

To: All Members

Ref: 19/226

Classification: General updates Trading

Date: 17 July 2019

Subject: **POLICY RELATING TO POSITION MANAGEMENT ARRANGEMENTS**

Summary

1. Under Notice 17/353, dated 23 October 2017 – Policy relating to Position Management Arrangements, the Exchange (the “LME”) issued a new policy (“the Policy”) covering the position management arrangements that the LME has in place to ensure the effective management of positions held on the LME market.
2. Terms defined in the Rules and Regulations of the LME (“Rulebook”) shall have the same meaning in this Notice, unless stated otherwise.
3. The Policy consolidated the key Notices relating to position management that the LME had issued over time into a single document, thereby providing clarity and ease of reference for market participants.
4. This Notice advises Members that the LME has made a number of updates to the Policy. The Policy has been updated to include:
 - (a) a section on the daily reporting of positions in order to clarify Members existing obligations;
 - (b) new template forms that Members must use when reporting financing arrangements or any new or changed Client codes to the LME; and
 - (c) a number of minor updates where provisions / terminology have become outdated or where further clarification was considered necessary.



5. The updated Policy is attached to this Notice.

Background

6. This Notice is effective immediately and replaces Notice 17/353, dated 23 October 2017 – Policy relating to Position Management Arrangements. However, in order to allow Members sufficient time to make changes to their reporting procedures, the requirement to report financing arrangements and new or changed Client codes using the template forms set out at Schedule 1 and Schedule 2 of the Policy will not become mandatory until 30 September 2019.

General

7. For the avoidance of doubt, as with all LME policies issued by way of Notice, the Policy is binding on all Members. Failure to comply with the Policy shall constitute a breach of the Rules pursuant to Part 1, Regulation 2.5 of the Rulebook.
8. If Members or market participants have any questions regarding this policy, they should contact Market Surveillance at market.surveillance@lme.com.

Peter Mason
Head of Market Surveillance

cc: Board directors
Special Committee



Policy Relating to Position Management Arrangements

Introduction

1. In order to ensure that the price discovery process is not unduly influenced by the existence of a position, which can include the holding of Warrants, the LME has in place arrangements to ensure that all positions held on the market are subject to ongoing monitoring. Where appropriate, the LME may take such action, through the Special Committee, as it deems appropriate to ensure that no position holder is able to exercise an undue influence on the market. Regulation 17 of Part 3 (Emergencies) of the LME Rulebook sets out the powers of the Special Committee.

2. It should be noted that the existence of a “large” position is not abusive *per se*, nor that the LME seeks to prevent the existence of such positions. Instead, the aim is to ensure that where such positions are held by market participants, the ongoing management of the position does not have an undue influence upon the market. For the avoidance of doubt, managing a position on the market would include not only active management through trading activity but also passive management through the lack of market activity – i.e. the withholding of liquidity from the market.

Defined Terms

3. Terms defined in the Rules and Regulations of the LME (“LME Rulebook”) shall have the same meaning in this Policy, unless stated otherwise.

Position Management Arrangements

4. In addition to the ongoing monitoring of positions referred to above, the LME has the following arrangements in place:
 - a) Daily Reporting of positions
 - b) Lending Rules
 - c) Warrant financing
 - d) Accountability levels



- e) Position limits
- 5. To support these arrangements the LME requires Members to provide certain information on a daily basis including position reports and Warrant holdings.
- 6. Details of the arrangements and reporting requirements are set out below.

Daily Reporting of Positions

- 7. In accordance with the obligations contained within Regulation 12.1 of Part 2 of the LME Rulebook, Category 1, 2, 3 and 4 Members must report to the LME all Warrant and trading positions for all customer accounts and all house accounts as at the close of business each day. These Warrant and position reports must be made electronically and must be received by the LME by 08:30 on the morning following the date of the report, with the exception of the market open interest report, which must be received by the LME by no later than 09:00 each business day.

