



Mandatory CCP Provisions

for Client Information

LME CLEAR LIMITED

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A private limited company. Registered in England no 07611628. Registered office as above.

[LME.COM/CLEAR](https://www.lme.com/clear)

Extract from the LME Clear Rules and Procedures: Annex 6 Part B of the Rules

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 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 10.7.13 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 to 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.

- 1.2 Where the Member establishes an Indirect Individual Segregated Client Account or an Indirect 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 Client Trade 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.
- 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 or pursuant 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>) | <p>Sets out the basis on which the Rules create rights and obligations between LME Clear and the Member.</p> <p>Sets out the limited basis on which the Client may benefit from rights under the Rules.</p> |
| 2.3 (<i>Liability</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 |

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| <i>and Indemnity)</i> | the clearing of business for Clients of Members. |
| 5 (Client Business and Portability Arrangements) | 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 (Treatment of Different Types of Account) | 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 (Portability of Client Accounts) | 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 (Final Settlement of Unported Client Accounts) | 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 (Porting Procedure) | 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. |