

To: All Members

Ref: 17/352

Classification: General updates Membership

Date: 23 October 2017

Subject: **IMPLEMENTATION OF MIFID II COMPLIANT COMMITMENTS OF TRADERS REPORT (COTR)**

## Summary

1. Notice No. 17/344, issued 18 October 2017, advised Members that the policy on Commitments of Traders Report (COTR) has been revised following Member consultation. This policy is to come into effect from 3 January 2018 onwards.
2. The policy advised Members that the LME will publish a new COTR which addresses obligations imposed on trading venues as set out in MiFID II Article 58 and will replace the current COTR produced from daily open position information submitted via LMEdprs.
3. The new COTR will consist of a report for each metal, produced from Member daily position reports that will be submitted via the “Universal Data Gateway” (UDG), and will be published on a weekly basis.

## Defined Terms

4. Terms not otherwise defined in this Decision Notice shall have the meaning ascribed to them in the Rules and Regulations of the LME (the “**Rules**”, “**Rulebook**”, or “**LME Rulebook**”).

## Conformance Testing

5. By 30 November 2017, Members must complete conformance testing for the daily submission of position reports to the LME via the UDG. Position reports must be submitted in the FIA extended ITS 4 format. The Member test



environment for the submission of position files via the UDG will be available from 27 October 2017.

6. Further information regarding position reporting and UDG testing can be found in the Universal Data Gateway (UDG) Interface Specification, Position Reports Interface Specification and the ITS Position Reporting Schema which can be found on the MiFID II section of the LME website:

<https://www.lme.com/About/Regulation/MiFID-II/Member-ISV-testing#tabIndex=2>

### **Classification of Members and their Clients**

7. In accordance with the Commitments of Traders Policy, Members are required to classify themselves and their Clients by their predominant business function and inform the LME of those classifications. It should be noted that classification definitions for use in the new COTR will change under MiFID II. Members should refer to the Commitments of Traders Policy for further information (which is attached as Appendix I).

Members must disclose the classification of each account to the LME prior to the reporting of any position on that account. Members must therefore complete the classification of their existing accounts prior to the go-live of the UDG on 4 December 2017, and advise the LME accordingly. A list of each account and their new classification must be sent by email to [market.surveillance@lme.com](mailto:market.surveillance@lme.com).

8. It should be noted that this Notice requires Members to provide classification information for all existing accounts in advance of the UDG go-live. Following the provision of the information required in this Notice, Members will be required to provide similar classification information for all new accounts on an ongoing basis, in accordance with the LME policy on Commitments of Traders.
9. In the event that Members become aware of an error in a classification previously provided to the LME, the Member must advise the LME without delay by sending an email to [market.surveillance@lme.com](mailto:market.surveillance@lme.com). The LME will then issue a Notice advising the market of the reclassification and any adjustment to information previously issued.
10. On request, the LME will provide Members with a list of their accounts and their current classification (as previously advised by the Member to the LME). In the



event that a Member requires this list, an email request must be sent to [market.surveillance@lme.com](mailto:market.surveillance@lme.com) no later than **3 November 2017**.

### **Submission of Position files via the UDG**

11. As stated above, the go-live date for the UDG is 4 December 2017. From this date Members will be able to submit production versions of their position files in the FIA extended ITS 4 format. Whilst the requirement to submit the new format position files takes effect from the MiFID II go-live date of 3 January 2018, Members are strongly encouraged to submit the new format files from the UDG go-live date of 4 December 2017.

It should be noted that the requirements detailed in this Notice are in addition to the existing obligation for Members to submit position reports via LMEdprs for the purpose of the application of the Lending Rules. After 3 January 2018, Members must continue to submit position files in the existing format to LMEdprs for the purpose of the Lending Rules **AND** position files in the FIA extended ITS 4 format via the UDG. LMEdprs will not be decommissioned until later in 2018.

### **COTR parallel run**

12. The LME has previously stated that it is mindful that many market participants use the current COTR to inform trading decisions. To that end, the LME considers that it is appropriate to have a period of time where both the current COTR and the new COTR are published to the market in parallel. This will provide market participants with a period of time to adjust to the new COTR following the implementation of MiFID II on 3 January 2018.
13. The current COTR and new COTR will therefore be published in parallel on the following dates:

Tuesday 9 January 2018  
Tuesday 16 January 2018  
Tuesday 23 January 2018  
Tuesday 30 January 2018



From Tuesday 6 February 2018, onwards, only the new COTR will be published and the current COTR will be decommissioned.

14. If Members or any other interested parties have any questions or requests for further clarification regarding this Notice, please contact the LME Market Surveillance department at [market.surveillance@lme.com](mailto:market.surveillance@lme.com).

**Peter Mason**  
**Head of Market Surveillance**

**cc: Board Directors**

## Appendix 1

### POLICY ON COMMITMENTS OF TRADERS REPORT

#### Introduction

1. From December 2017 onwards, the London Metal Exchange (the “LME”) will publish a Commitment of Trader Report (“COTR”) in accordance with MiFID II. This policy addresses the obligations imposed on trading venues as set out in MiFID II Article 58.
2. This will replace the previous COTR produced from daily open position information submitted via LMEdprs. However, it should be noted that Members will continue to be required to submit position reports via LMEdprs for the purposes of the application of the Lending Rules. The new COTR will consist of a report for each metal, produced from Member daily position reports that will be submitted via the “Universal Data Gateway” (UDG), and will be published on a weekly basis. Such COTR shall also be submitted to the competent authority and the European Securities and Markets Authority.
3. Whilst the LME will require Members to report positions held for Clients, the LME will facilitate the direct reporting of positions to it by Clients, subject to the appropriate procedures. Where a Member has a Client who wishes to report directly, the Member should contact the LME at [market.surveillance@lme.com](mailto:market.surveillance@lme.com) to put in place the appropriate arrangements.