Member Accounts to be Reported

- 8. Category 1, 2, 3 and 4 Members must report every single Warrant holding and net LME positions in respect of:
 - a) Any single proprietary account of a Member;
 - b) All aggregated proprietary accounts of a Member;
 - c) Any Client account; and
 - d) Any group of associated Client accounts.
- 9. Each Member's proprietary account and Client account listed above must be given a code defined by the reporting Member that is unique within the Member. This code will be referred to as the Client code and will be used to relate a Member account or Client to a reported position.
- 10. In respect of LME Client contracts, the reports must be compiled on the basis of all Clients who hold those LME contracts. Where a Member operates an omnibus account on behalf of underlying Clients of an intermediary, the reports



must account for each of those underlying Clients separately (except in the case of pooled funds). Members should not treat intermediaries as the holders of aggregated positions if the underlying Clients are the holders of LME registered Client contracts.

11. When a position refers to a group of proprietary accounts or a group of Clients, then the position of each individual proprietary account or Client, i.e. each individual Client code, must be reported separately.
12. For each of the Member accounts or Clients described above, net market positions should be reported by commodity and prompt date for Futures contracts and commodity, option date and strike price for Options contracts. Positions should not be reported twice.
13. Members should only supply positions relating to proprietary accounts or Client accounts for valid LME prompt dates. If a Member has no positions to report then files must still be submitted each day to distinguish this from a failure to report information.
14. Positions reported by Members each morning are those at the close of business on the previous business day. Unmatched trades are not registered positions. Only on-exchange LME registered positions should be reported. OTC positions or LME look-alikes should not be reported nor netted with on-exchange positions.

Reporting of Account Details

15. Each Member is required to supply details of any new or changed Client codes, including any new or changed affiliations of the Client. Account codes cannot be recycled for another account holder. The information must be supplied to the LME prior to the reporting of any position which includes these changes. This information should be transmitted to Market Surveillance by email (market.surveillance@lme.com) and must be in the CSV format specified in Schedule 1 and include:
 - a) The Member's code;
 - b) The Client code;



- c) The underlying entity to which the account belongs;
 - d) Whether the account is a Client or proprietary account;
 - e) The date on which the change will take effect; and
 - f) The Client code of any affiliated Clients and details of the affiliation.
16. Where positions are held in an indirect account at LME Clear, if the direct Client of the Clearing Member wishes to preserve anonymity of the indirect client, the direct client may provide these details to Market Surveillance, adhering to the requirements set out in paragraph 15. In such instances, the Clearing Member will not be required to report these details.

Reporting Procedure

17. Category 1, 2, 3 and 4 Members must submit their data files to Market Surveillance using LMEdprs as the reporting tool for each Client and for each proprietary position, and clearly identified by their account codes, by 08:30 each business day, with the exception of the Market Open Interest file, which needs to be submitted by 09:00 each business day. Members' reporting of LMEdprs files is required to be error free.
18. Members should contact Market Surveillance immediately if they find that they are unable to meet the daily deadlines to submit their data files. Members who have to resubmit their data files after the reporting deadline because they need to correct erroneous submissions must inform Market Surveillance of every single resubmission as soon as possible.
19. Members who automate their file submissions to be sent overnight must check their report status for transmission or validation error messages sufficiently in advance of the reporting deadline to ensure that they can correct and re-submit their reports to the LME by the required deadlines.
20. While Members may delegate the calculation and transmission of their daily position and Warrant holding reports to third parties, they retain the responsibility for the accuracy of the data that is transmitted to the LME. Accordingly, Members must ensure that adequate and ongoing testing is



undertaken of systems and controls procedures used to report to the LME to ensure that the information provided to the LME is accurate.

21. It should be noted that the requirements to submit position reports via LMEdprs is in addition to the requirement to submit position files through the Universal Data Gateway (UDG).

