

To: All Members

Ref: 17/410

Classification: General updates

Date: 19 December 2017

Subject: **GENERAL REMINDER REGARDING MATTERS RELATED TO THE IMPLEMENTATION OF MIFID II**

Summary

1. Members will be aware that MiFID II will take effect on 3 January 2018. The Exchange (the “**LME**”) has issued a number of Notices relating to MiFID II implementation, and these can be found on the following page on the LME website:

<https://www.lme.com/News/Member-notice>

2. The purpose of this Notice is to draw to the attention of Members certain key operational issues that should be noted or addressed prior to or on the implementation of MiFID II on 3 January 2017, and to direct Members to the relevant Notice(s), where applicable.
3. This Notice does not provide an exhaustive list of matters that must be noted or addressed by Members prior to the implementation of MiFID II. It remains the responsibility of the Member to ensure that it identifies and implements appropriate systems and controls to ensure compliance with all applicable requirements.

Defined Terms

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



Action Timeline

5. The following table provides a high level description of key actions that Members are required to take, together with a reference to the relevant section of this Notice, where further information is provided.

Action Date	Action	Paragraph
Immediate	Members to submit a Commodity Position Reporting file and a Personally Identifiable Information (“ PII ”) file to: <ul style="list-style-type: none"> (1) the Universal Data Gateway (“UDG”) within the Member test environment (referred to as the “MTA”); and (2) the UDG within the LME production environment and in each case, ensure that they receive an ACPT (Accept) feedback file.	10
Immediate	Members to submit Account Classification information to LME Market Surveillance.	18
Immediate	Members to return algorithm conformance testing certifications and DEA forms to LME Trading Operations.	19
Close of business 22 December 2017 (no later than)	Members to submit requests for UDG login segregation to LME Market Surveillance (if required).	8
Close of business 2 January 2018 (no later than)	Members to purge and if required re-enter GTC orders to ensure that all new MiFID fields are populated (e.g. execution decision maker).	22
Close of business 2 January 2018 (no later than)	Members to purge PII data submitted to the LME production environment during December. Achieved by submitting PII file with end date of 31 December 2017 for all data.	11
2 January 2018	Members to retrieve Tradeable Instrument File (“ TIF ”) from the LME UDG production environment via SFTP (as further detailed in the Tradeable Instrument File (TIF) Specification	-



Action Date	Action	Paragraph
	v1.9 document available on the LME website: https://www.lme.com/en-GB/About/Regulation/MiFID-II/Member-ISV-testing#tabIndex=2).	
3 January 2018 (by 07:00)	Members to submit the first PII file with live data to the LME UDG production environment via Secure File Transfer Protocol (“SFTP”).	9
4 January 2018 (by 13:00)	Members to submit the first of daily Commodity Position Reports to the LME UDG production environment via SFTP.	9

Access to the Universal Data Gateway (“UDG”)

6. File transfers to the LME for information related to MiFID II are made via the UDG. The UDG is accessed through SFTP via LMEnet or the internet. Members are able to access the test environment of the UDG by obtaining SFTP test environment logon credentials by emailing market.surveillance@lme.com. Members are able to access the production environment of the UDG by logging on using their existing production SFTP logon credentials. Logon password reminders can be obtained by emailing market.surveillance@lme.com.
7. Further information regarding the UDG, including the specification document and example UDG submission files, can be found by accessing the following page on the LME website:

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

Information regarding LME IP addresses, domain names and TCP ports for access to LME systems can be found in the LME Systems Connectivity Guide which can be found in the Member section of the LME website:

<https://www.lme.com/Login>



UDG Segregation of Information

8. Members should note that where they have a single logon for the UDG, individual Member access to folders is not restricted or segregated. Members who require segregation of folders (i.e. for PII) should email market.surveillance@lme.com at the earliest opportunity to request additional logon credentials.

Submission of Position Reports and PII files

9. Members are required to submit their first position reporting files to the LME by 13:00 on 4 January 2018, reflecting positions as at close of business on 3 January 2018. Members are required to submit their first live PII file to the LME by 07:00 on 3 January 2018.
10. Whilst the requirement to submit MiFID II-compliant position and PII files takes effect from the dates set out in paragraph 9, Members are requested to submit production position reporting and PII files to the UDG as soon as possible. This is to ensure that any issues with the submission of files to the production environment are identified and resolved ahead of 3 January 2018.
11. Members must also ensure that any PII data submitted to the LME production environment prior to 3 January 2018, as indicated in paragraph 10 above, is purged from the UDG by 2 January 2018. This is achieved by submitting a PII file with an end date of 31 December 2017 for all PII data previously submitted.

