

To: All Members and other interested parties

Ref: 17/303

Classification: Fees

Date: 7 September 2017

Subject: **LME REVISIONS TO FEE STRUCTURE**

Summary

1. Pursuant to LME Notice 16/387 : A380 : W119, issued on 15 December 2016, and in response to the significant level of feedback received following the issuance of the LME's Discussion Paper on Market Structure, the LME is today announcing several revisions to its fee schedule, which are designed to support market need, improve liquidity and strengthen the LME's trading and services provision more broadly.

Background

2. The LME Discussion Paper on Market Structure ran from 24 April to 30 June 2017, during which time the LME undertook a comprehensive market engagement process designed to elicit feedback from a broad range of market participants. This feedback was sought in order to help frame the LME's decision making in respect of its strategy. The LME received 162 written responses to the Discussion Paper and is very grateful to all its stakeholders for the time and effort they have taken in support of this process.
3. A summary of the feedback received in response to the Discussion Paper and the LME's strategic pathway are also available today; please refer to Notice 17/302 for full details.
4. Capitalised terms not otherwise defined in this Notice shall have the meaning ascribed to them in the LME Rulebook.

Fees and charges

5. The LME is making four amendments to its fee schedule; these are as follows:



- (a) Discounts to short-dated carry fees (where all carry dates are between the TOM date, i.e. next LME prompt date, and 15 calendar days from the TOM date inclusive). This change is effective from 1 October 2017;
 - (b) Discounts to medium-dated carry fees (where all legs are within 35 days calendar days forward from the closest prompt date). This change is effective from 1 November 2017;
 - (c) Revisions to the LMEshield fee structure. These changes are effective immediately; and
 - (d) The LME confirms that there are presently no structural queues in the LME's warehouse network, and that consequently the fee holiday in respect of the LME physically-settled premium contracts will come to an end immediately.
6. Details of each of the fee changes above are set out in the schedule to this Notice. Further information in respect of the above changes is set out below.

A: Short-dated carries

7. The fees for short-dated carries will be reduced for both Member and Client trades and are varied by Execution Venue in order to recognise the vital role of the Ring for price discovery, and the importance of "lit venues" more broadly. The revised fees, including the differential between venues, have been discussed with the User Committee convened by the LME ("User Committee").
8. The short-dated carry discount will take effect from 1 October 2017 and last until 31 October 2018, at which point the LME will review the discount.

B: Medium-dated carries

9. Recognising the importance of the LME date structure and the desire of the market for monthly position rolls, the LME is introducing a new medium-dated carry trade category, which will enable the cost of these carries to be reduced relative to current fee levels. The fees for medium-dated carries also have different fee rates depending on the Execution Venue. Again, these fees, including the differentials between Execution Venues, have been discussed with the User Committee.
10. The concept of a medium-dated carry is new for the LME and its various stakeholders. A medium-dated carry is any carry trade which is not short-dated, and where all legs are within 35 days forward from the closest prompt date. For the avoidance of doubt, multi-leg carries would need to have all legs



within 35 days of the closest prompt date for the medium-dated carry fee to apply.

11. The medium-dated carry discount will take effect from 1 November 2017 and last until 31 October 2018, at which point the LME will review the discount.

C: LMEshield fee structure

12. Following extensive market engagement, the LMEshield fees have been changed to 1 basis point and 5 basis points, annualised custody fees for LME Delivery Point and non-Delivery Point jurisdictions respectively. Additionally, the transaction fees for using LMEshield have been waived.

D: LME physically-settled premium contracts

13. As per LME Notice 15/263 : A256, the LME and LME Clear have maintained an equivalence programme whereby any market participant trading LME Primary Aluminium contracts is also able to trade LME Aluminium Premium Contracts without incurring any additional trading or clearing fees. The LME committed to this fee holiday until such time as all queues in any LME-approved warehouse were 50 days or less. As of 31 August 2017, all structural queues in LME-approved warehouses are below 50 days, and the fees set out in Notice 15/263 are therefore replaced by those set out in the Schedule to this Notice.