Non-compliance with accurate and timely submission of DPRs files

22. Members are reminded that the failure to report LMEdprs files accurately and on time is considered a serious matter and therefore significant or persistent breaches of the reporting requirements will be considered to be a disciplinary offence. As a general rule, the LME may investigate and commence disciplinary action against Members who have 5 or more days with errors having been recorded in relation to LMEdprs within a calendar month. However, failure to report LMEdprs files on any given business day may be considered a disciplinary offence in itself.
23. There is a variety of circumstances that may lead the LME to conclude that there is an error with a Member's obligation regarding the Daily Reporting of Positions. The LME considers the following non-exhaustive list likely to constitute an error for the purpose of Daily Reporting of Positions in breach of the requirement to report timely and accurately:
 - a) **Late Submission of Files** - Members must submit LMEdprs files before 08:30 each business day, with the exception of the Market Open Interest file, which needs to be submitted before 09:00 each business day;
 - b) **Errors in reported Warrants** - Warrants must be reported in both the Large position (LP) and Warrant Holding (WH) files;
 - c) **Errors in TOM reporting** - The LP file must include the Member's delivery obligations;
 - d) **Market Open Interest** - The Open Interest (OI) file must represent positions as at the close of business from the previous day held at the Clearing House;



- e) **Duplicate records** - The LP and WH files must only have one record for positions of the same prompt date, account code and product. The OI file must only have a single line for positions when the metal, sub account code and prompt date are the same; and
- f) **LMEdprs account codes** - All DPRS codes must be clearly identified to Market Surveillance prior to reporting these codes.

Further information on LMEdprs

24. Members requiring further information on using LMEdprs should refer to the Daily Position Reporting System (DPRS) User Guide and the LMEdprs Operating & Technical Guide, both of which are available on the LME website, www.lme.com

Lending Rules

25. The LME's Lending Rules rely upon the reporting by Members on a daily basis of all open LME positions, together with all Warrant holdings. Using this information the LME will require Members or their Clients to adhere to the following obligations.
- a) If at any time a Member or Client holds 50% or more of the Warrants and/or Cash Today/Cash positions in relation to stocks, they should be prepared to lend, if asked, at no more than a premium of ½% of the Cash price for a day, to reduce the position below 50%.
 - b) If at any time a Member or Client holds 80% or more of the Warrants and/or Cash Today/Cash positions in relation to stocks, they should be prepared to lend, if asked, at no more than a premium of ¼% of the Cash price for a day, to reduce the position below 80%.
 - c) If at any time a Member or Client holds 90% or more of the Warrants and/or Cash Today/Cash positions in relation to stocks, they should be prepared to lend, if asked, at no more than the Cash price, to reduce the position below 90%.
26. The Cash price used to calculate the premium each business day is the LME Official Cash Settlement Price published the previous business day. The



maximum premium percentage is expressed as a US dollar amount rounded down to the nearest cent.

27. The Lending Rules state that a dominant position holder “should be prepared to lend, if asked”. This expression means that the dominant position holder should respond to demand in the market for borrowing at the premium set by the Lending Rules. The dominant position holder is not obliged to lend if the market demand for TOM/next borrowing is at a backwardation premium below that specified by the Lending Rules.
28. Lending TOM/next involves selling for the TOM Prompt Date and buying for the Cash Prompt Date. Where a dominant position holder reduces its Warrant holding (“W”), net TOM trading position (“T”) and net Cash trading position (“C”), known collectively as the WTC position, on one day by lending TOM/next, it will be adding to its C position for the purposes of calculating its WTC position the next morning. This explains how a person may abide by the Lending Rules but maintain a dominant position on successive days.
29. As with the publication of large position information, in determining the application of the rules, the LME shall aggregate the positions of a Client across all brokers in reaching its estimate of dominant positions. Likewise the LME shall aggregate the positions of a Member or Client and such entity’s related group companies unless the entity can demonstrate that the positions were independent.

