation message (by SWIFT message type MT900) or otherwise confirms to LME Clear that such payment will be, or has been, made. | <p>1. The instruction shall be to transfer to a Member an amount of money to be debited from an account of LME Clear with the Approved Settlement Bank and credited to:</p> <p>(a) an account of the Member with the Approved Settlement Bank; or</p> <p>(b) such alternative bank account as is specified by the insolvency practitioner appointed in respect of the Defaulting Member for the receipt of such sums.</p> <p>2. The transfer of money shall be to discharge an obligation of LME Clear under the Rules to pay to a Defaulting Member any cash sum following the calculation of the final net settlement in respect of that Defaulting Member.</p> <p>3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Settlement Bank Agreement between LME Clear and the Approved Settlement Bank.</p> |
| 3.6 | Instruction by LME Clear to a Concentration Bank to transfer an amount of money to an account of LME Clear with an Approved Settlement Bank.   | Payment Transfer Order    | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Concentration Bank Agreement,  | The time at which the Concentration Bank sends to LME Clear a SWIFT debit confirmation message or otherwise confirms to LME Clear that such payment will be, or has been, made.                                     | <p>1. The instruction shall be to transfer to LME Clear or the Cash Investment Agent an amount of money to be debited from an account of LME Clear with the Concentration Bank and credited to an account of LME Clear with an Approved Settlement Bank.</p> <p>2. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Concentration Bank Agreement between LME Clear and</p>   |

## Settlement Finality Procedure

|     | 1. TRANSFER ORDER   | 2. TYPE OF TRANSFER ORDER | 3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"  | 4. TIME FROM WHICH IRREVOCABLE  | 5. NOTES   |
|-----|---|---------------------------|---|---|--|
|     |   |                           | used by LME Clear to transmit the instruction to the Participant.   |   | the Concentration Bank.  |
| 3.7 | Instruction by LME Clear to an Approved Settlement Bank to transfer an amount of money to an account of LME Clear at a Concentration Bank nominated by LME Clear. | Payment Transfer Order    | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Settlement Bank Agreement, used by LME Clear to transmit the instruction to the Participant. | The time at which the Approved Settlement Bank sends to LME Clear a SWIFT debit confirmation message (by SWIFT message type MT900) or otherwise confirms to LME Clear that such payment will be, or has been, made. | <p>1. The instruction shall be to transfer to LME Clear an amount of money to be debited from an account of LME Clear with the Approved Settlement Bank and credited to an account of LME Clear with a Concentration Bank.</p> <p>2. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Settlement Bank Agreement between LME Clear and the Approved Settlement Bank.</p>  |
| 3.8 | Instruction by LME Clear to a Custodian to transfer to LME Clear or a Member an amount of money to be debited from an account of LME Clear with the Custodian.    | Payment Transfer Order    | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Custody Agreement, used by LME Clear to transmit the instruction to the Participant.         | The time at which the Custodian sends to LME Clear a SWIFT debit confirmation message or otherwise confirms to LME Clear that such payment will be, or has been, made.  | <p>1. The instruction shall be to transfer to LME Clear or a Member an amount of money to be debited from an account of LME Clear with the Custodian and credited to:</p> <ul style="list-style-type: none"> <li>(a) an account of LME Clear with a Concentration Bank or an Approved Settlement Bank; or</li> <li>(b) an account of a Member with an Approved Settlement Bank.</li> </ul> <p>2. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Custody Agreement between LME Clear and the Custodian.</p> |

## Settlement Finality Procedure

|      | 1. TRANSFER ORDER   | 2. TYPE OF TRANSFER ORDER | 3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"   | 4. TIME FROM WHICH IRREVOCABLE   | 5. NOTES  |
|------|---|---------------------------|--|--|---|
| 3.9  | Instruction by LME Clear to a Securities System Operator, directly or via a Securities Account Operator acting on LME Clear's behalf, to transfer an amount of money to an account of LME Clear at an Approved Settlement Bank or a Concentration Bank. | Payment Transfer Order    | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Securities Account Operator Agreement or Securities System Terms (as applicable), used by LME Clear to transmit the instruction to the Participant. | The time at which the Securities System Operator or Securities Account Operator (as applicable) sends to LME Clear a SWIFT debit confirmation message or otherwise confirms to LME Clear that such payment will be, or has been, made. | <p>1. The instruction shall be to transfer to LME Clear an amount of money to be debited from a cash account of LME Clear with the Securities System Operator and credited to an account of LME Clear with a Concentration Bank or an Approved Settlement Bank.</p> <p>2. The instruction may be given by SWIFT message or by any other means specified in, or permitted by (as applicable):</p> <p>(a) the Securities Account Operator Agreement between LME Clear and the Securities Account Operator; or</p> <p>(b) Securities System Terms between LME Clear and the Securities Account Operator.</p> |
| 3.10 | Instruction by a Member for Automatic Compression, which takes effect as a standing instruction pursuant to a Compression Request   | Payment Transfer Order    | The cut-off time for the cancellation of the proposed Compression Run, as set out in the DSS.  | The Compression Time.  | <p>1. The instruction shall be to modify the existing Payment Transfer Order that is described in paragraph 3.1 above, in order to give effect to Compression.</p> <p>2. Nothing in this Settlement Finality Procedure shall oblige LME Clear to implement a Compression in accordance with any instruction from a Member upon or following the occurrence of a Default Event in respect of that Member.</p>  |
| 3.11 | Instruction by a Member for Manual or File Based Compression  | Payment Transfer Order    | The time at which the Member submits its request for Compression via the LMEmercury GUI.   | The Compression Time.  | <p>1. The instruction shall be to modify the existing Payment Transfer Order that is described in paragraph 3.1 above, in order to give effect to Compression.</p> <p>2. Nothing in this Settlement Finality Procedure shall oblige LME Clear to implement a Compression in accordance with any instruction from a Member upon or</p>   |

## Settlement Finality Procedure

|      | 1. TRANSFER ORDER   | 2. TYPE OF TRANSFER ORDER | 3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"  | 4. TIME FROM WHICH IRREVOCABLE  | 5. NOTES  |
|------|---|---------------------------|---|---|---|
|      |   |                           |   |   | following the occurrence of a Default Event in respect of that Member.  |
| 3.12 | <p>Instruction by LME Clear to:</p> <p>(a) a Custodian or Securities System Operator to receive title to, or interest in, Eligible Securities from an account of a Member; or</p> <p>(b) a Securities Account Operator, acting on behalf of LME Clear, to facilitate that the Securities System Operator shall receive title to, or interest in, Eligible Securities from an account of a Member.</p> | Securities Transfer Order | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable), used by LME Clear to transmit the instruction to the Participant. | The time at which the Eligible Securities are transferred to an account in respect of which LME Clear is legally or beneficially entitled or the time at which the Custodian, Securities System Operator or Securities Account Operator confirms to LME Clear by SWIFT message or other form of confirmation permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable) that such transfer will be made or that such transfer has been made (whichever is the earlier). | <p>1. The transfer of Eligible Securities shall be from an account of the Member with a Custodian or a Securities System Operator to an account of LME Clear with a Custodian or a Securities System Operator and shall be recorded by book transfer by the Custodian or securities settlement by the Securities System Operator.</p> <p>2. Such transfers of Eligible Securities will arise pursuant to the provision by a Member of Securities Collateral pursuant to and in accordance with the Rules, whether by substitution for Cash Collateral or otherwise.</p> <p>3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by (as applicable):</p> <p>(a) the Custody Agreement between LME Clear and the Custodian;</p> <p>(b) the Securities Account Operator Agreement between LME Clear and the Securities Account Operator; or</p> <p>(c) Securities System Terms between LME Clear and the Securities Account Operator.</p> |
| 3.13 | <p>Instruction by LME Clear to:</p> <p>(a) a Custodian or Securities System Operator to transfer the title to, or</p>   | Securities Transfer Order | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any   | The time at which the Eligible Securities are transferred from an account in respect of which LME Clear is legally or beneficially  | 1. The transfer of Eligible Securities shall be from an account of LME Clear with a Custodian or a Securities System Operator to an account of the Member with a custodian or a Securities System Operator and shall be recorded by book transfer by the Custodian or securities  |

## Settlement Finality Procedure

|      | 1. TRANSFER ORDER  | 2. TYPE OF TRANSFER ORDER | 3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"  | 4. TIME FROM WHICH IRREVOCABLE  | 5. NOTES  |
|------|--|---------------------------|---|---|---|
|      | <p>interest in, Eligible Securities from an account of LME Clear to an account of a Member; or</p> <p>(b) a Securities Account Operator, acting on behalf of LME Clear, to facilitate that the Securities System Operator shall transfer the title to, or interest in, Eligible Securities from an account of LME Clear to an account of a Member.</p> |                           | other communication mechanism permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable), used by LME Clear to transmit the instruction to the Participant. | entitled or, if it is later, the time at which the Custodian, Securities System Operator or Securities Account Operator confirms to LME Clear by SWIFT message or other form of confirmation permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable) that such transfer has been made. | <p>settlement by the Securities System Operator.</p> <p>2. Such transfers of Eligible Securities will arise pursuant to the return by LME Clear to a Member of Securities Collateral pursuant to and in accordance with the Rules.</p> <p>3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by (as applicable):</p> <p>(a) the Custody Agreement between LME Clear and the Custodian; or</p> <p>(b) the Securities Account Operator Agreement between LME Clear and the Securities Account Operator; or</p> <p>(c) Securities System Terms between LME Clear and the Securities Account Operator.</p> |
| 3.14 | The transfer of Securities Collateral by LME Clear from a Defaulting Member to another Member pursuant to LME Clear's exercise of its powers under the Default Rules.  | Securities Transfer Order | The time of the transfer in accordance with the Rules.  | The time at which LME Clear's books and records are updated as a result of a successful transfer of the Collateral.   | The transfer may occur as a consequence of Rule 10.7 ( <i>Portability of Client Accounts</i> ) or otherwise pursuant to Rule 10 ( <i>Default</i> ) or the Default Procedures.   |
| 3.15 | <p>Instruction by LME Clear to:</p> <p>(a) a Custodian or Securities System Operator to transfer the title to, or interest in, Eligible Securities from an</p>   | Securities Transfer Order | The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication   | The time at which the Eligible Securities are transferred from an account in respect of which LME Clear is legally or beneficially entitled or, if it is later, the   | 1. The transfer of Eligible Securities shall be from an account of LME Clear with a Custodian or a Securities System Operator to an account of the Defaulting Member or its insolvency practitioner with a Custodian or a Securities System Operator and shall be recorded by book transfer by the Custodian or securities settlement by  |



