

LME Group Position Transfer Procedure

1. Introduction

- 1.1 This procedure is a joint procedure of The London Metal Exchange (“**LME**”) and LME Clear Limited (“**LME Clear**”, together with LME, the “**LME Group**”).
- 1.2 Position transfers are a common feature of exchange traded derivative markets, can occur on a daily basis, and are undertaken for a variety of purposes. The LME Group supports the transfer of Positions and provides Position transfer functionality in LMEsmart (in relation to LME) and LMEmercury (in relation to LME Clear). Any Position transfer using LMEsmart must comply with the LME Matching Rules. Any Position transfer using LMEmercury must comply with LME Clear Rule 6.13.

2. Purpose of this procedure

The purpose of this procedure is to set out when a Position transfer carried out through either LMEsmart or LMEmercury will be eligible (or not) for a fee cap and the process Members must follow.

3. Defined terms

Terms not otherwise defined in this procedure shall have the meaning ascribed to them in the Rules and Regulations of the LME (the “**LME Rules**”), the Matching Rules, or the LME Clear Rules and Procedures (the “**LME Clear Rules**”) as applicable.

4. Procedure

4.1 Eligible Ordinary Position Transfers

The following Position transfers are eligible for a fee cap (“**Eligible Ordinary Position Transfers**”):

- a) transfer of Positions held for the account of the same Client from the Client Account of one Clearing Member to the Client Account of another Clearing Member; and;
- b) transfer of Positions held for the account of the same Client between Client Accounts of the same Clearing Member.

4.2 Eligible Extraordinary Position Transfers

Position transfers are eligible for a fee cap (“**Eligible Extraordinary Position Transfers**”) where a Member or Client is undertaking a position transfer that is intended to facilitate an extraordinary and significant structural or operational change to their business.

Some examples of scenarios that are eligible to be Eligible Extraordinary Position Transfers are set out below. This list of examples is not exhaustive.



- a) transfer of Positions (from a House Account and/or Client Account) to another Clearing Member where the Clearing Member is exiting the LME market;
- b) transfer of Positions (from a House Account and/or Client Account) where a member is changing the legal entity of their membership to an affiliate that will be the new entity that trades on the LME;
- c) transfer of Positions in respect of a Category 4 Member or Client which has become a Category 1,2 or 3 Member and is the only Clearing Member entity within its group. For the avoidance of doubt, transfer of Positions in connection with the creation of a second Clearing Member in a group would not normally qualify as an eligible scenario; and
- d) transfer of Positions (from a House Account and/or Client Account) to another Clearing Member as part of a merger or acquisition.

4.3 Fee cap

The fee cap will be determined on the basis of the number of ultimate beneficiaries (the “**Ultimate Beneficiaries**”) for which an Open Contract is held. This could be the Client itself or, in the case of an Indirect Clearing Arrangement, the indirect client, second indirect client or third indirect client (as such terms are defined in Commission Delegated Regulation (EU) 2017/2154 (or successor legislation)). The fee cap will be applied as follows:

- a) Step 1: the Clearing Member must identify the Client for which the relevant Positions are held;
- b) Step 2: for each Client the Clearing Member must identify the number of Ultimate Beneficiaries in relation to the relevant Positions;
- c) Step 3: the Clearing Member must provide an attestation to the LME Group confirming the number of Ultimate Beneficiaries; and
- d) Step 4: the LME Group will apply the fee cap set out in the LME Group fee schedule reflecting the number of Ultimate Beneficiaries attested by the Clearing Member.

A Position transfer which is not an Eligible Ordinary Position Transfer or Eligible Extraordinary Position Transfer can be transacted via LMEsmart or LMEmercury and will not be subject to the fee cap.



4.4 Compression (for non-eligible transfers)

Where a Clearing Member wishes to carry out a Compression Run prior to carrying out a Position transfer the Clearing Member will be charged for both the Compression Run and the Position transfer of the Post-Compression Contracts (together with any Open Contracts that were not subject to Compression).

4.4.1 Compression Premium

Where a Clearing Member wishes to avoid the operational burden of carrying out a Compression Run it may carry out a Position transfer in LMEmercury and will be charged a Fee as follows:

- the sum of:
 - the Fee which LME Clear would have charged for the Compression Run; and
 - the Fee (modelled by the Member and approved by LME Clear) for the transfer of the Post-Compression Contracts (and any Open Contracts that were not subject to Compression).
- multiplied by 1.5.

