

To: All Members

Ref: 17/403

Classification: General updates

Date: 18 December 2017

Subject: **MIFID II TRANSACTION REPORTING FOR MEMBERS THAT ARE NOT SUBJECT TO MIFID II**

Summary

1. MiFID II imposes an obligation on investment firms that execute transactions in financial instruments to report these transactions. This includes those firms that are Members of the Exchange (the “**LME**”). For those Members that are not subject to MiFID II, the LME is required under MiFID II to report details of the transactions that they enter into on the LME’s Execution Venues. This Notice details the associated operational requirements that these Members must comply with.
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 Rulebook**”), or the Matching Rules as appropriate.

Background

3. For those Members that are subject to MiFID II, and which are therefore subject to the requirement to transaction report, the determination as to what data should be submitted for each transaction is a matter for them to determine. Whilst the LME has published a guide to transaction reporting (Appendix 8 to LME Notice 17 / 297, as confirmed in LME Notice 17 / 344), it remains the responsibility of Members to ensure that they meet the relevant MiFID II obligations as detailed in Regulatory Technical Standard (“**RTS**”) 22 to MiFID II.
4. However, for those Members that are not subject to MiFID II, the LME is subject to an obligation to report details of the relevant transactions that such Members enter into. Therefore, these Members must ensure the population of the following information on all trades:



5.1 Trading Capacity

Members must populate the Trading Capacity with either “MTCH”, “AOTC” or “DEAL” on all trades.

5.2 Identifiers

The LME will follow the short code approach (and align with the order record-keeping requirement set out in article 26(1) and article 26(2) of MiFIR) for collecting sensitive data from Members for transaction reporting purposes. Members will provide short codes through LME Select and the Matching System, which will be mapped downstream to the relevant National ID, Legal Entity Identifier (“**LEI**”) or Algorithm Identifier provided by the Members in the LME’s Personal Identifiable Information (“**PII**”) file. Members must populate the following fields (which relate to the fields set out in Table 2 of Annex I, RTS 22 (“**Table 2**”) with the relevant short code:

- 1) Buyer ID or Seller ID with Client Short Code (for all Client trades).
- 2) Buyer or Seller Decision Maker (where required).
- 3) Execution Within Firm (on all trades).
- 4) Investment Decision Within Firm (only when trading in a DEAL capacity).

With regard to the Execution Within Firm and Investment Decision Within Firm fields, the short code used must not refer to an LEI but instead to either the National ID or Algorithm Identifier, as applicable. Failure to comply with this requirement will result in the transaction report being rejected by the FCA.

5.3 Country Codes

All Country Codes will be derived from the PII data submitted by Members unless the values are populated in the trade details for the following fields:

- 1) Investment decision country code.
- 2) Execution country code.



5.4 TradeLink ID

In order to report transactions executed under the T4 booking model correctly, the LME will require Members to populate the TradeLink ID on all Client trades as per the scenarios outlined below (Figure 1).

With regard to LMEprecious, Client trades should be booked with a trading capacity of either MTCH or AOTC, and in both cases there is no requirement to populate the TradeLink ID.

Figure 1 – TradeLink ID Scenarios

Trading Capacity	Booking Model	Single/Multiple Fill	Single/Multiple Client	TradeLink ID Requirement
DEAL	T4*	All scenarios		No TradeLink ID required.
AOTC/MTCH	T4	Single	Single	Populate the TradeLinkID on the Client trade with either: - The Order Number (if the Exchange trade was executed on LMEselect);
AOTC/MTCH	T4	Single	Multiple (Aggregated order)	- The Reference Number; - The Match Slip ID of the Exchange trade or; - If both the Exchange trade and the Client trade are booked via LMEsmart then populate the TradeLinkID of both trades with a unique identifier.
AOTC/MTCH	T4	Multiple (from a single order)	Single	Populate the TradeLinkID on the Client trade with the Order Number of the Market order (the Order Number will be the same for all the Exchange trades as the Exchange trades are from a single order).
AOTC/MTCH	T4	Multiple (from separate orders)	Single	Populate the TradeLinkID on the Client trade with either: - The Order Number (if the Exchange trade was executed on LMEselect); - The Reference Number; - The Match Slip ID of the Exchange trade



5.5 Cancel Link ID

When using the cancellation flag, Members must populate the Cancel Link ID so that the LME can link the original trade to the cancellation trade(s) in the Matching System.

5.6 Commodity derivative indicator

Members must populate the commodity derivative indicator on all trades to show whether or not the transaction is risk reducing (i.e. an indication as to whether the transaction reduces risk in an objectively measurable way in accordance with Article 57 of MiFID II, as set out in field 64, Table 2 of Annex I of RTS 22). For trades with trading capacity MTCH or AOTC booked using the T4 booking model, Members can populate the commodity derivative indicator differently on the Exchange trade and the corresponding Client trade. In this instance the value submitted against the Client trade will be the value used to populate the transaction report.

5.7 Venue MIC

LME will populate the Venue MIC code in field 36 of Table 2 of Annex I of RTS 22 as “XLME” on Member transaction reports when the Member is trading in a DEAL capacity and on both Client and Exchange trades when the Member is trading in a MTCH or AOTC capacity.

Further Information

6. For further information relating to this Notice, Members should contact their Relationship Manager (rm@lme.com).

Marcos Castro
Company Secretary

cc: Board directors