## Settlement Finality Procedure

|  | 1. TRANSFER ORDER  | 2. TYPE OF TRANSFER ORDER | 3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"   | 4. TIME FROM WHICH IRREVOCABLE  | 5. NOTES  |
|--|--|---------------------------|--|---|---|
|  | <p>account of LME Clear to an account of a Defaulting Member or its insolvency practitioner pursuant to the Default Rules; or</p> <p>(b) a Securities Account Operator, acting on behalf of LME Clear, to facilitate that the Securities System Operator shall transfer the title to, or interest in, Eligible Securities from an account of LME Clear to an account of a Defaulting Member or its insolvency practitioner pursuant to the Default Rules</p> |                           | <p>mechanism permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable), used by LME Clear to transmit the instruction to the Participant.</p> | <p>time at which the Custodian, Securities System Operator or Securities Account Operator confirms to LME Clear by SWIFT message or other form of confirmation permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable) that such transfer has been made.</p> | <p>the Securities System Operator.</p> <p>2. The transfer of Eligible Securities shall be to discharge an obligation of LME Clear under the Rules to return to a Defaulting Member any Securities Collateral following the calculation of the final net settlement in respect of that Defaulting Member.</p> <p>3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by (as applicable):</p> <ul style="list-style-type: none"> <li>(a) the Custody Agreement between LME Clear and the Custodian;</li> <li>(b) the Securities Account Operator Agreement between LME Clear and the Securities Account Operator; or</li> <li>(c) Securities System Terms between LME Clear and the Securities Account Operator.</li> </ul> |

## Settlement Finality Procedure

**4. PROHIBITION ON REVOCATION OF TRANSFER ORDERS**

No Participant (or any insolvency practitioner appointed in relation to the Participant) may revoke or purport to revoke any Transfer Order, which shall be binding on all such persons, after the time specified in section 3 above as being the time when such Transfer Order becomes irrevocable.

**5. GENERAL OBLIGATIONS OF MEMBERS AS PARTICIPANTS**

5.1 Members of LME Clear are Participants in the Designated System under the Settlement Finality Regulations.

5.2 Members must:

- (a) comply with the Settlement Finality Regulations and Part VII;
- (b) facilitate compliance by LME Clear with the requirements of the Settlement Finality Regulations and Part VII; and
- (c) comply with any action taken by LME Clear pursuant to the Settlement Finality Regulations and Part VII.

**6. PROVISION OF INFORMATION**

6.1 A Participant must, within fourteen (14) days of being requested to do so by any person, and upon payment of a reasonable charge, provide to any person who requests it:

- (a) details of the systems which are designated for the purposes of the Settlement Finality Directive in which the Participant participates; and
- (b) information about the main rules of governing the functioning of those systems.

6.2 A Participant shall not be required to provide information to a person pursuant to section 6.1 above where the request is frivolous or vexatious.

6.3 Each Participant shall promptly provide to LME Clear such information as LME Clear may reasonably require from time to time in order to meet its obligations as operator of the Designated System under the Settlement Finality Regulations.

**7. NOTIFICATION OF INSOLVENCY EVENTS**

7.1 A Participant shall forthwith notify LME Clear and the Bank of England in the event that:

- (a) a creditors' voluntary resolution is passed in respect of the Participant;
- (b) a trust deed granted by the Participant becomes a protected trust deed; or
- (c) any analogous event occurs in respect of the Participant under the laws of a jurisdiction other than England and Wales.

7.2 Any notice given to LME Clear under this provision shall be given in writing addressed to the General Counsel, and shall be sent by first class pre-paid recorded delivery post or hand delivered to the following address:

LME Clear Limited  
10 Finsbury Square

## Settlement Finality Procedure

London EC2A 1AJ  
United Kingdom

- 7.3 Any notice given to the Bank of England under this provision shall be sent by first class pre-paid recorded delivery post or hand delivered to the following address:

Manager of the Payment Systems Oversight Financial Resilience Division  
Bank of England  
Threadneedle Street  
London EC2R 8AH

**LME CLEAR LIMITED**

**ANNEXES**

## Annex 1

**ANNEX 1 – ELIGIBLE PRODUCTS****1. INTRODUCTION****1.1** This Annex 1:

- (a) sets out the list of Eligible Products that are eligible to be cleared via the Clearing System and the Product Specifications in respect of each such Eligible Product; and
- (b) specifies which Eligible Products are Eligible Compressible Contracts for the purposes of Rule 12 (*Compression*).

**1.2** The Eligible Products are:

- (a) The following LME Base Products:

|       | <b>Eligible Product</b>                           | <b>Paragraph containing Contract Specifications</b> |
|-------|---|---|
| (i)   | LME Exchange Traded Forwards                      | Paragraph 2.2                                       |
| (ii)  | LME Exchange Traded Futures                       | Paragraph 2.3                                       |
| (iii) | LME Exchange Traded American Options              | Paragraph 2.4                                       |
| (iv)  | LME Exchange Traded Average Price Options (TAPOs) | Paragraph 2.5                                       |
| (v)   | LME Exchange Traded Monthly Average Futures       | Paragraph 2.6                                       |

- (b) The following LMEprecious Products:

|      | <b>Eligible Product</b> | <b>Paragraph containing Contract Specifications</b> |
|------|-------------------------|---|
| (i)  | LMEprecious Futures     | Paragraph 3.2                                       |
| (ii) | LMEprecious Options     | Paragraph 3.3                                       |

**1.3** In section 2 of this Annex 1, capitalised terms that are not defined in these Rules shall have the same meaning given in the LME Rules.**1.4** The following Eligible Products are Eligible Compressible Contracts, and are therefore capable of compression, for the purposes of Rule 12 (*Compression*):

- (a) LME Exchange Traded Forwards; and
- (b) LME Exchange Traded Monthly Average Futures.

## Annex 1

2. **LME BASE PRODUCTS**2.1 **General**

- (a) The Approved Transaction Platform for all LME Base Products is LMEsmart.
- (b) USD is the nominated Base Currency for all LME Base Products.
- (c) The full Product Specifications of the LME Base Products are determined by the LME Rules and the notices issued by LME under the LME Rules. For ease of reference a representation of these Product Specifications is provided in this paragraph 2.

2.2 **LME Exchange Traded Forwards**(a) **Non-Ferrous Metals****Individual Metal parameters for Non-Ferrous Metals**

| <b>Metal</b>                                    | <b>Product ID (Code)</b> | <b>Lot Size</b>  |
|---|--------------------------|------------------|
| Aluminium Alloy                                 | AA                       | 20 metric tonnes |
| High Grade Primary Aluminium                    | AH                       | 25 metric tonnes |
| North American Special Aluminium Alloy (NASAAC) | NA                       | 20 metric tonnes |
| Copper Grade A                                  | CA                       | 25 metric tonnes |
| Primary Nickel                                  | NI                       | 6 metric tonnes  |
| Standard Lead                                   | PB                       | 25 metric tonnes |
| Tin   | SN                       | 5 metric tonnes  |
| Special High Grade Zinc                         | ZS                       | 25 metric tonnes |

**Prompt Date Structure**

| <b>Metal</b> | <b>Daily</b>            | <b>Weekly (Wednesdays)</b>        | <b>Monthly (third (3<sup>rd</sup>) Wednesday)</b>             | <b>Monthly (second (2<sup>nd</sup>) Business Day)</b> |
|--------------|-------------------------|-----------------------------------|---|---|
| AH, CA       | TOM to three (3) months | Four (4) months to six (6) months | Seven (7) months to one hundred and twenty-three (123) months | Four (4) months to twenty-four (24) months            |
| NI, ZS       | TOM to three (3) months | Four (4) months to six (6) months | Seven (7) months to sixty-three (63) months                   | Four (4) months to twenty-four (24) months            |

## Annex 1

|        |                         |                                   |  |  |
|--------|-------------------------|-----------------------------------|--|--|
| PB     | TOM to three (3) months | Four (4) months to six (6) months | Seven (7) months to sixty-three (63) months  | Four (4) months to fifteen (15) months     |
| AA, NA | TOM to three (3) months | Four (4) months to six (6) months | Seven (7) months to twenty-seven (27) months | Four (4) months to twenty-four (24) months |
| SN     | TOM to three (3) months | Four (4) months to six (6) months | Seven (7) months to fifteen (15) months      | Four (4) months to fifteen (15) months     |

## Annex 1

**Common parameters for Non-Ferrous Metals**

| Parameter              | Definition   |
|------------------------|--|
| Settlement Currency    | EUR, GBP, JPY or USD   |
| Price Quotation        | USD per metric tonne.  |
| Minimum Price Movement | For trades in EUR, GBP or USD = 0.01<br>For trades in JPY = 1.   |
| Last Submission Date   | The Last Submission Date is one (1) good LME Business Day prior to the Prompt Date.  |
| Trade Submission       | For trades in EUR, GBP or USD, any good LME Business Day up to 13:30 hours on the Last Submission Date.<br>For trades in JPY, any good LME Business Day up to 20:00 hours on the day preceding the Last Submission Date. |
| Prompt Date            | The Settlement Business Day on which the Contract is to be settled.  |
| Closing Valuations     | LME Closing Price.   |
| Margin Model           | Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.  |
| Settlement Type        | Physical - as LME Warrants   |
| Settlement Price       | LME Settlement Price.  |
| Metal Settlement       | LME Warrants through LMEsword as per LME Rules   |
| Currency Settlement    | Through Secure Payment Systems   |

(b) **Minor Metals****Individual Metal parameters for Minor Metals**

| Metal      | Product ID (Code) | Lot Size        |
|------------|-------------------|-----------------|
| Cobalt     | CO                | 1 metric tonne  |
| Molybdenum | MO                | 6 metric tonnes |