How to calculate a dominant position

30. The basis of a relevant position in any metal for the purposes of the Lending Rules is the total of a person’s WTC position expressed in Lots. That net WTC position is divided by the number of live LME Warrants for that metal. The result of $(W + T + C) \div (\text{live Warrants})$ is expressed as a percentage to two decimal places. For example, a Warrant position of 123 Warrants, a net TOM position of 456 Lots and a net Cash position of 789 Lots will equal 1,368 Lots. If the total number of live LME Warrants were 1,500, the WTC position would be 91.20%.

$$\frac{(123 + 456 + 789)}{1,500} = 91.20\%$$



31. The denominator used is live Warrants rather than total stock. Total LME stock in each metal is the sum of live Warrants and cancelled stock. This means that if a dominant position holder reduces its Warrant holding by cancelling Warrants, it will also be reducing the denominator used to calculate the size of their dominant position.
32. The resulting percentage forms the basis for calculating the number of Lots that a dominant position holder must be prepared to lend. The Lending Rules treat a WTC position of 50% and above as dominant. This means that a position holder is subject to the Lending Rules until its WTC position is reduced to 49.99%. For practical reasons, these percentages need to be expressed in Lots as whole numbers. In the above example, 50% of 1500 Lots equals 750 Lots. Therefore, 749 Lots equals less than 50%. The dominant WTC position (123 + 456 + 789) equals 1,368 Lots. The holder would have to be prepared to lend 619 Lots to reduce his WTC position down to 749 Lots. Expressed as percentages, this means that the dominant position holder must be prepared to lend 41.21%, rounded up to the nearest lot.
33. The figures used in calculating a WTC position are those reported by Members to the LME by 8.30am (London time) each business day. The figures relate to the WTC positions as at the close of business on the previous business day. Each Member's reports separately identify the W, T and C positions held on behalf of the Member and the W, T and C positions held by each of its Clients, including any of the Member's affiliate companies. This enables the LME to aggregate the WTC positions held by a Client across two or more Members. In respect of a single Prompt Date, a WTC position calculated as at the close of business on the Cash trading day (i.e. two business days before the Prompt Date) will become a Warrant and Tom position on the Tom trading day (i.e. the business day before that Prompt Date).
34. The LME automatically aggregates the WTC positions of companies in the same group. The LME will also aggregate the WTC positions of unconnected parties if the LME believes that there is a common purpose.
35. The net WTC positions are divided by the number of live Warrants as at the same point in time, the close of business the previous business day. The live Warrant figures used are the same as those included in the stock figures



published by the LME at 9.00am (London time) each business day. The relevant stock figures for complying with the Lending Rules on any TOM trading day are those published that morning.

36. As WTC positions are calculated each morning on the basis of figures as at the close of business on the previous business day, the reported T trading position will have become a delivery obligation for that day and the reported C position will have become a TOM position for that day. In order to reduce that reported WTC position in line with the Lending Rules, the dominant position holder should be prepared “to lend” TOM/next (or one of the TOM date carries).
37. Any increase in a TOM position during a TOM trading day that brings the combined Warrant, same-day Warrant delivery and TOM position at or above 50% of live Warrants will be a dominant position for the purposes of the Lending Rules and the dominant position holder should therefore be prepared to lend in accordance with paragraph 25(a) above. Similarly, in the event that a TOM position is increased during a TOM trading day that brings the combined Warrant, same-day Warrant delivery and TOM position at or above 80% or, as the case may be, at or above 90% of the live Warrants, the dominant position holder should be prepared to lend in accordance with paragraph 25(b) or 25(c) above respectively.

How to comply with the Lending Rules

38. The Lending Rules are an obligation placed on those who hold a dominant long position for which the Lending Rules apply. The holder of the dominant position is ultimately responsible for its own compliance with the Lending Rules. This is the case both for Members and non-Members. In the case of a non-Member, compliance with the Lending Rules require the non-Member to give appropriate instructions to one or more of its brokers.
39. The LME calculates dominant positions on the basis of daily position reports submitted by Members. Members must notify the LME of the identity of all position holders and of any connections between two or more position holders. Details of new account holders must be notified to the LME before that new account starts trading (see paragraph 15 above).



