

To: All Members

Ref: 17/363

Classification: General updates Trading

Date: 27 October 2017

Subject: **TREATMENT OF “GREEN TRADES”**

Summary

1. Notice No. 17/361, issued 27 October 2017, provided Members with certain technical details relating to the forthcoming release of LMEselect 9.2, scheduled for 13 November 2017. From that date, “green trades” in LME Base Contracts will flow from LMEselect to LMEsmart, and then through to LMEmercury for clearing (“green trades” for LMEprecious Contracts already flow through the relevant systems).
2. This Notice provides further information with regard to the treatment of LME “green trades” in LME Base Contracts, including confirmation that associated fees will be waived until 31 December 2017, after which the normal transaction and clearing fees will apply.

Defined Terms

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

Green Trades

4. Broadly, a “green trade” means (a) two Clients of the same Member in LMEselect trading with each other legitimately through order routing on the LMEselect API; (b) an in-house trader trading with an in-house trader (both of the same Member) on the LMEselect API; or (c) an in-house trader trading with a Client through order routing on the LMEselect API.



5. The current approach is that such transactions are suppressed in LMEselect so that they do not flow into LMEsmart. This only applies to trades in LME Base Contracts; “green trades” in LMEprecious Contracts are not suppressed. In view of the fact that (a) there are a number of legitimate trading scenarios whereby a Member may take both sides of a trade in LMEselect, (b) the LME is required to publish all trades in order to meet relevant transparency obligations under MiFID II, and (c) most peer exchanges do not suppress “green trades”, the LME considers that it is no longer appropriate to restrict such activity. These changes were signalled in the Strategic Pathway in September (see LME Notice 17/302 dated 7 September 2017, particularly paragraph 8.2.5 of the Strategic Pathway document which was attached to that Notice).
6. Therefore, following the implementation of LMEselect 9.2, where such activity does take place in LME Base Contracts, Members should be aware that the resulting transactions will now flow automatically from LMEselect to LMEsmart, and from there to LMEmercury, where the transaction will be cleared and published to the market.
7. Members are reminded to ensure that they have appropriate controls and procedures in place to prevent any inappropriate self-matching of orders in LMEselect. Additionally, Members should ensure that all relevant transaction monitoring systems are appropriately adjusted to take account of these transactions.
8. Fees associated with “green trades” in LME Base Contracts will be waived until 31 December 2017, after which the normal transaction and clearing fees will apply.

Queries

9. Any queries regarding this Notice should be directed to Trading Operations at tradingoperations@lme.com or +44 (0) 20 7113 8200.

Peter Childs
Head of Trading Operations

cc: Board directors
Trading Committee
Ring Dealers Committee
Traded Options Committee