## Annex 1

**Prompt Date Structure**

| <b>Metal</b> | <b>Daily</b>            | <b>Weekly (Wednesdays)</b>        | <b>Monthly (third (3<sup>rd</sup>) Wednesday)</b> |
|--------------|-------------------------|-----------------------------------|---|
| CO, MO       | TOM to three (3) months | Four (4) months to six (6) months | Seven (7) months to fifteen (15) months           |

**Common parameters for Minor Metals**

| <b>Parameter</b>       | <b>Definition</b>  |
|------------------------|--|
| Settlement Currency    | EUR, GBP, JPY or USD   |
| Price Quotation        | USD per metric tonne.  |
| Minimum Price Movement | For trades in EUR, GBP or USD = 0.01<br>For trades in JPY = 1.   |
| Last Submission Date   | The Last Submission Date is one good LME Business Day prior to the Prompt Date.  |
| Trade Submission       | For trades in EUR, GBP or USD, any good LME Business Day up to 13:30 hours on the Last Submission Date.<br>For trades in JPY, any good LME Business Day up to 20:00 hours on the day preceding the Last Submission Date. |
| Prompt Date            | The Settlement Business Day on which the Contract is to be settled.  |
| Closing Valuations     | LME Closing Price.   |
| Margin Model           | Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.  |
| Settlement Type        | Physical - as LME Warrants.  |
| Settlement Price       | LME Settlement Price.  |
| Metal Settlement       | LME Warrants through LMEsword as per LME Rules   |
| Currency Settlement    | Through Secure Payment System  |

(c) **Steel** *[Contract not currently available]***Parameters for Steel** *[Contract not currently available]*

| <b>Metal</b> | <b>Product ID (Code)</b> | <b>Lot Size</b>  |
|--------------|--------------------------|------------------|
| Steel Billet | FM                       | 65 metric tonnes |

## Annex 1

**Prompt Date Structure** *[Contract not currently available]*

| <b>Metal</b> | <b>Daily</b>            | <b>Weekly<br/>(Wednesdays)</b>    | <b>Monthly (third (3<sup>rd</sup>)<br/>Wednesday)</b> |
|--------------|-------------------------|-----------------------------------|---|
| FM           | TOM to three (3) months | Four (4) months to six (6) months | Seven (7) months to fifteen (15) months               |

**Common parameters for Steel** *[Contract not currently available]*

| <b>Parameter</b>       | <b>Definition</b>   |
|------------------------|---|
| Settlement Currency    | USD   |
| Price Quotation        | USD per metric tonne.   |
| Minimum Price Movement | USD = 0.01  |
| Last Submission Date   | The Last Submission Date is one (1) good LME Business Day prior to the Prompt Date.                                       |
| Trade Submission       | Any good LME Business Day up to 13:30 hours on the Last Submission Date.  |
| Prompt Date            | The Settlement Business Day on which the Contract is to be settled.   |
| Closing Valuations     | LME Closing Price.  |
| Margin Model           | Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C. |
| Settlement Type        | Physical - as LME Warrants.   |
| Settlement Price       | LME Settlement Price.   |
| Metal Settlement       | LME Warrants through LMEsword as per LME Rules.   |
| Currency Settlement    | Through Secure Payment Systems  |

**(d) LME Aluminium Premium Contracts****Individual Metal parameters for LME Aluminium Premium Contracts**

| <b>Metal</b>                             | <b>Product ID<br/>(Code)</b> | <b>Lot Size</b>  |
|--|------------------------------|------------------|
| LME US Aluminium Premium                 | AN                           | 25 metric tonnes |
| LME Western Europe Aluminium Premium     | AW                           | 25 metric tonnes |
| LME Eastern Asia Aluminium Premium       | AE                           | 25 metric tonnes |
| LME South-Eastern Asia Aluminium Premium | AS                           | 25 metric tonnes |

## Annex 1

**Prompt Date Structure**

| <b>Metal</b>  | <b>Monthly</b>                     |
|---|------------------------------------|
| High grade primary aluminium premium warrant in the designated region | Monthly out to fifteen (15) months |

**Common parameters for LME Aluminium Premium Contracts**

| Parameter              | Definition   |          |         |
|------------------------|--|----------|---------|
| Settlement Currency    | USD  |          |         |
| Price Quotation        | USD per metric tonne.  |          |         |
| Minimum Price Movement | Venue  | Outright | Carries |
|                        | Ring   | \$0.50   | \$0.01  |
|                        | LMEselect  | \$0.50   | \$0.01  |
|                        | LME Inter-Office Market  | \$0.01   | \$0.01  |
| Last Submission Date   | Two (2) Business Days before the third (3 <sup>rd</sup> ) Wednesday of the contract month trading in the expiring Contract.  |          |         |
| Trade Submission       | Any good LME Business Day up to 12:30 hours on the Last Submission Date.   |          |         |
| Prompt Date            | Third (3 <sup>rd</sup> ) Wednesday of each maturity month.   |          |         |
| Closing Valuations     | LME Closing Price.   |          |         |
| Margin Model           | Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.  |          |         |
| Settlement Type        | Physically delivered.<br><br><b>Seller provides:</b> LME Premium Warrant for aluminium in the designated Premium Warrant Jurisdiction.<br><br><b>Buyer provides:</b> A Settlement Payment comprising: <ul style="list-style-type: none"><li>any LME Warrant for aluminium;</li><li>PLUS the premium cash as agreed at contract formation;</li><li>LESS the premium aluminium Free On Truck charge at the Warehouse where the LME Premium Warrant for aluminium is delivered.</li></ul> |          |         |
| Settlement Price       | LME Settlement Price.  |          |         |

## Annex 1

|                     |                                 |
|---------------------|---------------------------------|
| Currency Settlement | Through Secure Payment Systems. |
|---------------------|---------------------------------|

## 2.3 LME Exchange Traded Futures

## (a) Non-Ferrous Metals – (LMEminis)

## Individual Metal parameters for Non-Ferrous Metals – LMEminis

| Metal                        | Product ID (Code) | Lot Size        |
|------------------------------|-------------------|-----------------|
| High Grade Primary Aluminium | MA                | 5 metric tonnes |
| Copper Grade A               | MC                | 5 metric tonnes |
| Special High Grade Zinc      | MZ                | 5 metric tonnes |

## Prompt Date Structure

| Metal      | Monthly              |
|------------|----------------------|
| MA, MC, MZ | Monthly to 12 months |

## Common parameters for Non-Ferrous Metals (LMEminis)

| Parameter              | Definition  |
|------------------------|---|
| Settlement Currency    | USD   |
| Price Quotation        | USD per metric tonne.   |
| Minimum Price Movement | USD = 0.01  |
| Last Submission Date   | The Last Submission Date is two (2) good LME Business Days prior to the Prompt Date.  |
| Trade Submission       | Any good LME Business Day up to 13:30 hours on the Last Submission Date.  |
| Prompt Date            | The Settlement Business Day on which the Contract is to be settled.<br>(Prompt Date is the third (3 <sup>rd</sup> ) Wednesday of the relevant month.) |
| Closing Valuations     | LME Closing Price. (Exclusive of the discount factor.)  |
| Margin Model           | Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.                             |
| Settlement Type        | Financial – as a difference to the Settlement Price on the Expiry Date  |
| Settlement Price       | LME Settlement Price.   |

## Annex 1

|                     |                                 |
|---------------------|---------------------------------|
| Currency Settlement | Through Secure Payment Systems. |
|---------------------|---------------------------------|

(c) **Cash-Settled Futures: Ferrous Metals****Individual Metal parameters for Ferrous Metals – Steel Scrap**

| Metal       | Product ID (Code) | Lot Size         |
|-------------|-------------------|------------------|
| Steel Scrap | SC                | 10 metric tonnes |

**Prompt Date Structure**

| Metal       | Daily | Weekly<br>(Wednesdays) | Monthly (3 <sup>rd</sup><br>Wednesday) | Monthly (last<br>Business Day of<br>the month) |
|-------------|-------|------------------------|--|--|
| Steel Scrap | N/A   | N/A                    | N/A                                    | Front month to<br>fifteen (15)<br>months       |

**Common parameters for Steel Scrap**

| Parameter              | Definition   |          |         |  |
|------------------------|--|----------|---------|--|
| Settlement Currency    | USD  |          |         |  |
| Price Quotation        | USD per metric tonne.  |          |         |  |
| Minimum Price Movement | Venue  | Outright | Carries |  |
|                        | Ring   | N/A      | N/A     |  |
|                        | LMeselect  | \$0.50   | \$0.01  |  |
|                        | LME Inter-Office Market  | \$0.01   | \$0.01  |  |
| Last Submission Date   | Last Business Day of the contract month until 16.30 hours London Time. |          |         |  |

## Annex 1

|                     |  |
|---------------------|--|
| Trade Submission    | Any good LME Business Day up to 16:30 hours on the Last Submission Date.   |
| Prompt Date         | The Business Day on which the Cash-Settled Future Final Settlement Price for Steel Scrap is determined, with settlement occurring on the next Settlement Business Day. |
| Cash Settlement     | Settlement Business Day following the Prompt Date  |
| Closing Valuations  | Cash-Settled Future Daily Settlement Price for Steel Scrap.  |
| Margin Model        | Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.  |
| Settlement Type     | Cash settlement.   |
| Settlement Price    | The Cash-Settled Future Final Settlement Price for Steel Scrap, determined in accordance with the LME Rules.   |
| Metal Settlement    | N/A  |
| Currency Settlement | Through Secure Payment Systems.  |

**Individual Metal parameters for Ferrous Metals – Steel Rebar**

| Metal       | Product ID (Code) | Lot Size         |
|-------------|-------------------|------------------|
| Steel Rebar | SR                | 10 metric tonnes |

**Prompt Date Structure**

| Metal       | Daily | Weekly<br>(Wednesdays) | Monthly<br>3 <sup>rd</sup> Wednesday | Monthly<br>(last Business Day of the month) |
|-------------|-------|------------------------|--------------------------------------|---|
| Steel Rebar | N/A   | N/A                    | N/A                                  | Front month to fifteen (15) months          |

**Common parameters for Steel Rebar**

| Parameter              | Definition            |          |         |  |
|------------------------|-----------------------|----------|---------|--|
| Settlement Currency    | USD                   |          |         |  |
| Price Quotation        | USD per metric tonne. |          |         |  |
| Minimum Price Movement | Venue                 | Outright | Carries |  |

## Annex 1

|                      |  |        |        |
|----------------------|--|--------|--------|
|                      | Ring   | N/A    | N/A    |
|                      | LMEselect  | \$0.50 | \$0.01 |
|                      | LME Inter-Office Market  | \$0.01 | \$0.01 |
| Last Submission Date | Last Business Day of the contract month until 16:30 hours London Time.   |        |        |
| Trade Submission     | Any good LME Business Day up to 16:30 hours on the Last Submission Date.   |        |        |
| Prompt Date          | The Settlement Business Day on which the Cash-Settled Future Final Settlement Price for Steel Rebar is determined.       |        |        |
| Closing Valuations   | Cash-Settled Future Daily Settlement Price for Steel Rebar.  |        |        |
| Margin Model         | Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C |        |        |
| Settlement Type      | Cash settlement.   |        |        |
| Settlement Price     | The Cash-Settled Future Final Settlement Price for Steel Rebar, determined in accordance with the LME Rules.             |        |        |
| Metal Settlement     | N/A  |        |        |
| Currency Settlement  | Through Secure Payment Systems.  |        |        |

(d) **LME Index**

The LME Rules (and in particular the "Special Contract Rules for the Construction of the Index" and the notices issued by the LME under the LME Rules) provide the weightings for the various constituent metals of the Index and provide the methodology for the calculation of the Index value.