40. Where the LME identifies a dominant position, the holder of that position will be contacted to advise of any steps to be taken with regard to the management of the position. These steps could include adjustments to a WTC position to account for OTC business being brought onto the market that day. Many non-Members prefer to have these discussions direct with the LME rather than go through one or more of their brokers. Although, both Members and non-Members may discuss their WTC positions with the LME, the holder of a dominant position is best placed to know the size of their own WTC positions. Once the LME stock figures are published at 9.00am (London time), a position holder is able to calculate whether or not its net WTC position triggers the Lending Rules.
41. Increases or decreases in the LME Warrant figures from the previous day's figures may affect whether a WTC position is dominant and whether that dominance exceeds the 50%, 80% or 90% threshold. For this reason a dominant position holder is entitled to wait until the LME stock figures are published before complying with the Lending Rules. Notwithstanding the above, a dominant position holder should not delay complying with the Lending Rules and should be prepared to lend as soon as reasonably practicable following the publication of the LME stock figures. If a dominant position holder chooses to lend before 9.00am (London time), that lending must be in compliance with the Lending Rules. If there has been a material change in the live Warrant figures, the dominant position holder and relevant counterparties may, upon the LME's instruction, have to adjust some of the trades executed prior to the LME stock figures being published in order to ensure that the lending has complied with the Lending Rules.
42. A dominant position holder must lend at the premium applicable to their highest WTC position first. If a dominant WTC position is above 90%, the position holder must lend at level a sufficient number of Lots to bring their position below 90% before they may lend at a premium of $\frac{1}{4}\%$ of the Cash price. Similarly, he must lend at a premium of no more than $\frac{1}{4}\%$ of the Cash price a sufficient number of Lots to bring their position below 80% before they may lend at a premium of $\frac{1}{2}\%$ of the Cash price. The position holder must have reduced their position below 50% before the position holder may lend at a premium greater than those specified by the Lending Rules.



43. The LME provides three venues for trading: in the Ring, on LMEselect and the inter-office venue. A dominant position holder should be prepared to respond to requests for borrowing on all three venues. A dominant position holder is not obliged to verify whether the borrower is borrowing to cover an existing short position. However, the purpose of the Lending Rules is to address the effect of a Member's dominant position on short position holders. It would be an abuse of the Lending Rules for a dominant position holder to contrive to lend to another person at the specified premium with the intention that the borrower could then lend in the market at a higher premium.

Lending on LMEselect

44. A bid on LMEselect is a request to the market. A dominant position holder must respond to bids on LMEselect where those bids reach the premium at which the dominant position holder must be prepared to lend. The mechanisms for ensuring orderly trading on LMEselect mean that a lower offer entered into the system will trade with an existing higher bid. If there is a bid in LMEselect that is at a higher premium than that prescribed by the Lending Rules, a dominant position holder must trade with that bid to adjust the price back to the correct premium. This adjustment must be undertaken through the LME's matching system. If the circumstances suggest that bids for TOM/next borrowing on LMEselect will be higher than the backwardation premiums at which the dominant position holder will be obliged to lend, the dominant position holder should behave prudently and consider placing offers on LMEselect to anticipate bidding. This will avoid the need for adjustment trades.
45. If the dominant position holder is not a Clearing Member, it must make arrangements with its broker to take the necessary steps to respond to bids on LMEselect and to make adjustments where necessary.

Lending in the Ring

46. A bid in the Ring is also a request to the market. The first Ring session for each metal is the last opportunity to lend or borrow TOM/next by open outcry. A dominant position holder who has not reduced their WTC position below 50% by the start of the first Ring session must respond to bids in the Ring where those bids reach the premium at which the dominant position holder must be prepared to lend.



47. The mechanisms for ensuring orderly trading in the Ring mean that once a bid to borrow has been made, a lender must either accept that bid or make a higher offer. It is a breach of the Ring Trading Regulations to make an offer that is lower than a prevailing bid. If a dominant position holder's WTC position remains at 50% or above by the start of the first Ring session, it must ensure that it responds to bids and that any lending is at a premium no higher than the premium prescribed by the Lending Rules. In order to ensure this and to abide by the Ring Trading Regulations, it may be necessary for the dominant position holder to offer to lend. If the circumstances suggest that TOM/next trading in the Ring is likely to start at a higher premium, the dominant position holder should be prepared to open the Ring session with an offer before any bid is made.
48. If a dominant position holder is not a Ring Dealing Member, it must make arrangements in good time for a Ring Dealing Member to effect the necessary lending on its behalf.