#### Defined Terms

4. Capitalised terms not otherwise defined herein shall have the meaning ascribed to them in the Rules and Regulations of the LME (the “LME Rulebook”).

#### Report Composition

5. The data summarised within the COTR will be produced from the daily position data submitted by Members in the extended ITS 4 format via the UDG. The ITS 4 schema can be accessed via the following link:

<https://www.lme.com/-/media/Files/Regulation/Mifid-ii/ITS-Position-Reporting-Schema.xsd>



6. A separate COTR will be produced for each metal.
7. The open positions in the COTR are the futures positions on LME traded contracts and delta equivalent traded option positions, but do not include warrants or Traded Average Price Option figures. For the avoidance of doubt, Members will be required to calculate the delta equivalent for all option positions that they hold.
8. The COTR will show the positions for each of the pre-defined Member and Client classifications (as described further below). The positions are aggregated for all Members and Clients within a given classification.
9. Positions within each pre-defined classification will be displayed according to whether they are risk reducing or not.

#### **Description of Report Headings**

10. Each report will be set out as follows and will provide the following information for each classification:
  - a) NUMBER OF POSITIONS (L): the aggregate quantity of long positions per classification held on Friday at the end of the trading day. Option contracts to be included on a delta equivalent basis.
  - b) NUMBER OF POSITIONS (S): the aggregate quantity of short positions per classification held on Friday at the end of the trading day. Option contracts to be included on a delta equivalent basis.
  - c) NOTATION OF POSITION QUANTITY: the units used to report the number of positions.
  - d) CHANGES SINCE THE PREVIOUS REPORT (L): increase or decrease in the long position for each classification with respect to the previous Friday.
  - e) CHANGES SINCE THE PREVIOUS REPORT (S): increase or decrease in the short position for each classification with respect to the previous Friday.



- f) % OF TOTAL OPEN INTEREST (L): % of total open interest represented by the long positions.
- g) % OF TOTAL OPEN INTEREST (S): % of total open interest represented by the short positions.
- h) NUMBER OF PERSONS HOLDING A POSITION IN EACH CATEGORY (L AND S COMBINED): total number of Members and Clients holding a position in each classification.

### **Classification of Members and their Clients**

- 11. Members should exercise judgement as to which classification their predominant business function should be categorised in, as well as that of their Clients. Members are encouraged to discuss categorisation with their Clients if necessary.
- 12. The LME will review the classifications submitted by Members and reserves the right to re-classify an entity's business where it deems necessary to do so.
- 13. Members are advised that the COTR will be materially affected by the classification of certain large market users, whose activities arguably fall into multiple categories. Additionally, the practice by Members of entering into OTC contracts with their Clients, combined with the netting of Member business placed on-exchange, will inevitably result in the published COTR data reflecting only a subset of the total activity conducted within the LME ecosystem. It should be noted that Members are only required to report positions held in Exchange Traded Derivatives (ETD).

### **Classification Procedure**

- 14. As part of the account opening process, Members will disclose the classification of that account to the LME. This information must be supplied to the LME prior to the reporting of any position on the account, and be sent by email to: [market.surveillance@lme.com](mailto:market.surveillance@lme.com).
- 15. The LME reserves the right to re-classify an entity's business where it deems necessary to do so.



## Classification Definitions

16. Classification of clients for the purposes of the COTR follows the client classifications defined within MiFID II. Classifications for use in the COTR are as follows:

- a) **Investment firms or credit institutions;**
- b) **Investment funds**, either an undertaking for collective investments in transferable securities (UCITS) as defined in Directive 2009/65/EC, or an alternative investment fund manager as defined in Directive 2011/61/EC;
- c) **Other financial institutions**, including insurance undertakings and reinsurance undertakings as defined in Directive 2009/138/EC, and institutions for occupational retirement provision as defined in Directive 2003/41/EC;
- d) **Commercial undertakings;** and
- e) **In the case of emission allowances and derivatives thereof, operators with compliance obligations under Directive 2003/87/EC.** (Not applicable for the LME.)

## Reportable Positions

17. Members are required to report all positions in line with the “LME Position Reporting Guide”.

## Timing Deadlines

17. Members will be required to submit data in the extended ITS 4 format by 1pm (London time) on a T+1 basis. The current deadline of 8.30am (London time) for the submission of reports via LMEdprs will be unchanged.

## No Liability

18. The LME shall have no liability to any person for any error, inaccuracy or omission contained with the COTR, or any failure to make the COTR available





on the website or any other means, or for any other reason in relation to the COTR.

### **Additional Information**

#### 19. COTR Contract Key:

**AA** Aluminium Alloy  
**AG** Silver  
**AH** Aluminium  
**AU** Gold  
**CA** Copper  
**CO** Cobalt  
**FM** Steel  
**MO** Molybdenum  
**NA** NASAAC  
**NI** Nickel  
**OA** LMEswap Aluminium  
**OC** LMEswap Copper  
**OL** LMEswap Aluminium Alloy  
**OM** LMEswap NASAAC  
**ON** LMEswap Nickel  
**OP** LMEswap Lead  
**OZ** LMEswap Zinc  
**PB** Lead  
**SN** Tin  
**ZS** Zinc