Position Reporting and PII Error Handling

12. In the event that Member files are rejected by the LME, Members should first refer to the relevant specification document to ensure that files have been correctly populated and formatted. See paragraph 7 above for a link to the relevant documentation. Members can retrieve feedback files from their UDG Outbox. Members must ensure that on receipt of a rejection message, every effort is made to ensure that corrected files are submitted to the LME at the earliest possible opportunity.



13. The deadline for Members to submit position files to the LME is 13:00 each Business Day. The LME will then transmit Member position records to the FCA at 13:30 each Business Day.
14. It is anticipated that the LME should start to receive response messages from the FCA from 13:45 onwards. Depending on the nature and volume of rejection messages, the LME will contact Members regarding rejections by the FCA at the earliest possible opportunity.
15. Members must ensure that on receipt of a rejection, every effort is made to ensure that correction files are submitted to the LME at the earliest possible opportunity. The submission of correction files following a rejection can take place after the times indicated above, but Members must ensure that correction files are submitted on the same day as the rejection and at the earliest possible opportunity.
16. Although the LME submits Member position data to the FCA, it remains the responsibility of the Member to ensure that position data is submitted accurately and on time.

Position Reporting and DPRS

17. It should be noted that the requirement to submit daily position files via the UDG is 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** in addition, submit position files in the FIA extended ITS 4 format via the UDG. The deadline for submitting position files to LMEdprs for the purpose of the Lending Rules remains unchanged at 08:30.

Account Classification

18. In accordance with the Commitments of Traders Policy ("**COTR 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. The deadline for submission of this information to the LME was 23 November 2017. If they have not already done so, Members are



immediately required to submit a list of each account and their new classification to market.surveillance@lme.com.

Further information regarding the COTR Policy can be found in LME Notice 17/352 issued on 23 October 2017:

<https://www.lme.com/News/Member-notice>

Algorithms and Direct Electronic Access

19. Members that use algorithms in respect of LME business must certify to the LME that these algorithms have undergone conformance testing and provide the LME with certain information regarding those algorithms. This is to ensure that algorithms avoid creating or contribute to disorderly trading conditions prior to the deployment or substantial update of a trading algorithm or trading strategy. The deadline for the submission of this information was 13 December 2017. If they have not already done so, Members are **immediately** required to submit the required information by emailing tradingoperations@lme.com.

Further information can be found in LME Notice 17/358 issued on 24 October 2017:

<https://www.lme.com/News/Member-notice>

20. Where Members provide Direct Electronic Access services to Clients, certain information should also be provided to the LME with regard to these services. The deadline for submission of this information to the LME was 23 November 2017. If they have not already done so, Members are **immediately** required to submit the required information by emailing tradingoperations@lme.com.

Further information can be found in LME Notice 17/358 issued on 24 October 2017:

<https://www.lme.com/News/Member-notice>

Order Cancellation and Controls

21. Members are reminded that they should refer to the LME Policy on Order Cancellation and Controls, and in particular that order entry/updates submitted



in excess of the throttle limit in any given second will result in those orders being rejected by the system.

Further information can be found in LME Notice 17/344 issued on 18 October 2017:

<https://www.lme.com/News/Member-notice>

GTC orders

22. Members are reminded that GTC orders entered onto the LME order book prior to 3 January 2018 will not be cancelled by the LME. It will be the responsibility of the Member to purge GTC orders from the LME order book no later than 2 January 2018, and re-enter those orders (if required) with all required MiFID II related fields populated (e.g. execution decision maker etc.).

Unexecuted Orders to Transaction Ratio

23. Members should refer to the Policy on Unexecuted Orders to Transaction Ratio (“**UOTR Policy**”) which states that the LME shall calculate the UOTR with regard to orders submitted to LMEselect by each Member and for every financial instrument. The LME will publish the applicable UOTR thresholds (per financial instrument) by way of a separate Notice. Where the UOTR for a particular financial instrument has been breached by a Member, the LME will follow the steps detailed in the UOTR Policy.

Fast Market Policy

24. Members are reminded that there may be occasions when significant periods of volatility may persist on an intraday basis or over a longer period of time. Volatility may be defined either by price volatility, or by significant market activity in terms of order placement and trades. The declaration of a “Fast Market” may be made by the LME with regard to a single product, group of products, or for the market as a whole. Further information regarding the Fast Market Policy can be found by accessing the following link.

Further information can be found in LME Notice 17/395 issued on 14 December 2017:

<https://www.lme.com/News/Member-notice>



Frequently Asked Questions (FAQs)

25. The LME has issued a set of MiFID II related FAQs which can be accessed using the following link:

<https://www.lme.com/en-GB/About/Regulation/MiFID-II/Member-ISV-testing#tabIndex=4>

26. If Members or any other interested parties have any questions or requests for further clarification regarding this Notice, please contact the LME Market Surveillance team at market.surveillance@lme.com.

Peter Mason
Head of Market Surveillance

cc: Board Directors