**Prompt Date Structure**

| Product ID (Code) | Monthly                       |
|-------------------|-------------------------------|
| MX                | Monthly to twelve (12) months |

**Parameters**

| Parameter | Definition |
|-----------|------------|
|-----------|------------|

## Annex 1

|                        |  |
|------------------------|--|
| Lot Size               | USD10.00 per Index point   |
| Settlement Currency    | USD  |
| Price Quotation        | Index points.  |
| Minimum Price Movement | 0.01 Index point   |
| Last Submission Date   | The Last Submission Date is the Prompt Date.   |
| Trade Submission       | Any good LME Business Day up to 17:15 hours on the Last Submission Date.   |
| Prompt Date            | The second (2 <sup>nd</sup> ) Wednesday of the expiry month, which is a Settlement Business Day. Where such day is not a Settlement Business Day, the relevant provisions of the LME Rules shall apply to determine the valid Prompt Date. |
| Closing Valuations     | LME Closing Price.   |
| Margin Model           | Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.  |
| Settlement Type        | Financial – as a difference to the Index Settlement Price on the Prompt Date   |
| Settlement Price       | LME Index Settlement Price, (ISP).<br>(Note: ISP is based on Closing Price valuations and not morning Ring closes.)  |
| Currency Settlement    | Through Secure Payment System on the next good LME Settlement Business Day after the Prompt Date   |

## 2.4 LME Exchange Traded American Options

## Individual Metal parameters

| Metal   | Product ID (Code) | Lot Size         |
|---|-------------------|------------------|
| Aluminium Alloy                                 | AA                | 20 metric tonnes |
| High Grade Primary Aluminium                    | AH                | 25 metric tonnes |
| North American Special Aluminium Alloy (NASAAC) | NA                | 20 metric tonnes |
| Copper Grade A                                  | CA                | 25 metric tonnes |
| Primary Nickel                                  | NI                | 6 metric tonnes  |
| Standard Lead                                   | PB                | 25 metric tonnes |



## Annex 1

|                         |    |                  |
|-------------------------|----|------------------|
| Tin                     | SN | 5 metric tonnes  |
| Special High Grade Zinc | ZS | 25 metric tonnes |

**Prompt Date Structure**

| <b>Metal</b>   | <b>Monthly</b>                      |
|----------------|-------------------------------------|
| AH, CA         | Monthly to sixty-three (63) months  |
| AA, NA, NI, ZS | Monthly to twenty-seven (27) months |
| PB, SN         | Monthly to fifteen (15) months      |

**Common Parameters**

| <b>Parameter</b>  | <b>Definition</b>  |
|---|--|
| Option Type   | American, Physically Settling, Premium Up-front  |
| Settlement Currency                                     | EUR, GBP, JPY or USD   |
| Price Quotation   | USD per metric tonne.  |
| Minimum EUR & USD Strike Price Movements for all metals | EUR/USD 25 for strikes from EUR/USD 25 to EUR/USD 9,975<br>EUR/USD 50 for strikes from EUR/USD 10,000 to EUR/USD 19,950<br>EUR/USD 100 for all strikes over EUR/USD 20,000   |
| Minimum GBP Strike Price Movements                      | GBP 25 for strikes for AH, AA, NA & CA<br>GBP 20 for strikes for PB & ZS<br>GBP 50 for strikes for NI & SN   |
| Minimum JPY Strike Price Movements                      | JPY 10,000 for strikes from JPY 10,000 to JPY 390,000<br>JPY 20,000 for all strikes over JPY 400,000<br>For AH, AA, NA, CA & ZS<br>JPY 5,000 for strikes from JPY 5,000 to JPY 245,000<br>JPY 10,000 for all strikes over JPY 250,000<br>For PB<br>JPY 20,000 for all strikes over JPY 20,000<br>For NI & SN |
| Minimum Premium Price Movement                          | For trades in EUR, GBP or USD = 0.01<br>For trades in JPY = 10.  |
| Last Submission Date                                    | The Last Submission Date is one (1) good LME Business Day prior to the Expiry Date.  |
| Trade Submission  | Any good LME Business Day up to 18:15 hours on the Last Submission Date.   |
| Premium Settlement Date                                 | For trades in EUR, GBP or USD, first good LME Business Day after the Trade Date  |

## Annex 1

|                       |  |
|-----------------------|--|
|                       | For trades in JPY, second (2 <sup>nd</sup> ) good LME Business Day after the Trade Date  |
| Premium Settlement    | Through Secure Payment System.   |
| Closing Valuations    | LME Closing Price.   |
| Margin Model          | Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C   |
| Exercise Type         | Manual – between 07:30 hours and 11:15 hours on any good LME Business Day up to, and including, the Expiry Date.   |
| Expiry Date & Time    | 11:15 hours on the Last Declaration Day (as defined in the LME Rules).   |
| Underlying Instrument | The LME Exchange Traded Forward for Prompt Date the third (3 <sup>rd</sup> ) Wednesday of the relevant month (being the month in which the option is exercised), subject to the provisions of the LME Rules regarding the determination of valid Prompt Dates. |

## 2.5 LME Exchange Traded Average Price Options (TAPOs)

## Individual Metal parameters

| Metal   | Product ID (Code) | Lot Size         |
|---|-------------------|------------------|
| Aluminium Alloy                                 | AA                | 20 metric tonnes |
| High Grade Primary Aluminium                    | AH                | 25 metric tonnes |
| North American Special Aluminium Alloy (NASAAC) | NA                | 20 metric tonnes |
| Copper Grade A                                  | CA                | 25 metric tonnes |
| Primary Nickel                                  | NI                | 6 metric tonnes  |
| Standard Lead                                   | PB                | 25 metric tonnes |
| Tin   | SN                | 5 metric tonnes  |
| Special High Grade Zinc                         | ZS                | 25 metric tonnes |

## Prompt Date Structure

| Metal          | Monthly                             |
|----------------|-------------------------------------|
| AH, CA         | Monthly to sixty-three (63) months  |
| AA, NA, NI, ZS | Monthly to twenty-seven (27) months |
| PB, SN         | Monthly to fifteen (15) months      |

## Annex 1

**Common Parameters**

| <b>Parameter</b>               | <b>Definition</b>   |
|--------------------------------|---|
| Option Type                    | European, Physically Settling, Premium Up-front   |
| Settlement Currency            | USD   |
| Price Quotation                | USD per metric tonne.   |
| Minimum Strike Price Movements | USD 1.00  |
| Minimum Premium Price Movement | USD 0.01  |
| Last Submission Date           | The Last Submission Date is one (1) good LME Business Day prior to the Expiry Date.   |
| Trade Submission               | Any good LME Business Day up to 18:15 hours on the Last Submission Date.  |
| Premium Settlement Date        | First (1 <sup>st</sup> ) good LME Business Day after the Trade Date.  |
| Premium Settlement             | Through Secure Payment System.  |
| Closing Valuations             | LME Closing Price.  |
| Margin Model                   | Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C. (Please refer to Rule 6).   |
| Exercise Type                  | Automatic – all Positions that are USD0.01 or greater in the money when compared to the Exercise Reference Price will be exercised automatically by LME Clear at the Expiry Time.   |
| Exercise Reference Price       | Monthly Average Settlement Price, (MASP).   |
| Expiry Date & Time             | 15:00 hours on the Declaration Day as defined in the LME Rules.   |
| Underlying Instruments         | <p>Pair of LME Exchange Traded Forwards for Prompt Date the second (2<sup>nd</sup>) good LME Business Day of the month following the month of the Expiry Date. These Forwards are equal and opposite in all respects except one is created at the MASP and one is created at the Strike Price of the original option Position.</p> <p>In the case of an exercised Call Option the Taker will buy the Position from the Granter at the Strike Price and sell the position to the Granter at the MASP.</p> <p>In the case of an exercised Put Option the Taker will sell the Position to the Granter at the Strike Price and buy the Position from the Granter at the MASP.</p> |

**2.6 LME Exchange Traded Monthly Average Futures****Individual Metal parameters**

## Annex 1

| <b>Metal</b>                                    | <b>Product ID (Code)</b> | <b>Lot Size</b>  |
|---|--------------------------|------------------|
| Aluminium Alloy                                 | OL                       | 20 metric tonnes |
| High Grade Primary Aluminium                    | OA                       | 25 metric tonnes |
| North American Special Aluminium Alloy (NASAAC) | OM                       | 20 metric tonnes |
| Copper Grade A                                  | OC                       | 25 metric tonnes |
| Primary Nickel                                  | ON                       | 6 metric tonnes  |
| Standard Lead                                   | OP                       | 25 metric tonnes |
| Tin   | OS                       | 5 metric tonnes  |
| Special High Grade Zinc                         | OZ                       | 25 metric tonnes |

