

To: All Members

Ref: 18/212 (LME Notice Reference)
18/028 (LME Clear Circular Reference)

Classification: Fees Choose an item.

Date: 20 August 2018

Subject: **POSITION TRANSFERS – NEW JOINT PROCEDURE AND FEES**

Summary

1. This Notice is issued by The London Metal Exchange (“**LME**”) and LME Clear Limited (“**LME Clear**”, together with LME, the “**LME Group**”) and sets out an updated LME Group procedure detailing when a Position transfer carried out through either LMEsmart or LMEmercury will be eligible for a fee cap.

Defined terms

2. Terms not otherwise defined in this Notice shall have the meaning ascribed to them in the Rules and Regulations of the LME (the “**LME Rules**”), the Matching Rules, or the LME Clear Rules and Procedures (the “**LME Clear Rules**”) as applicable.

Background

3. Position transfers are a common feature of exchange traded derivative markets, can occur on a daily basis, and are undertaken for a variety of purposes. The LME Group supports the transfer of one or more Positions and provides Position transfer functionality in LMEsmart (in relation to LME) and LMEmercury (in relation to LME Clear).
4. The current approach to LMEsmart Position transfers, including the implementation of a fee cap of US \$10,000 per transfer, is detailed in LME Notice 16/290 : A/284 dated 23 August 2016. The Matching Rules set out the requirements for the use of the post-trade “Transfer” function in LMEsmart. LMEmercury can be used for Position transfers in accordance with LME Clear Rule 6.13.
5. This Notice consolidates the approaches currently taken by LME Group, detailing a new joint approach to Position transfers and associated fees. A summary of the new LME Group Position Transfer Procedure (the “**Procedure**”) is outlined below, with details of the full Procedure set out in the Annex to this Notice.



6. This Notice replaces LME Notice No. 16/290 : A/284 and relevant sections of LME Notice No. 16/276 : A/270.

Summary of the Procedure

7. Any Position transfer using LMEsmart must comply with the Matching Rules. Any Position transfer using LMEmercury must comply with LME Clear Rule 6.13.
8. If the Clearing Member wishes to process a Position transfer without receiving the fee cap this can be executed via LMEsmart without prior approval from the LME.
9. Prior to any Position transfer which the Clearing Member believes is eligible for the fee cap (whether intended to be concluded through LMEsmart or LMEmercury), the relevant Clearing Member must make a request to the Relationship Management team at rm@lme.com.
10. Clearing Members may aggregate volume across different metals, currencies, Contract types and Prompt Dates into one Position transfer request.
11. Once approved, an eligible Position transfer will be subject to fees and a fee cap on the basis set out in the LME Group fee schedule from time to time.
12. As of the date of this Notice, the fees are US\$0.90 per lot for each of the transferor and transferee, together with the fees for the relevant client crosses required (either to transfer the Position from the House Account to the Client Account or vice versa). These fees will be subject to a fee cap of US\$10,000 per transfer (US \$5,000 per side) when using LMEsmart to conclude a transfer.
13. As of this date of this Notice, eligible Position transfers concluded on LMEmercury will be charged at a flat rate of US\$10,000 (US\$5,000 per side) regardless of the number of lots being transferred.

Effective Date

14. The Procedure will take effect on 20 August 2018. It will apply to all Position transfer requests that are submitted by Clearing Members on or after this date.

Fee Schedule

15. The LME Group fee schedule set out on the LME website at <https://www.lme.com/Trading/Access-the-market/Fees> will be updated on 20 August 2018 to reflect the new fee structure.



Further Information

16. For further information relating to this Notice, Clearing Members should contact their usual Relationship Manager, or contact the Relationship Management team on rm@lme.com.

Marcos Castro
Company Secretary

cc: Board directors



LME Group Position Transfer Procedure

1. Introduction

- 1.1 This procedure is a joint procedure of The London Metal Exchange (“**LME**”) and LME Clear Limited (“**LME Clear**”, together with LME, the “**LME Group**”).
- 1.2 Position transfers are a common feature of exchange traded derivative markets, can occur on a daily basis, and are undertaken for a variety of purposes. The LME Group supports the transfer of Positions and provides Position transfer functionality in LMEsmart (in relation to LME) and LMEmercury (in relation to LME Clear). Any Position transfer using LMEsmart must comply with the LME Matching Rules. Any Position transfer using LMEmercury must comply with LME Clear Rule 6.13.

