

## INCENTIVE PROGRAMME SPECIFICATIONS

### Proprietary Liquidity Programme (“PLP”) – Renewal

1. This PLP is governed by the General Terms of the LME incentive programmes (the “**General Terms**”). The General Terms can be obtained from the LME website or from the sales team at Sales@LME.com.
2. Capitalised terms not otherwise defined in this Specification shall have the meaning ascribed to them in the General Terms.
3. The LME ran a proprietary liquidity programme from 1 March 2021 until 28 February 2022 (the “**Historic Programme**”). Given the success of the Historic Programme, the LME has renewed the PLP (the “**Renewed Programme**”) with effect from 1 March 2022 (the “**Renewal Date**”) and these Specifications relate to the Renewed Programme.

### Proprietary Liquidity Programme

4. The PLP has been designed to promote liquidity additive behaviour on LMEselect. The PLP rebate criteria, detailed below, are designed to support higher quality order books on LMEselect and will benefit all users of the electronic marketplace.
5. Proprietary liquidity providers tend to turn over their position frequently throughout the day. Smaller positions allow them to act in their role as liquidity providers, unencumbered by a meaningful position. The natural result of this short holding period is that liquidity providers’ activity is characterised by day trading, where a position is opened and closed in the same trading day. Trading in this manner is beneficial to the quality of the market and fee sensitive.
6. Proprietary liquidity providers’ orders are often filled passively, where the order is resting in the order book before it is matched. Because it is resting in the order book, passive volume adds depth and quality to the market, and is liquidity additive. An aggressing order, by contrast, matches with a resting order and removes liquidity from the order book.
7. A client trade on LMEselect can be viewed as three sides within the T4 booking model, each of which pays fees. The PLP rebates one side of a trade for each liquidity additive characteristic.
8. For passive volumes, as determined by LMEselect, where the Participant’s order was resting when matched, one side of the trade will be rebated. This represents a one-third fee rebate.
9. For day-trades, where the position in a Prompt Date is opened and closed within the same trading day, one side of the trade will be rebated. This represents a one-third fee rebate.



10. For Participants, the maximum fee reduction possible is two-thirds, by day-trading through passive activity. Some Participants may receive no fee reduction based on the nature of their trading activity.
11. Members are required to submit applications for the PLP, by emailing completed applications to [incentive.programmes@lme.com](mailto:incentive.programmes@lme.com). Applications can be submitted to the LME at any time from 7 February 2022 until the termination of the PLP. Applications will not be considered if received from a Client or Indirect Client.
12. The compliance team of each Member who the LME understands has Clients who were Participants in the Historic Programme will be contacted and asked to re-attest that those Participants wish to continue in the Renewed Programme and continue to meet the requisite eligibility criteria. The re-attestation must be in the form of an email sent to [incentive.programmes@lme.com](mailto:incentive.programmes@lme.com) from the Member's compliance department and which must list all Participants from the Historic Programme that wish to be re-enrolled and contain the requisite attestation. In the event that the weighted average price booking method is to be used (see paragraph 21 for more information) then the Member must also confirm this in the attestation. The LME reserves the right to withdraw any Participants from the Renewed Programme where they do not receive the necessary re-attestations by the Renewal Date.

## Eligibility Criteria

13. To be eligible for the PLP, a Participant must be a Client or Indirect Client and must be a Proprietary Trading Firm (as defined in the General Terms).
14. Eligibility for the PLP is determined at the Proprietary Trading Firm level.
15. As eligibility is determined at the firm level, a firm which engages in any non-proprietary trading business is not eligible for participation.
16. An entity will be considered a Proprietary Trading Firm where it meets the requirements of clauses 5.4 and 5.5 of the General Terms.

## Eligible Contracts

17. Outright, medium-dated carry, and long-dated contracts<sup>1</sup> traded on LMEselect in aluminium, copper, zinc, nickel, lead, and tin ("**Eligible Contracts**"). Without prejudice to any eligibility conditions set out in the LME Rulebook, the General Terms or this Specification, in order for volume in Eligible Contracts to benefit from the PLP, the relevant trades must:

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<sup>1</sup> As defined in the LME fee schedule



- a. comprise a cleared contract and a corresponding client contract (with both terms as defined in the LME Rulebook);
- b. have been executed on LMEselect;
- c. include matching identifiers in LMEsmart in accordance with paragraph 20a. of this Specification; and
- d. have the venue of execution correctly marked as LMEselect in the LMEsmart trade record(s).

## **Rebate Criteria**

18. Subject to paragraph 19, rebates will be determined based on the following two criteria, cumulatively and independently:

- a. *Passive volume*, as determined by LMEselect. Trades will receive a rebate of one-third of trading and clearing fees. Passive volumes are those executed as resting orders, not an aggressing order;
- b. *Day-traded volume* will receive a rebate of one-third of trading and clearing fees. Day-traded volumes are volumes where the position is opened and closed on LMEselect within the same trading day for the same prompt date.

The trade identifier for the calculation of rebates under the PLP will be the specific registered Tag 58. In LMEsmart, the client code must match the Tag 58 from LMEselect. For Category 4 Members, the private reference field in LMEsmart must match the Tag 58 from LMEselect.

19. In order to achieve the full rebate all client trades must satisfy the following criteria:

- a. in LMEsmart, registration of the client contract should have the same account code as the registered Tag 58 of the Participant on LMEselect and (except as where provided for in paragraph 21) the venue code of the registered client cross in LMEsmart should be "LMEselect";
- b. only PLP trades with a corresponding client contract based on metal, carry type and prompt date will be eligible for a rebate;
- c. all client cross trades need to be booked on the same day as the cleared LMEselect contracts; and
- d. all trades must be matched and cleared.

20. Failure to satisfy all the criteria in paragraph 19 will result in the Client being rebated only a portion of the full rebate or receiving no rebate at all.



**Exception to the Requirement to use the Venue Code of “LMEselect”**

21. The sole exception to the requirement to use the venue code of “LMEselect” where registering a client contract (as otherwise set out in paragraph 19a) is if the client cross trade is booked at a weighted average price. If a Member intends to use this approach then prior notification must be provided to the LME either:

- a. for new Participants, in their application form; or
- b. for Participants of the Historic Programme during the re-attestation process as set out in paragraph 12.

Requests made by Participants once already participating in the Renewed Programme will be treated on a case by case basis.

22. In the event that a Member has notified the LME that they intend to book a Participant’s trade using a weighted average price, the Participant’s trades have to meet all the other criteria set out in paragraph 19 and 20 and the client venue should be inter-office. Furthermore, the trade category of the client inter-office trade should be input as normal.

23. For the avoidance of doubt:

- a. except as provided for in b. below, all PLP client trades should be booked with the venue code LMEselect; or
- b. if a Member has advised that they are using inter-office as the venue code, all PLP client trades must be booked with the venue code inter-office.

Failure to comply with these requirements will mean any PLP client trades will not be eligible for a rebate, even if they otherwise meet the terms of the PLP.

24. In the event that the requirements of the Eligibility Criteria, Eligible Contracts and Rebate Criteria are not fully met, there will be no entitlement to a rebate.

**Duration of Renewed Programme**

25. The Renewed Programme shall remain open for a period of 12 months commencing on 1 March 2022.

26. The LME may extend the Renewed Programme or re-open the programme if it is suspended/terminated (subject to regulatory approval). In such circumstances, Participants shall remain on the PLP.