**Prompt Date Structure**

| <b>Metal</b>   | <b>Monthly</b>                      |
|----------------|-------------------------------------|
| AH, CA         | Monthly to sixty-three (63) months  |
| AA, NA, NI, ZS | Monthly to twenty-seven (27) months |
| PB, SN         | Monthly to fifteen (15) months      |

**Common Parameters**

| <b>Parameter</b>       | <b>Definition</b>   |
|------------------------|---|
| Settlement Currency    | USD   |
| Price Quotation        | USD per metric tonne.   |
| Minimum Price Movement | USD = 0.01  |
| Last Submission Date   | The Last Submission Date is the last good LME Business Day of the month that the Contract is due to expire.   |
| Trade Submission       | Any good LME Business Day up to 13:30 hours on the Last Submission Date.  |
| Prompt Date            | The second (2 <sup>nd</sup> ) Business Day of the month following the tradeable month, provided that such day is a Settlement Business Day. Where such day is not a Settlement Business Day, the relevant provisions of the LME Rules shall apply to determine the valid Prompt Date. |
| Closing Valuations     | LME Notional Average Price, (NAP).  |

## Annex 1

|                     |  |
|---------------------|--|
| Margin Model        | Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.                        |
| Settlement Type     | Financial – as a difference from the Monthly Average Settlement Price (MASP) for the relevant tradeable month for the relevant underlying metal. |
| Settlement Price    | LME Monthly Average Settlement Price, (MASP).  |
| Currency Settlement | Through Secure Payment System.   |

### 3. LMEPRECIOUS PRODUCTS

#### 3.1 General

- (a) The Approved Transaction Platform for all Transactions in LMEprecious Products is LMEsmart.
- (b) USD is the nominated Base Currency for LMEprecious Products.

#### 3.2 LMEprecious Futures

##### Prompt Date Structure for LMEprecious Futures

| Metal  | Daily   | Monthly (third (3 <sup>rd</sup> ) Wednesday)  | Calendar Quarterly (third (3 <sup>rd</sup> ) Wednesday of the last calendar month of the relevant Calendar Quarter)  | Notes  |
|--------|---|---|--|--|
| AU, AG | Each Daily Date from T+1 to T+25 (as determined in accordance with the LME Rules) | Each Monthly Date from M1 to either M24 or M25 (as determined in accordance with the LME Rules) | Each of the twelve (12) Quarterly Dates following the Monthly Dates (as determined in accordance with the LME Rules) | <p>The terms <math>T_n</math>, Daily Date, <math>M_n</math>, Monthly Date, Calendar Quarter and Quarterly Date shall be as defined in the LME Rules</p> <p>The Prompt Date structure specified in this table is more specifically described in the LME Rules</p> |

#### (a) LMEprecious Gold Future

| Parameter           | Definition           |
|---------------------|----------------------|
| Product ID (Code)   | AU                   |
| Settlement Currency | USD                  |
| Lot Size            | 100 fine troy ounces |

## Annex 1

|                           |   |  |
|---------------------------|---|--|
| Underlying Metal/Contract | Loco London Fine Gold (995.0)   |  |
| Price Quotation           | USD per fine troy ounce   |  |
| Minimum Price Movement    | LMEselect<br>\$0.100 per fine troy ounce – outright<br>\$0.001 per fine troy ounce - Carries  | LME Inter-Office Market<br>\$0.001 per fine troy ounce – outright or Carries |
| Last Submission Date      | The Last Submission Date is one (1) good LME Business Day prior to the Prompt Date.   |  |
| Trade Submission          | On a normal good LME Business Day between 01:00 hours - 20:00 hours and the Last Submission Date is one (1) good LME Business Day prior to the Prompt Date between 01:00 hours - 16:00 hours.   |  |
| Prompt Date Structure     | The Settlement Business Day on which the Contract is to be settled, as specified in the table "Prompt Date Structure for LMEprecious Futures" and the LME Rules.  |  |
| Closing Valuations        | LMEprecious Daily Settlement Price, as defined and determined in accordance with the LME Rules.   |  |
| Margin Model              | <p>Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.</p> <p>Following the determination of the LMEprecious Final Settlement Price for on the Business Day prior to settlement of the Contract, LME Clear shall collect Cash Contingent Variation Margin from the Member to cover the period until the settlement of the Contract actually occurs.</p> |  |
| Settlement Type           | Physical  |  |
| Settlement Price          | LMEprecious Final Settlement Price, as defined and determined in accordance with the LME Rules.   |  |
| Metal Settlement          | Seller transfers unallocated Gold to LME Clear account at its Precious Metal Clearer, and buyers receive unallocated Gold from LME Clear account at their Precious Metal Clearer  |  |

(b) **LMEprecious Silver Future**

| Parameter                 | Definition                                       |   |
|---------------------------|--|---|
| Product Code              | AG   |   |
| Settlement Currency       | USD  |   |
| Lot Size                  | 5000 troy ounces                                 |   |
| Underlying Metal/Contract | Loco London Fine Silver (999.0)                  |   |
| Price Quotation           | USD per troy ounce                               |   |
| Minimum Price Movement    | LMEselect<br>\$0.00500 per troy ounce – outright | LME Inter-Office Market<br>\$0.00001 per troy ounce – |

## Annex 1

|                       |   |                     |
|-----------------------|---|---------------------|
|                       | \$0.00001 per troy ounce - carries  | outright or carries |
| Last Submission Date  | The Last Submission Date is one (1) good LME Business Day prior to the Prompt Date.   |                     |
| Trade Submission      | On a normal good LME Business Day between 01:00 hours - 20:00 hours and the Last Submission Date is one (1) good LME Business Day prior to the Prompt Date between 01:00 hours - 16:00 hours.   |                     |
| Prompt Date Structure | The Settlement Business Day on which the Contract is to be settled, as specified in the table "Prompt Date Structure for LMEprecious Futures" and the LME Rules.  |                     |
| Closing Valuations    | LMEprecious Daily Settlement Price, as defined and determined in accordance with the LME Rules.   |                     |
| Margin Model          | <p>Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.</p> <p>Following the determination of the LMEprecious Final Settlement Price for on the Business Day prior to settlement of the Contract, LME Clear shall collect Cash Contingent Variation Margin from the Member to cover the period until the settlement of the Contract actually occurs.</p> |                     |
| Settlement Type       | Physical  |                     |
| Settlement Price      | LMEprecious Final Settlement Price, as defined and determined in accordance with the LME Rules.   |                     |
| Metal Settlement      | Seller transfers unallocated Silver to LME Clear account at its Precious Metal Clearer, and buyers receive unallocated Silver from LME Clear account at their Precious Metal Clearer  |                     |

## 3.3 LMEprecious Options

## Individual Precious Metal parameters

| Contract                  | Metal  | Underlying LMEprecious Future | Product ID (Code) | Lot Size             |
|---------------------------|--------|-------------------------------|-------------------|----------------------|
| LMEprecious Gold Option   | Gold   | LMEprecious Gold Future       | AU                | 100 fine troy ounces |
| LMEprecious Silver Option | Silver | LMEprecious Silver Future     | AG                | 5000 troy ounces     |

## Prompt Date Structure for LMEprecious Options

| Metal  | Monthly  |
|--------|--|
| AU, AG | Monthly to twenty four (24) months, as determined in accordance with the LME Rules |

## Common Parameters

## Annex 1

| Parameter   | Definition  |
|---|---|
| Option Type   | European, Physically Settling, Premium Up-front   |
| Settlement Currency   | USD   |
| Price Quotation   | USD per troy ounce.   |
| Minimum Strike Price Movements                                  | Gold: \$5 per fine troy ounce<br>Silver: \$0.25 per troy ounce  |
| Minimum Premium Price Movement                                  | Gold: \$0.01 per fine troy ounce<br>Silver: \$0.001 per troy ounce  |
| Last Submission Date (the Last Trading Day under the LME Rules) | The Last Submission Date is one (1) good LME Business Day prior to the Expiry Date.   |
| Trade Submission  | Any good LME Business Day up to 20:00 hours on the Last Submission Date.  |
| Premium Settlement Date   | Prior to 12:00 on the first (1 <sup>st</sup> ) good LME Business Day after the trade date.  |
| Premium Settlement  | Through Secure Payment System.  |
| Daily closing prices  | LMEC pricing model using LME option volatilities as an input.   |
| Margin Model  | Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.   |
| Exercise Type   | Automatic. Exercise creates between the Member and LME Clear an Open Contract representing an LMEprecious Future at the Strike Price for Prompt Date on the third Wednesday of the month of the Expiry Date of the original Option Contract.  |
| Exercise Reference Price  | The Settlement Price for the LMEprecious Option identified as the "Exercise Reference Price", in accordance with the LME Rules.   |
| Expiry Date & Time  | 15:02 hours on the LME Business Day falling two (2) good LME Business Days prior to the third (3 <sup>rd</sup> ) Wednesday of the month in which the Prompt Date for the underlying LMEprecious Future falls or, in the case of a postponement by the LME in accordance with the LME Rules, such other time specified by the LME. |
| Underlying Instruments  | LMEprecious Future in the same Precious Metal for Prompt Date the third (3 <sup>rd</sup> ) Wednesday of the relevant month (being the month in which the option is exercised), subject to the provisions of the LME Rules regarding the determination of valid Prompt Dates.  |

## Eligible Metal

Primary Aluminium (AH);

Grade A Copper (CA);



## Annex 1

Lead (PB);

Nickel (NI);

Tin (SN);

Zinc (ZS);

## Annex 2

### **ANNEX 2 – ELIGIBLE CURRENCIES, COLLATERAL AND HAIRCUTS**

Details of the eligible currencies, collateral and haircuts are available at the following link:

<http://www.lme.com/lme-clear/collateral-management/>

Annex 3

**ANNEX 3 – FEES AND CHARGES**

LME Clear's fees and charges are available at the following link:

<http://www.lme.com/lme-clear/fees/>

Annex 4

**ANNEX 4 – LIST OF AVAILABLE REPORTS**

The content of this Annex shall be as set out on the Website:

<http://www.lme.com/lme-clear/reports/>

## Annex 5

### **ANNEX 5 – MARGIN PARAMETERS**

The content of this Annex shall be as set out on the Website.