Brokers instructed by Clients

49. There are a number of considerations that a Member must take into account when acting for a Client who is deemed to be a dominant position holder. In particular, the Member must ensure that its actions comply with all applicable FCA rules, including the FCA Code of Market Conduct.

Warrant Reporting

50. Category 1, 2, 3 and 4 Members are required to report by beneficial owner, any holding of Warrants of a proprietary nature, those pledged to a third party, or those held on behalf of a Client. Warrant holdings must be reported in both the WH file, and in the Futures positions (LP) file.
51. When another party has effective control over (rather than possession of) Warrants, both the beneficial owner and the effective controller's identity must be disclosed to the LME (see paragraph 55 below). A different Client code for the beneficial owner and controller combination must be used when reporting the Warrant holdings.



52. In order to avoid the double counting of Warrants held by one LME Member on behalf of another:
- a) Subject to b) below, each Member should report any Warrants:
 - (i) held by it for its own account;
 - (ii) held by it under a financing arrangement;
 - (iii) held by it on behalf of a Client; or
 - (iv) held by another person under a financing arrangement which it has with that other person, except where that other person is a Category 1, 2, 3 or 4 Member.
 - b) Each Category 1, 2, 3 and 4 Member who is a SWORD Member must report Warrants in any of its SWORD accounts, except Warrants which are subject to a remote-participation agreement with a Category 1, 2, 3 or 4 Member.
53. Each Category 1, 2, 3 and 4 Member which does not have a SWORD account must report any Warrants which are subject to a remote participation agreement it has with a SWORD account-holder.
54. Members are required to inform the LME of financing arrangements to which the Member is a party and whether they or their Clients do not hold but have effective control over Warrants. Members must notify the LME by completing the template form attached at Schedule 2 and sending it to Market Surveillance at market.surveillance@lme.com before or at the start of the financing arrangement. The Member must also notify Market Surveillance by email when the financing arrangement ends or when it has been amended.
55. There are a number of ways in which a party can achieve effective control of Warrants held by another. These include where:
- (a) the holder of Warrants has an obligation such that he will retain the Warrants while the obligation is outstanding;
 - (b) the person to whom the holder of the Warrants owes the obligation is aware that the Warrants are being held against the obligation; and



- (c) the person to whom the obligation is owed has effective control over whether those Warrants can become available to the market.
56. In the event that a Member, or as the case maybe, a Client has effective control over (rather than possession of) Warrants, the LME will aggregate those Warrants with other Warrants held by, or to the order of, the Member or, as the case maybe, the Client. The result will be that the total number of Warrants will be counted towards the Member's or, as the case maybe, the Client's Warrant holdings, Cash Today and Cash positions for the purposes of calculating lending under the Lending Rules. The Lending Rules will therefore apply to the total aggregated number of Warrants.
57. For the avoidance of doubt, Members who do not hold but have effective control over Warrants should not report such Warrants in their daily Warrant position reports. Daily reporting falls to the Member holding the Warrants. This will prevent the Lending Rules being incorrectly applied to the holder of the Warrants and allow the LME to aggregate holdings accordingly.

Accountability Levels

58. As noted above, the LME continuously undertakes surveillance on all positions held on the market and where relevant the Lending Rules set out specific actions that would be taken in particular circumstances. However, the LME considers it appropriate to have arrangements in place for the provision of additional information, when requested by the LME, for positions that are above certain levels (which shall be referred to as the "Accountability Levels"), even where such positions do not trigger the application of the Lending Rules. The request to provide additional information will be made to the Member who is holding a position, either directly or on behalf of their Client(s), which is in excess of the relevant Accountability Level.
59. For the avoidance of doubt, Members and their Client(s) may (unless directed otherwise) hold positions that are in excess of the Accountability Level.
60. The LME will publish Accountability Levels for single prompt dates and all prompt dates (referred to as the "Single Prompt Accountability Levels" and the "All Prompt Accountability Levels").



