

## Appendix 2 – Revised Accountability Levels – Marked-up

### ACCOUNTABILITY LEVELS FOR LME CONTRACTS

~~[This is the LME's current Proposal—it may be subject to change following the feedback from the consultation]~~

#### Summary

1. This document sets out accountability levels for LME Contracts. The accountability levels will introduce ana requirement to provide additional level—of reporting information for ~~the~~ positions eheld by Members and Clients, upon request from the LME.

#### Defined Terms

2. Capitalised terms not otherwise defined herein shall have the meaning ascribed to them in the LME Rulebook.

#### Background

3. Members will be aware that the LME continuously undertakes surveillance on all positions held on the market, and the Lending Rules set out specific actions that would be taken in particular circumstances. Whilst the LME monitors all positions held on the market, it considers it appropriate to introduce a more transparent reporting regime requirement for the provision of additional information, when requested by the LME, for positions that are above certain levels (which shall be referred to as the “Accountability Levels”). ~~As with existing reporting obligations, the obligation to report falls~~ The request to provide additional information will be made to the Member who is holding a position, either directly or on behalf of their Client(s), which is in excess of the relevant Accountability Level. For the avoidance of doubt, Members and their Client(s) may (unless directed otherwise) hold positions that are in excess of the Accountability Level. Members should also be aware of the relevant provisions of the LME Rulebook, including, without limitation, Regulation 15 of Part 3 (Emergencies) that allows the Special Committee to take appropriate action with



regard to any open position held on the market.

4. The LME will publish Accountability Levels for single prompt dates and all prompt dates (referred to as the “Single Prompt Accountability Levels” and the “All Prompt Accountability Levels”). The Single Prompt Accountability Levels and the All Prompt Accountability Levels are set out below. Exceeding the relevant Accountability Levels will allow the LME to request further information regarding the position of that account or linked accounts, and the LME may also give directions to the Member in respect of the position of that account or linked accounts.

#### **Single Prompt Accountability Level**

5. If a position exceeds the Single Prompt Accountability Level then the LME ~~will~~may require further information as to the nature and purpose of the position of that account (or, if appropriate, linked accounts as determined by the LME), and may direct that Members cannot accept further orders that increase the position, or direct that the position be reduced to a level below the Accountability Level. The Member shall comply with such directions, or procure that its Client ~~complies~~comply with such directions.

#### **All Prompt Accountability Level**

6. If a position exceeds the All Prompt Accountability Level then the LME ~~will~~may require further information as to the nature and purpose of the position of that account (or, if appropriate, linked accounts as determined by the LME), and may direct that Members cannot accept further orders that increase the position, or direct that the position be reduced to a level below the Accountability level. The Member shall comply with such directions, or procure that its Client comply with such directions.
7. The following table sets out the Accountability Levels for LME Contracts. These Accountability Levels for LME Contracts will take effect ~~with effect from [date] or such other date as is specified by the LME in writing.~~from 4 July 2016. Initially the Accountability Levels will be set at the same level for both Single Prompt and All Prompts, but the LME reserves the right to amend ~~these levels~~this level, and



any updates will be advised by the LME in writing. In addition, Accountability Levels for other LME Contracts may be introduced from time to time, as advised by the LME in writing. The Single Prompt Accountability Levels shall be calculated for each Member or Client (as relevant) on a net basis in respect of each relevant prompt date. The All Prompt Accountability Level shall be calculated for each Member or Client (as relevant) on a net basis in respect of all relevant prompt dates.

Contract Code	Single Prompt Accountability Level (lots)	All Prompt Accountability Level (lots)
AH	15,000	15,000
CA	57,000	57,000
NI	8,000	8,000
PB	3,000	3,000
SN	800	800
ZS	8,000	8,000

8. The Accountability Levels shall apply to any Member and/or Client trading LME Contracts, and will apply to positions held at the end of day. Members shall be responsible for compliance with the Accountability Levels and for ensuring compliance by their Client(s) with the Accountability Levels.

## Reporting & Surveillance

- ~~9. Members who hold positions, or who's Client(s) hold positions, in excess of the Accountability Levels must report to the LME the rationale behind holding this position by email, to the following address: [market.surveillance@lme.com](mailto:market.surveillance@lme.com). Members must have in place appropriate procedures to identify positions that are in excess of the Accountability Levels, such that they are able to meet the reporting requirement. However, for the avoidance of doubt, with regard to Client positions, Members are only required to report positions that they hold on behalf of Clients, and not those positions that Clients may hold with other Members. Notifications by Members to the LME are required to be received no later than the next business day following the Accountability Level having been exceeded.~~



~~1.9.~~ Upon request, Members are required to provide all relevant information relating to the position to the LME. Where appropriate, Members should encourage their Clients to provide all relevant information directly to the LME, and in such cases the Member will have been deemed to have responded to the LME's original request for additional information. The LME is aware that ~~this~~ the information provided may include commercially sensitive information and therefore ~~any information that is received will remain exclusively within the Market Surveillance department of the LME and be used solely in connection with its regulatory obligations~~ will be held in confidence in accordance with the provisions of Regulation 16 of Part 2 of the LME Rulebook.

~~2.10.~~ Pursuant to Notice 09/231 : R004 dated 26 May 2009, Members must report to the LME all Warrant and trading positions for all customer accounts and all house accounts as at the close of business each day. The Market Surveillance department of the Exchange shall use this data to monitor the positions of all Members and Clients in LME Contracts on a daily basis. As with the publication of large position information and the Lending Rules, in calculating the total positions of two or more entities acting in concert for the purposes of the Accountability Levels, the LME shall aggregate the positions of a Client across all Members. Likewise the LME shall aggregate the positions of a Member or Client and such entity's related group companies unless the entity can demonstrate that the positions were independent. The LME will also aggregate the positions of unconnected parties if the LME Market Surveillance department believes that there is a common purpose between such parties. In such cases the LME will inform the parties either directly or through the Members with whom they trade.

## General

~~3.11.~~ The attention of Members and their Clients is drawn to the relevant provisions of the LME Rulebook, including without limitation Regulation 9 of Part 2 (Provision of Information and Obligations of Members).

~~4.12.~~ Failure by a Member to comply with the Accountability Levels specified by the LME requirements of this document, or with a direction issued by the Exchange,



shall constitute a breach of the LME Rules which may result in disciplinary action against the Member pursuant to Part 2 of the LME Rulebook. Equally, failure by a Member to ensure that its Client(s) ~~observe the Accountability Levels~~comply with the requirements of this document, or comply with a direction issued by the Exchange, shall constitute a breach of the LME Rules which may result in disciplinary action against the Member.

5-13. The LME reserves the right to modify the Accountability Levels, or any other information set out in this ~~Noticedocument~~, from time to time by issuing an amending or replacement ~~Noticedocument~~.

## Questions

6-14. If you have questions, please contact the Market Surveillance Department via email at [Market.Surveillance@lme.com](mailto:Market.Surveillance@lme.com).