## Annex 6

**ANNEX 6 – CLIENT BUSINESS TERMS****Part A****Client Acknowledgement Form**

This Client Acknowledgement Form is entered into as an agreement between:

(A): \_\_\_\_\_ (entity name)  
 \_\_\_\_\_ (registered office address)  
 (the "**Client**")

and

(B): \_\_\_\_\_ (entity name)  
 \_\_\_\_\_ (registered office address)  
 (the "**Member**")

for the benefit of the Member and LME Clear Limited, a company incorporated in England and Wales (registered number 07611628), whose registered office is at 10 Finsbury Square, London EC2A 1AJ ("**LME Clear**").

Date: \_\_\_\_\_

**1. BACKGROUND**

- 1.1 The Member has agreed to clear trades with the Client that are effected on The London Metal Exchange or entered into a matching system operated by The London Metal Exchange. Such trades are subject to clearing by the appointed clearing house for The London Metal Exchange, LME Clear.
- 1.2 Terms defined in the rulebook of LME Clear (the "**Rules**") shall have the same meaning in this document.

**2. ACKNOWLEDGEMENT**

- 2.1 In agreeing to the use by the Member of LME Clear for the clearing of trades between the Client and the Member, the Client acknowledges and agrees with the Member (on behalf of itself and any Indirect Client in respect of which any Client Account is to be established by the Member for such Client) that:
- (a) in the event that LME Clear issues a Default Notice in respect of the Member, in accordance with Rule 10, LME Clear shall be entitled to act in accordance with its powers in Rule 10 and that:
    - (i) where the Client has submitted an Automatic Porting Designation Document in accordance with Rule 5 or a Porting Request Notice in accordance with Rule 10, LME Clear may seek to transfer any Open Contract relating to the Client (and any Indirect Client) and any associated Collateral to the Member Transferee nominated by the Client;

## Annex 6

- (ii) where permitted by Applicable Law and where LME Clear is not prevented from doing so by a court order or legal restriction applying to LME Clear, LME Clear may seek to deliver any surplus amount or Collateral on the Client Account to which the Client has been allocated to the Client subject to and in accordance with Rule 10.5.1(c);
- (iii) LME Clear shall be entitled to rely on the information provided by the Member in relation to the Client and the Positions and Collateral relating to such Client;
- (iv) LME Clear shall not be obliged to implement, or to act on any request to implement, the provisions of Rule 10.7 in respect of any Client Account the event that:
  - (1) LME Clear is not in receipt of complete and validly executed Automatic Porting Designation Documents or Porting Request Notices in respect of every Client allocated to the Client Account;
  - (2) a Member Transferee does not consent to the Transfer within the Porting Election Period in accordance with Rule 10.7;
  - (3) the Client (or any other Client allocated to that Client Account) is not an Identified Client, unless such Client becomes an Identified Client prior to the end of the Porting Election Period and all other conditions set out in Rule 10.7 and Default Procedure D are satisfied; or
  - (4) any condition to the Transfer, as set out in Rule 10.7 or Default Procedure D is not satisfied;
- (b) the Client has read and understands the provisions applicable to Client Accounts set out in the Rules and Client Accounts set out in the Rules, including in particular Rules 2.1, 2.3, 5, 10.5, 10.7 and 10.8 and Default Procedure D, and acknowledges and agrees that:
  - (i) the Rules form a contract between the Member and LME Clear;
  - (ii) the services provided by LME Clear in respect of any Client Account are governed by and subject to the Rules;
  - (iii) neither the Client nor any Indirect Client have any contractual relationship with LME Clear under the Rules;
  - (iv) LME Clear has no obligation to act on any instruction or request made by the Client or any Indirect Client and the Client and any Indirect Client have no rights against LME Clear to enforce any provision of the Rules, save in the case of the Client to the extent specified in Rule 2.1.5;
  - (v) any Collateral held by LME Clear shall be held in accordance with Rule 8 and the Client and any Indirect Client shall have no right to, or interest in, any such Collateral or any right to direct LME Clear to take or refrain from taking any action in relation to such Collateral, save in the case of the Client in the limited circumstances specified in Rule 10.7;

## Annex 6

- (vi) the provisions and protections of the CASS Rules shall not apply in respect of any monies held in, or recorded to, any Client Account; and
  - (vii) to the extent that LME Clear has any liability to the Client pursuant to the third party rights granted pursuant to Rule 2.1.5, the limitations on LME Clear's liability as set out in Rule 2.3 and Rule 10.7.14 shall apply to limit any such liability as if all references in such Rules to "the Member" were replaced with "the Client or Indirect Client";
  - (viii) the Client and any Indirect Client will not, by any act or omission, cause the Member or any other person to breach any Rule;
- (c) it is the responsibility of the Client and the Member, and any Indirect Client, to agree the form of Client Account to be established in respect of the Client at LME Clear and LME Clear shall have no responsibility, or liability, to the Client, any Indirect Client, the Member or any third party for the Account structure maintained by the Member with LME Clear;
- (d) save to the extent specified in Rules 2.1.5 and 2.3.4, LME Clear shall not be liable for any losses, damages, claims, liabilities, costs or expenses (whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or any other legal theory) arising from or in connection with any actions which LME Clear may take in accordance with its rights and obligations in relation any Client Account in Rule 10; and
- (e) it has considered whether or not to require the Member to execute a security agreement governed by English law in favour of LME Clear as its security trustee to facilitate in certain circumstances the procedures described in paragraphs 2.1(a)(i) and (ii) above and, where the Member has agreed (at its request) to execute such a security agreement, it has received a copy of it and agrees with the Member and LME Clear to be bound by its terms.
- 2.2 Where the Member establishes an Indirect Individual Segregated Client Account, an Indirect Net Omnibus Segregated Client Account, or an Indirect Gross Omnibus Segregated Client Account for the Client in respect of any Indirect Client(s), the Client agrees that it shall, prior to the commencement of any clearing activity through the Clearing System in respect of that indirect Client:
- (a) provide a copy of this Client Acknowledgement Form to such Indirect Client(s); and
  - (b) notify such Indirect Client(s) that by entering into any Transaction that is to be subject to clearing through the Clearing System, such Indirect Client(s) shall irrevocably agree to the terms set out in this Client Acknowledgement Form.
- 2.3 The Member and the Client agree that, in the event that LME Clear requests a copy of this document from either the Member or the Client, such party shall promptly provide such copy to LME Clear.
- 2.4 The Member and the Client agree that the acknowledgements and agreements set out in paragraphs 2.1, 2.2 and 2.3 are intended to confer benefits on, and be enforceable by, LME Clear and, accordingly, LME Clear may rely upon and enforce such acknowledgements and agreements in accordance with the Contracts (Rights of Third Parties) Act 1999 (as amended from time to time).



## Annex 6

- 2.5 Notwithstanding paragraph 2.4 above and for the avoidance of doubt, these Client Business Terms are not intended to create any obligations by, or rights against, LME Clear for the benefit of any person (including any Member, Client or Indirect Client), whether in contract, tort or pursuant to any other legal theory.
- 2.6 This form of acknowledgement and any obligations (whether contractual or non-contractual) connected with it are governed by English law.

This form of acknowledgment has been entered into on the date stated at the beginning of this document.

**Signed for the Client:****Signed for the Member:**


---

 (Client Name)

---

 (Member Name)

By: \_\_\_\_\_

By: \_\_\_\_\_

(Authorised Signature)

(Authorised Signature)

---

 (Print Name and Title)

---

 (Print Name and Title)

## Annex 6

**PART B**  
**MANDATORY CCP PROVISIONS**

This Part B of Annex 6 of the Rules specifies those provisions that are mandatory for inclusion in the terms of Transactions between a Member and their respective Clients. These terms will take precedence over any other provisions in any contractual clearing arrangement between a Member and its Client. A Member that executes a Client Acknowledgement Form in the form prescribed in Part A of this Annex 6 shall not be required to comply with this Part B of this Annex 6.

These Mandatory CCP Provisions will be set out on the Website. A Member may incorporate the Mandatory CCP Provisions into its contractual terms with its Clients either directly or by reference.

**1. Mandatory CCP Provisions**

1.1 In agreeing to the use by the Member of LME Clear for the clearing of trades between the Client and the Member, the Client acknowledges and agrees with the Member (on behalf of itself and any Indirect Client in respect of which any Client Account is to be established by the Member for such Client) that:

- (a) in the event that LME Clear issues a Default Notice in respect of the Member, in accordance with Rule 10, LME Clear shall be entitled to act in accordance with its powers in Rule 10 and that:
  - (i) where the Client has submitted an Automatic Porting Designation Document in accordance with Rule 5 or a Porting Request Notice in accordance with Rule 10, LME Clear may seek to transfer any Open Contract relating to the Client (and any Indirect Client) and any associated Collateral to the Member Transferee nominated by the Client;
  - (ii) where permitted by Applicable Law and where LME Clear is not prevented from doing so by a court order or legal restriction applying to LME Clear, LME Clear may seek to deliver any surplus amount or Collateral on the Client Account to which the Client has been allocated to the Client subject to and in accordance with Rule 10.5.1(c);
  - (iii) LME Clear shall be entitled to rely on the information provided by the Member in relation to the Client and the Positions and Collateral relating to such Client;
  - (iv) LME Clear shall not be obliged to implement, or to act on any request to implement, the provisions of Rule 10.7 in respect of any Client Account in the event that:
    - (1) LME Clear is not in receipt of complete and validly executed Automatic Porting Designation Documents or Porting Request Notices in respect of every Client allocated to the Client Account;
    - (2) a Member Transferee does not consent to the Transfer within the Porting Election Period in accordance with Rule 10.7;
    - (3) the Client (or any other Client allocated to that Client Account) is not an Identified Client, unless such Client becomes an Identified

## Annex 6

Client prior to the end of the Porting Election Period and all other conditions set out in Rule 10.7 and Default Procedure D are satisfied; or