61. If a position exceeds either the Single Prompt Accountability Level and/or the All Prompt Accountability Level then the LME may require further information as to the nature and purpose of the position of that account (or, if appropriate, linked accounts as determined by the LME), and may direct that Members cannot accept further orders that increase the position, or direct that the position be reduced to a level below the Accountability Level. The Member shall comply with such directions, or procure that its Client comply with such directions.
62. The current Accountability Levels are set out at Schedule 3. The LME reserves the right to amend these levels, and the LME will advise of any updates in writing. In addition, Accountability Levels for other LME Contracts may be introduced from time to time, as advised by the LME in writing. The Single Prompt Accountability Levels shall be calculated for each Member or Client (as relevant) on a net basis in respect of each relevant prompt date. The All Prompt Accountability Level shall be calculated for each Member or Client (as relevant) on a net basis in respect of all relevant prompt dates.
63. The Accountability Levels shall apply to any Member and/or Client trading LME Contracts, and will apply to positions held at the end of day. Members shall be responsible for compliance with the Accountability Levels and for ensuring compliance by their Client(s) with the Accountability Levels.
64. Upon request, Members are required to provide all relevant information relating to the position to the LME. Where appropriate, Members should encourage their Clients to provide all relevant information directly to the LME, and in such cases the Member will have been deemed to have responded to the LME's original request for additional information. The LME is aware that the information provided may include commercially sensitive information and therefore will be held in confidence in accordance with the provisions of Part 2 of the LME Rulebook.
65. As with the publication of position information and the Lending Rules, in calculating the total positions of two or more entities acting in concert for the purposes of the Accountability Levels, the LME shall aggregate the positions of a Client across all Members. Likewise the LME shall aggregate the positions of a Member or Client and such entity's related group companies unless the entity can demonstrate that the positions were independent. The LME will also



aggregate the positions of unconnected parties if the LME believes that there is a common purpose between such parties. In such cases the LME will inform the parties either directly or through the Members with whom they trade.

Position Limits

66. The Lending Rules apply to all products on which Warrants are issued and where stock figures are published by the LME. However, the LME makes available for trading other products where no stock figures are available. For these products the LME has implemented a position limit regime.
67. The Position Limits published by the LME apply to all Prompt Dates, and are triggered when the net position held exceeds the relevant Position Limit. Where a position exceeds the relevant Position Limit, the LME may request further information regarding the position of that account or linked accounts, and the LME may also give directions to the Member in respect of the position of that account or linked accounts.
68. The current Position Limits are set out Schedule 4. The LME reserves the right to amend these position limits, and the LME will advise of any updates in writing. In addition, Position Limits for other LME Contracts may be introduced from time to time, as advised by the LME in writing.
69. When requested by the LME, Members must provide the LME with certain information relating to a position. Members should encourage their Clients to provide all relevant information directly to the LME, and in such cases the Member will be deemed to have responded to the LME's original request for information. The LME may also contact the position holder directly to obtain further information. The LME is aware that the information provided may include commercially sensitive information. Such information will be held in confidence in accordance with the provisions of Part 2 of the LME Rulebook.

Enforcement of Position Management Arrangements

70. Regulation 17 of Part 3 (Emergencies) of the LME Rulebook sets out the powers of the Special Committee in the event that it has cause to suspect the existence of or to anticipate the development or likely development of an undesirable situation or undesirable or improper trading practice which in its opinion has affected or is likely to affect the market.



71. For the avoidance of doubt, the Special Committee may, in its absolute discretion, take such steps as it deems appropriate to contain or rectify the situation. This may include, without limitation, a direction to reduce a position to below the relevant Accountability Level and/or Position Limit. Further, a direction to reduce a position may be issued even where the position is already below the relevant Accountability Level and/or Position Limit.
72. Any Member contravening or failing to comply with any direction or instruction issued by the Special Committee will be considered to be in breach of the LME Rules.
73. Members with queries/questions regarding this policy should contact the LME Market Surveillance department at market.surveillance@lme.com

Schedule 1

Reporting of accounts (in CSV format)