2. Purpose of this procedure

The purpose of this procedure is to set out when a Position transfer carried out through either LMEsmart or LMEmercury will be eligible for a fee cap (the “**Fee Cap**”) and, where eligible, the process Members must follow.

3. Defined terms

Terms not otherwise defined in this procedure shall have the meaning ascribed to them in the Rules and Regulations of the LME (the “**LME Rules**”), the Matching Rules, or the LME Clear Rules and Procedures (the “**LME Clear Rules**”) as applicable.

4. Procedure

4.1 Eligible Position Transfers

The following types of Position transfer are eligible for the Fee Cap (“**Eligible Position Transfers**”):

- a) transfer of Positions in a Client Account to one other Client Account at the same Clearing Member for the benefit of the same Client (i.e. where the legal entity is the same); and
- b) transfer of Positions of a common Client (i.e. where the legal entity is the same) from a Client Account at a Clearing Member to a Client Account at one other Clearing Member; and
- c) transfer of Positions (in a House Account and/or Client Account) resulting from a Clearing Member exiting the LME market.



A Position transfer which is outside the criteria listed above can only be transacted via LMEsmart and will not be subject to the Fee Cap.

For the avoidance of doubt, the porting of Contracts following a Clearing Member default are managed in accordance with the relevant Default rules and procedures of LME and LME Clear and are therefore excluded from the provisions of this procedure.

4.2 Position Transfer Requests

Where a Clearing Member wishes to undertake an Eligible Position Transfer, it must submit a request in writing to the Relationship Management team at rm@lme.com specifying why the proposed Position transfer is an Eligible Position Transfer and whether the Clearing Member wishes to carry it out in LMEsmart or LMEmercury.

In order to ensure a timely response to an Eligible Position Transfer request Members must provide the Relationship Management team with the following information when submitting a request:

- a) a copy of the Client instruction to effect the transfer (where relevant);
- b) an electronic file showing the Positions to be transferred;
- c) the Client ID;
- d) the public reference that will be used (which should be consistent across the client crosses and Member-to-Member trade); and
- e) The date that the Member wishes the transfer to take place.

Clearing Members may aggregate volume across different metals, currencies, Contract types and Prompt Dates into one Position transfer request.

The Relationship Management team will respond within 2 Business Days indicating whether LME/LMEC agrees that the Position transfer is an Eligible Position Transfer and detailing the next steps. The LME Group reserves the right to apply full fees without the benefit of the Fee Cap if a Clearing Member does not follow the requirements of this procedure (including, but not limited to, where a Clearing Member carries out a Position transfer in advance of a confirmation from the Relationship Management team that such a Position transfer is an Eligible Position Transfer and all necessary information has been supplied).

4.3 Eligible Position Transfer Process

Where a Clearing Member chooses to use LMEsmart to conclude an Eligible Position Transfer, they must follow the process set out in the Matching Rules.

Where a Clearing Member chooses to use LMEmercury to conclude an Eligible Position Transfer, they must follow the process set out in LME Clear's Detailed Service Specification



Where a Clearing Member chooses to use LMEmercury to conclude an Eligible Position Transfer, they must follow the specification of the data file that is to be uploaded to LMEmercury, details of which can be obtained from the LME Clear Detailed Service Specification.

Unless previously agreed, all Contracts relating to an Eligible Position Transfer must be submitted via LMEsmart or LMEmercury, as appropriate, during the same Business Day.

When using LMEmercury, Clearing Members must ensure that they comply with the requirements of LME Clear Rule 6.13. In particular, as Eligible Position Transfers through LMEmercury are likely to have a risk/margin impact, Clearing Members must ensure that they have sufficient collateral at LME Clear to cover any incremental margin requirements, and LME Clear may require pre-funding of any Eligible Position Transfer as appropriate.

Eligible Position Transfers that are to be concluded via LMEmercury will require the relevant Clearing Members to submit an executed Transfer Request Notice. Eligible Position Transfers to be concluded via LMEsmart do not require these forms to be submitted.

4.4 Fee Cap

Once approved, an Eligible Position Transfer will be subject to fees and the Fee Cap on the basis set out in the LME Group fee schedule from time to time: <https://www.lme.com/en-GB/Trading/Access-the-market/Fees>.