- (4) any condition to the Transfer, as set out in Rule 10.7 or Default Procedure D is not satisfied;
- (b) the Client has read and understands the provisions applicable to Client Accounts set out in the Rulebook and Client Accounts set out in the Rulebook, including in particular Rules 2.1, 2.3, 5, 10.5, 10.7 and 10.8 and Default Procedure D, and acknowledges and agrees that:
- (i) the Rules form a contract between the Member and LME Clear;
  - (ii) the services provided by LME Clear in respect of any Client Account are governed by and subject to the Rules;
  - (iii) neither the Client nor any Indirect Client have any contractual relationship with LME Clear under the Rules;
  - (iv) LME Clear has no obligation to act on any instruction or request made by the Client or any Indirect Client and the Client and any Indirect Client have no rights against LME Clear to enforce any provision of the Rules, save in the case of the Client to the extent specified in Rule 2.1.5;
  - (v) any Collateral held by LME Clear shall be held in accordance with Rule 8 and the Client and any Indirect Client shall have no right to, or interest in, any such Collateral or any right to direct LME Clear to take or refrain from taking any action in relation to such Collateral, save in the case of the Client in the limited circumstances specified in Rule 10.7;
  - (vi) the provisions and protections of the CASS Rules shall not apply in respect of any monies held in, or recorded to, any Client Account;
  - (vii) to the extent that LME Clear has any liability to the Client pursuant to the third party rights granted pursuant to Rule 2.1.5, the limitations on LME Clear's liability as set out in Rule 2.3 and Rule 10.7.14 shall apply to limit any such liability as if all references in such Rules to "the Member" were replaced with "the Client or Indirect Client"; and
  - (viii) the Client and any Indirect Client will not, by any act or omission, cause the Member or any other person to breach any Rule;
- (c) it is the responsibility of the Client and the Member, and any Indirect Client, to agree the form of Client Account to be established in respect of the Client at LME Clear and LME Clear shall have no responsibility, or liability, to the Client, any Indirect Client, the Member or any third party for the Account structure maintained by the Member with LME Clear;
- (d) save to the extent specified in Rules 2.1.5 and 2.3.4, LME Clear shall not be liable for any losses, damages, claims, liabilities, costs or expenses (whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or any other legal theory) arising from or in connection with any actions which LME Clear may take in accordance with its rights and obligations in relation to any Client Account in Rule 10; and

## Annex 6

- (e) it has considered whether or not to require the Member to execute a security agreement governed by English law in favour of LME Clear as its security trustee to facilitate in certain circumstances the procedures described in paragraphs 1.1(a)(i) and (ii) above and, where the Member has agreed (at its request) to execute such a security agreement, it has received a copy of it and agrees with the Member and LME Clear to be bound by its terms.
- 1.2 Where the Member establishes an Indirect Individual Segregated Client Account, an Indirect Net Omnibus Segregated Client Account, or an Indirect Gross Omnibus Segregated Client Account for the Client in respect of any Indirect Client(s), the Client agrees that it shall, prior to the commencement of any clearing activity through the Clearing System in respect of that indirect Client:
- (a) provide a copy of either these Mandatory CCP Provisions or the Client Acknowledgement Form (as applicable) to such Indirect Client(s); and
- (b) notify such Indirect Client(s) that by entering into any Transaction that is to be subject to clearing through the Clearing System, such Indirect Client(s) shall irrevocably agree to the terms set out in these Mandatory CCP Provisions or the Client Acknowledgement Form (as applicable).
- 1.3 The Member and the Client agree that, in the event that LME Clear requests from either the Member or the Client or evidence, satisfactory to LME Clear that the Member and the Client have agreed to be bound by these Mandatory CCP Provisions, such party shall promptly provide such evidence to LME Clear.
- 1.4 The Member and the Client agree that the acknowledgements and agreements set out in paragraphs 1.1, 1.2 and 1.3 are intended to confer benefits on, and be enforceable by, LME Clear and, accordingly, LME Clear may rely upon and enforce such acknowledgements and agreements in accordance with the Contracts (Rights of Third Parties) Act 1999 (as amended from time to time).
- 1.5 Notwithstanding paragraph 1.4 above and for the avoidance of doubt, these Mandatory CCP Provisions are not intended to create any obligations by, or rights against, LME Clear for the benefit of any person (including any Member, Client or Indirect Client), whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or to any other legal theory.
- 1.6 These Mandatory CCP Provisions and any obligations (whether contractual or non-contractual) connected with it are governed by English law.
2. **EXPLANATION OF RULES REFERENCED IN PARAGRAPH 1.1(c)**

Set out below is a brief summary of the general content of the Rules listed in paragraph 1.1(c) above as being particularly relevant to Clients. Each Member, Client and Indirect Client should read the actual text of these Rules in order to understand the basis on which they are intended to operate.

| Rule  | Description   |
|---|---|
| 2.1 ( <i>Rules as a Binding Agreement</i> ) | Sets out the basis on which the Rules create rights and obligations between LME Clear and the Member.<br><br>Sets out the limited basis on which the Client may benefit from rights under |

## Annex 6

|  |  |
|--|--|
|  | the Rules.   |
| 2.3 ( <i>Liability and Indemnity</i> )                       | Sets out the limitations of LME Clear's liability to its Members in respect of any matter governed by the Rules, including in relation to the clearing of business for Clients of Members.   |
| 5 ( <i>Client Business and Portability Arrangements</i> )    | Sets out the basis on which Members may establish and maintain Client Accounts in respect of its Clients and the arrangements to be established in respect of such Client Accounts in order to support the Porting Process.  |
| 10.5 ( <i>Treatment of Different Types of Account</i> )      | Sets out the basis on which different types of Account will be treated in the event of a Member becoming a Defaulting Member, including the basis on which LME Clear may return any surplus amount or Collateral standing to the credit of a Client Account directly to the Client(s) allocated to that Account. |
| 10.7 ( <i>Portability of Client Accounts</i> )               | Sets out the basis on which LME Clear will exercise its powers to transfer the Positions and Collateral allocated to a Client Account to a Member Transferee in the event that the original Member becomes a Defaulting Member.  |
| 10.8 ( <i>Final Settlement of Unported Client Accounts</i> ) | Sets out the basis on which LME Clear will determine a final net sum in respect of a Client Account following the application of the default management process to that Client Account.  |
| Default Procedure D ( <i>Porting Procedure</i> )             | Sets out the documentary requirements for the establishment of arrangements in support of the Automatic Porting Process, together with the basis on which LME Clear will apply the Porting Process to Client Accounts.   |

## **ANNEX 7 – DELIVERY TIMETABLES**

The content of this Annex shall be as set out on the Website.

## Annex 8

**ANNEX 8 – AUCTION PROCESS****1. INTRODUCTION**

- 1.1 This Annex is supplementary to the auction process requirements specified in Default Procedure C:6.3 (*Auction for LME Base Products and LMEprecious Products*) and forms part of the procedures referred to in Default Procedure C:6.3(b).
- 1.2 Members must comply with the requirements specified in this Annex where LME Clear conducts an auction in accordance with Default Procedure C:6.3.

**2. TIMESCALES FOR EVALUATION OF AUCTION PORTFOLIO AND SUBMISSION OF BIDS**

- 2.1 Prior to the auction of an Auction Portfolio, LME Clear shall Notify non-defaulting Members of:
- (a) the timescales within which non-defaulting Members should evaluate the Auction Portfolio; and
  - (b) the deadline(s) by which any bids should be submitted to LME Clear.

LME Clear will aim to provide such Notification on the Business Day prior to the auction, but reserves the right to provide such Notification at a different time where LME Clear determines such timing to be appropriate or necessary to increase the likelihood of achieving a successful auction.

- 2.2 LME Clear may, at any time prior to expiry of the relevant timescales or deadlines specified pursuant to paragraph 2.1 above, extend such timescales or deadlines, by issuing a Notice specifying the details of such extension.

**3. ACCEPTABLE AUCTION PRICE**

- 3.1 When determining the acceptable auction price for the purposes of Default Procedure Part C:6.5(c), LME Clear may consider the following factors:
- (a) the size of the Auction Portfolio relative to the market;
  - (b) the current mark-to-market; and
  - (c) the likely risk premium required by an auction participant.

**4. STATUS OF SUBMITTED BIDS**

Any bid submitted to LME Clear by a non-defaulting Member shall be binding on the Member until the winner of the auction is declared by LME Clear, such that:

- (a) the final bid submitted within the time period specified in the Notice referred to in paragraph 2.1 above shall be binding on the Member and cannot be revoked; and
- (b) in the event that the bid is the successful and is accepted by LME Clear, the Member must pay to LME Clear the price specified in the bid, in exchange for receipt of the Auction Portfolio (and, where appropriate, any associated Collateral in accordance with Default Procedure C:6.3(b)).

## Annex 8

**5. PROCESS FOR SUBMITTING BIDS**

All bids in respect of an Auction Portfolio must be submitted in accordance with the process specified in the Notice relating to the Auction Portfolio (being the Notice issued pursuant to paragraph 2.1 above). In the ordinary course of events, non-defaulting Members will be required to submit bids via the LMEmercury GUI.

**6. BIDS THAT ARE NOT RECEIVED**

In the event that LME Clear does not receive a bid from a non-defaulting Member, including where a non-defaulting Member has attempted to submit a bid but such bid is either not received by, or accessible by, LME Clear personnel (whether due to any technological error, outage or incapacity, or otherwise):

- (a) LME Clear shall have no responsibility for, shall not be treated as having received, and shall have no obligation to subsequently receive, any such bid; and
- (b) the non-defaulting Member shall be treated as not having submitted a bid (including, where applicable, for the purposes of the application of the juniorisation principles in Default Procedure C:6.6).

**7. AUTHORISATION FOR BIDS**

7.1 Any bid submitted by a non-defaulting Member must be submitted to LME Clear by:

- (a) an Authorised Representative of such Member, using that Authorised Member's own user login to the LMEmercury GUI; or
- (b) any other representative of the Member who is authorised to submit bids on behalf of the Member, using that individual's own user login to the LMEmercury GUI.

7.2 Following any bid submitted pursuant to paragraph 7.1 above LME Clear will liaise with an Authorised Representative of the Member in respect of any bid submitted via the LMEmercury GUI, unless LME Clear has been notified by an Authorised Representative of the name and contact details of any other persons that the Member has authorised to liaise with LME Clear in respect of such bid.