Column No.	Column Name	Description	Mandatory (M) Optional (O) Conditional (C)	Data Type	Sample Data
1	Action	Identifies whether the account is a new account, or whether the record is an amendment or deletion of an existing account.	M	CHAR-3	'ADD' – New Account 'DEL' – Delete Account 'AMD' – Amend Account
2	Member Mnemonic	The 3 letter code assigned to the Member submitting the Client Code.	M	CHAR-3	'XXX' 'YYY'
3	Client Code	The code the Member has assigned to the entity or natural person. This should be the Client Code used to report the position in DPRS.	M	ALPHANUM-10	'123456789' 'CLIENT1'
4	Client Name	The name of the entity or natural person assigned to the Client Code.	M	ALPHANUM-256	'ABC TRADING LTD' 'JOHN SMITH'
5	LEI (if applicable)	If the Client Code belongs to an entity then this field should contain the entity's LEI. If the Client Code belongs to a	C	ALPHANUM-20	'123456789ABCDEFGHIJK'



		natural person then this can be left blank.			
6	Client / Proprietary	Identifies whether the Client Code is an account belonging to a client of the Member, or a proprietary account belonging to the Member.	M	CHAR-1	C – Client P - Proprietary
7	Effective Date	The date which the Member would like the Client Code to be effective from.	M	ISO 8601 extended format YYYY-MM-DD	2019-03-01
8	Affiliated Clients	If the Member is aware of an affiliation between the underlying client of this Client Code and the underlying client of a previously reported Client Code they should identify that Client Code in this field.	O	ALPHANUM-10	'987654321' 'CLIENT2'
9	Details of Affiliation	Identifies any details the Member deems relevant with respect to the affiliation of the two Client Codes.	O	ALPHANUM-256	'Parent entity'



Schedule 2

Reporting of Warrant Financing Arrangements (in Excel or CSV format)

Column No.	Column Name	Description	Mandatory (M) Optional (O) Conditional (C)	Data Type	Sample Data
1	Member Mnemonic	The 3 letter code assigned to the Member submitting the Client Code.	M	CHAR-3	'XXX' 'YYY'
2	Warrant Holder	The entity in possession of the Warrants under the financing arrangement. Note this does not necessarily have to be the Member, or the Effective Controller, it could be a client of the Member who is financing Warrants for a third party.	M	ALPHANUM-256	'ABC TRADING LTD' 'JOHN SMITH'
3	Effective Controller	The entity, or natural person, that maintains effective control of the Warrants under the financing arrangement. See paragraph 55 for further details.	M	ALPHANUM-256	'ABC TRADING LTD' 'JOHN SMITH'
4	DPRS Code	The Client Code the Member intends to submit the Warrant positions against in their DPRS position files. Note this	M	ALPHANUM-10	'123456789' 'CLIENT1'



		should reflect the entity identified in the Effective Controller field.			
5	Start Date	The date at which the financing arrangement began.	M	ISO 8601 extended format YYYY-MM-DD	2019-03-01
6	End Date	The date at which the financing arrangement is expected to end.	O	ISO 8601 extended format YYYY-MM-DD	2019-03-01
7	Metal	2 letter LME contract code	M	CHAR-1	'AH' – Aluminium 'CA' – Copper
8	Number of Warrants	Number of Warrants held under the financing arrangement	M	Integer	'150'
9	Additional Comments	Any additional details the Member deems relevant to the LME with respect to the financing arrangement in place.	O	ALPHANUM-256	



Schedule 3

Accountability Levels

Contract Code	Single Prompt Accountability Level (Lots)	All Prompt Accountability Level (Lots)
AH	15,000	15,000
CA	7,000	7,000
NI	8,000	8,000
PB	3,000	3,000
SN	800	800
ZS	8,000	8,000
LMEprecious		
AG	n/a	8,000
AU	n/a	8,000



Schedule 4

Position Limits (Lots)

Contract Code	Position Limits (Lots)
AN (US Midwest)	2,500
AS (South-East Asia)	2,500
AE (East Asia)	2,500
AW (West Europe)	2,500
LMEprecious	
AG	12,500
AU	12,500