NB: The notional Compression Run must be applied against all Eligible Compressible Contracts in the relevant Account and partial transfers of Open Contracts from the relevant Account will not be permitted. The Clearing Member must also complete the Compression Premium Transfer Request form.

4.5 Position Transfer Requests

Where a Clearing Member wishes to undertake an Eligible Ordinary Position Transfer or Eligible Extraordinary Position Transfer in LMEsmart or any Position transfer in LMEmercury, it must submit a request in writing to the Relationship Management team at rm@lme.com.

In order to ensure a timely response to a request Members must provide the Relationship Management team with the following information when submitting a request:

- a) why the proposed Position transfer is an Eligible Ordinary Position Transfer or Eligible Extraordinary Position Transfer (where relevant);
- b) whether the Clearing Member wishes to carry the Position transfer out in LMEsmart or LMEmercury;
- c) the Clearing Member attestation referred to in paragraph 4.3 above;
- d) the Compression Premium Transfer Request form referred to in paragraph 4.4 above (where relevant);
- e) a copy of the Client instruction to effect the transfer (where relevant);



- f) an electronic file showing the Positions to be transferred;
- g) the Client ID;
- h) the public reference that will be used (which should be consistent across the client crosses and Member-to-Member trade); and
- i) the date that the Member wishes the transfer to take place.

Clearing Members may aggregate volume across different metals, currencies, Contract types and Prompt Dates into one Position transfer request.

The Relationship Management team will respond within 2 Business Days indicating whether LME/LMEC agrees that the Position transfer is an Eligible Ordinary Position Transfer or Eligible Extraordinary Position Transfer (where relevant) and detailing the next steps. The LME Group reserves the right to apply full fees without the benefit of the fee cap if a Clearing Member does not follow the requirements of this procedure (including, but not limited to, where a Clearing Member carries out a Position transfer in advance of a confirmation from the Relationship Management team that such a Position transfer is an Eligible Ordinary Position Transfer or Eligible Extraordinary Position Transfer and all necessary information has been supplied).

4.6 Position Transfer Process

Where a Clearing Member chooses to use LMEsmart to conclude a Position transfer, it must follow the process set out in the Matching Rules.

Where a Clearing Member chooses to use LMEmercury to conclude a Position transfer, it must:

- a) follow the process set out in LME Clear's Detailed Service Specification;
- b) follow the specification of the data file that is to be uploaded to LMEmercury, details of which can be obtained from the LME Clear Detailed Service Specification;
- c) ensure that it complies with the requirements of LME Clear Rule 6.13. In particular, as Position Transfers through LMEmercury are likely to have a risk/margin impact, Clearing Members must ensure that they have sufficient collateral at LME Clear to cover any incremental margin requirements, and LME Clear may require pre-funding of any Position Transfer as appropriate; and
- d) submit an executed Transfer Request Notice.

Unless previously agreed, all Contracts relating to an Eligible Ordinary Position Transfer or Eligible Extraordinary Position Transfer in LMEsmart or any Position transfer in LMEmercury must be submitted via LMEsmart or LMEmercury, as appropriate, during the same Business Day.



4.7 Exclusions

For the avoidance of doubt, the following transfers do not incur fees and are excluded from the provisions of this policy:

- a) the porting of Contracts following a Clearing Member default which is managed in accordance with the relevant default rules of LME and LME Clear through LMEmercury;
- b) a pre-default transfer required by LME Clear on risk management grounds conducted through LMEmercury;
- c) transfers from an Omnibus Segregated Account to an Individual Segregated Account, where these are both Accounts of the same Clearing Member, conducted through LMEmercury; and
- d) transfers required where a Clearing Member resigns its membership as a result of its Settlement Bank withdrawing service and a replacement Settlement Bank could not be found, and where its House Account positions are being transferred to a Client Account operated by another Clearing Member. Such transfers are deemed to include all other transactions required to facilitate a controlled and timely resignation and may be conducted through LMEsmart or LMEmercury.

4.8 Fees

Once approved, an Eligible Ordinary Position Transfer or Eligible Extraordinary Position Transfer will be subject to fees and the Fee Cap on the basis set out in the LME Group fee schedule from time to time: <https://www.lme.com/en-GB/Trading/Access-the-market/Fees>.

Where applicable, non-eligible transfers will be subject to a Compression Premium fee as referred to in paragraph 4.4.1 above.