7.3 LME Clear shall be entitled to assume that any person who enters a bid via LMEmercury pursuant to paragraph 7.1 above, or who is notified to LME pursuant to paragraph 7.2 above shall be fully authorised by the Member to take represent the Member in respect of any matter relevant to the bid and the auction of the Auction Portfolio, including by taking binding decisions on behalf of the Member.

7.4 LME Clear shall be under no obligation to accept or treat as valid any bid that is purported to be submitted by a Member that does not comply with paragraph 7.1 above.

**8. COMMUNICATIONS IN RESPECT OF SUBMITTED BIDS**

8.1 LME Clear shall communicate with Members in respect of the auction of an Auction Portfolio by issuing Notices (which can include, for the avoidance of doubt, bilateral email communication where LME Clear considers appropriate).

8.2 In the event that LME Clear wishes to seek clarification from a Member of any matter relating to a bid submitted by such Member, LME Clear may contact an Authorised Representative of the Member or an alternative authorised individual using such contact details as the Member shall have specified in advance pursuant to paragraph 7.2.



## Annex 8

- 8.3 Notwithstanding paragraphs 8.2 above, LME Clear shall have no obligation to contact any Member to seek clarification of any matter relating to a bid submitted by such Member.

9. **SPECIFICATION OF ENTRY CRITERIA**

When assessing a non-defaulting Member's satisfaction of the entry criteria for an auction, pursuant to Default Procedure C:6.4(b):

- 9.1 LME Clear shall assess a non-defaulting Member's creditworthiness for the purposes of Default Procedure C:6.4(b)(i) by reference to the minimum credit rating that LME Clear would require an applicant for Membership to satisfy in order to conduct the same types of business and to participate in the same Services as are conducted by, and participated in, by the non-defaulting Member;
- 9.2 In respect of the LMEprecious Service, LME Clear does not currently apply any criteria regarding the non-defaulting Member's history of Positions, for the purposes of Default Procedure C:6.4(b)(iii) and, accordingly, no such criteria will be applied so as to justify any exclusion from participation in an auction pursuant to Default Procedure C:6.4(c); and
- 9.3 In respect of the LME Base Service, the criteria for the purposes of Default Procedure C:6.4(b)(iii) is that the relevant non-defaulting Member has held a Position in respect of all Underlying Assets represented in the relevant Auction Portfolio within the 6 months immediately preceding the commencement of the relevant Default Period.

10. **BIDDERS FROM THE SAME GROUP**

- 10.1 In the event that two or more non-defaulting Members:

- (a) are each required to submit a bid in accordance with Default Procedure C:6.4(da); and
- (b) are members of the same Group,

then such Members must submit identical bids and, in the event that such bids are successful:

- (i) such Members must have determined among themselves which such Member shall be treated as the successful bidder that shall be required to pay for, and accept the Auction Portfolio;
  - (ii) (where there are two such Members within the same Group), the other Member shall be treated as the non-successful bidder that was closest to the successful bid for the purposes of the application of the juniorisation principles in Default Procedure C:6.6(b);
  - (iii) such Members must notify LME Clear of their agreed determination of the basis on which a successful bid should be allocated in accordance with paragraphs (i) and (ii) above;
  - (iv) where such Members fail to provide the notification required pursuant to paragraph (iii) above, LME Clear may determine how the successful bid should be allocated between such Members.
- 10.2 Where paragraph 10.1(a) and (b) apply, such non-defaulting Members may agree that one such Member shall submit a single bid to LME Clear through the LMEmercury GUI

## Annex 8

and that such bid will represent identical bids on behalf of all such non-defaulting Members. Where such Members so agree:

- (a) in order for a single bid to represent identical bids on behalf of all such non-defaulting Members, an Authorised Representative of each such Member must have notified LME Clear prior to closure of the auction of their intention to be represented by a single bid and indicating:
  - (i) which Member's bid should be taken to represent identical bids on behalf of all such non-defaulting Members' bids; and
  - (ii) the name and contact details of the authorised individual (in accordance with paragraph 7.2 above) to which communications may be sent by LME Clear in respect of such bid; and
  - (iii) the information specified in paragraph 10.1(iii)
- (b) any such bid made by one such Member will be deemed to be effective to communicate the identical bids of all such Members, and shall be deemed to constitute a fully authorised and binding bid on behalf of each such Member;
- (c) LME Clear shall be entitled to treat any communications in respect of such bid, between LME Clear and the individual specified in (a)(ii) above, as being effective to communicate with the duly authorised representative of each such Member, including for the purposes of paragraph 7 above; and
- (d) for the avoidance of doubt, the notice provided to LME Clear pursuant to paragraph 10.2(a) must include the information specified in paragraph 10.1(iii) above (failing which LME Clear may apply paragraph 10.1(iv) above).

## 11. EXCLUSION FROM PARTICIPATION

11.1 Without limitation to LME Clear's discretion pursuant to Default Procedure C:6.4(c), LME Clear may determine that a non-defaulting Member should be excluded from being required to participate in an auction on the grounds that it does not have the operational capability or expertise to participate in the auction where such Member is able to demonstrate, to the satisfaction of LME Clear that:

- (a) such Member or a related entity does not have the capability to manage its own Positions, as may be evidenced by the fact that it does not meet any of the following criteria:
  - (i) such Member regularly holds Positions in its House Account overnight in Eligible Products with the same Underlying Asset as the Eligible Products included in the Auction Portfolio;
  - (ii) such Member has, as a Client, a member of its Group which regularly holds open positions overnight in Eligible Products with the same Underlying Asset as the Eligible Products included in the Auction Portfolio; or
  - (iii) such Member regularly holds Positions in any Client Account overnight in Eligible Products with the same Underlying Asset as the Eligible Products included in the Auction Portfolio which, in the event of the default of a Client allocated to such Client Account, would result in the Member needing to liquidate such Positions; or

## Annex 8

- (b) such Member is prevented by any Applicable Law binding on the Member from either participating in the auction or accepting the Auction Portfolio, or such participation or acceptance would constitute a breach by the Member of any Applicable Law binding on the Member (including for the avoidance of doubt, where a Member does not have the regulatory status which would permit it to participate or accept an Auction Portfolio under Applicable Law).
- 11.2 Any request by a Member for an exclusion from participation from an auction pursuant to Default Procedure C:6.4(c) must:
- (a) clearly articulate in writing the grounds on which the Member considers that it should be excluded from the auction, which grounds must be based on one or more of the criteria specified in paragraph 11.1 above;
  - (b) be signed by an Authorised Representative of the Member;
  - (c) include supporting evidence to demonstrate that to LME Clear's satisfaction that the grounds for granting the exclusion are justified; and
  - (d) (where such request is based on the grounds specified in paragraph 11.1(b) above), be accompanied by a reasoned legal opinion demonstrating, to LME Clear's satisfaction, the basis on which such grounds are justified. LME Clear reserves the right to require that such legal opinion be provided by a reputable law firm with demonstrable expertise in the relevant field of law or regulation for the jurisdiction in which the legal or regulatory grounds are alleged to pertain. LME Clear may refuse to accept a legal opinion provided pursuant to this paragraph (d) in the event that LME Clear, in its absolute discretion, is not satisfied that the lawyer or law firm that has prepared the opinion has appropriate expertise in the relevant jurisdiction and/or field of law or regulation, or where LME Clear, in its absolute discretion, disagrees with the conclusions set out in the legal opinion.
- 11.3 LME Clear will exercise its discretion in Default Procedure Part C 6.4(d) to exclude a Member from the requirement to bid during a Default Period taking into account the following factors:
- (a) the size of the Auction Portfolio; and/or
  - (b) whether the transfer of any Auction Portfolio to that Member would be in excess of LME Clear's risk tolerance for that Member.
- 11.4 LME Clear shall notify any Members excluded during the Default Period that they are no longer Mandatory Bidders prior to the disclosure of the Auction Portfolio. Such Members may still elect to become Voluntary Bidders in accordance with Default Procedure Part C 6.4(e) and the contents of the Auction Portfolio will then be disclosed to them in accordance with Default Procedure Part C 6.4(f) (however, Members should bear in mind that LME Clear may then exercise its discretion under Default Procedure Part C 6.4(d)).
- 12. ATTRIBUTION OF DEFAULT FUND CONTRIBUTIONS TO AUCTION PORTFOLIOS**
- 12.1 The proportion of each non-defaulting Member's Default Fund Contribution attributed to an Auction Portfolio in accordance with Default Procedure C:6.3(s) shall be calculated in accordance with a methodology that takes into account the proportion of the Member's total activity in the relevant Service which is represented by Open Contracts with the same Underlying Assets as the Open Contracts being auctioned in the relevant Auction

## Annex 8

Portfolio (using the Member's average Initial Margin Requirement over the previous month as a proxy for the level of activity).

| Version | Summary   | Version date      |
|---------|---|-------------------|
| 1.0     | First published Version   | 7 August 2014     |
| 1.1     | Minor changes to remove square brackets, delete references to OTC LOCO London Bullion Market Products prices and matching venue and clarify not an Eligible Product | 19 September 2014 |
| 2       | Changes to Rule 13 – close out netting  | 8 December 2014   |
| 3       | Changes to Default Fund Floor; Default Procedure Part B; Minor Administrative Changes.  | 21 May 2015       |
| 4       | Changes to incorporate Renminbi changes (subject to regulatory approval), as per version originally circulated on 03.11. 2014                                       | 25 June 2015      |
| 5       | Changes to incorporate compression service and ferrous products   | 23 November 2015  |
| 5.1     | Minor change to registered address  | 31 January 2016   |
| 6       | Partial porting and clarification for jurisdictional opinion  | 8 August 2016     |
| 7       | LMEprecious and Open Offer  | 5 June 2017       |
| 8       | Auction process Annex   | 10 July 2017      |
| 9       | Changes to incorporate Gross Omnibus Accounts and updates to auction process to reflect harmonisation across Services   | 27 November 2017  |
| 10      | Changes to implement a Mandatory Auction Process to apply to both LME Base Metals and LMEprecious   | 17 January 2017   |
| 11      | Changes to accommodate Inter-dealer Brokers, bridge entities, amended minimum capital requirements, new mandatory auction tool and other minor changes              | [ ] 2018          |