LME Clear fee revisions

14. The transaction fees above include changes to the LME Clear fee schedule.
15. The LME Clear fee tariff circular can be found at: <https://www.lme.com/lme-clear/news-and-events/clearing-circulars>. For more information on LME Clear's fee tariff, please contact Imeclearing@lme.com.

Other items

16. As set out in the LME's strategic pathway published today, the LME intends to consult with market participants on the introduction of a financial OTC booking fee. Further details of this will be provided to the market in due course.



Further information

17. Any questions regarding the fees, annual subscriptions, or other charges should be directed to client.advisory@lme.com.

Marcos Castro
Company Secretary

cc: Board directors
User Committee
All metal committees
Physical Market Committee
Trading Committee
Ring Dealers Committee
Traded Options Committee
Warehousing Committee

London Metal Exchange fees and charges

Effective 1 October 2017

The fees and charges below are exclusive of any applicable VAT

Transaction fees

Futures, carries, traded options and TAPOs (per leg per side per lot)		Fees (USD)		
Contract type	Category	Trading	Clearing ¹	Total
Exchange	Ring / Kerb / Basis	0.25	0.25	0.50
	Non-Ring	0.65	0.25	0.90
	Short-dated carries ² – Ring & Kerb	0.05	0.10	0.15
	Short-dated carries ² – LMEselect	0.15	0.10	0.25
	Short-dated carries ² – Inter-office & Basis	0.25	0.10	0.35
	Medium-dated carries ³ – Ring & Kerb	0.10	0.15	0.25
	Medium-dated carries ³ – LMEselect & Basis	0.30	0.15	0.45
	Medium-dated carries ³ – Inter-office	0.55	0.15	0.70
	Give-up	0.25	0.25	0.50
Client	Short-dated carries ²	0.15	0.10	0.25
	Medium-dated carries ³	0.30	0.15	0.45
	All other ⁴	0.65	0.25	0.90
Option exercise/assignment		-	0.35	0.35
Cash settlement fee		-	0.08	0.08
Delivery fee		-	0.35	0.35

LME minis (per leg per side per lot)		Fees (USD)		
		Trading	Clearing ¹	Total
All		-	0.25	0.25
Cash settlement fee		-	-	-

LME Steel Scrap and LME Steel Rebar (per leg per side per lot)		Fees (USD)		
		Trading	Clearing ¹	Total
Exchange	Non-Ring	0.07	0.03	0.10
	Give-up	0.03	0.03	0.06
Client	All ⁴	0.07	0.03	0.10
Cash settlement fee		-	0.02	0.02

Subscriptions and facilitation fees

LME annual subscription		Fees (USD)
Category 1		95,000
Category 2		90,000
Category 3		30,000
Category 4		30,000 / 75,000 ⁵
Category 5		4,000
Category 6		500
Category 7		-

One-off processing fee		Fees (USD)
LME application fee ⁶		4,000

Other charges

Listed warehouse and LME warranted metal charges		Fees (USD)
Annual warehouse listing fee (per warehouse company per good delivery point)		5,000
Additional warehouse(s)		4,000
Stock levy (of the daily rent collectable on LME warrants) ⁷		1.1%

LMEsword depository charges (per warrant)		Fees (USD)
Lodgement of LMEsword warrants		-
Withdrawal of LMEsword warrants		3.00
Safekeeping LMEsword warrants in depository (per calendar day)		0.01
Ex-cleared transfers (per side) ⁸		3.00

LMEsword fees for non-member account holders		Fees (USD)
Annual fees	All	5,000
Administration fees	Non-member account holder	8,200
	Non-member remote participant account holder	4,100

LME brand initial listing charge		Fees (USD)
All brands of metal, except steel billet		65,000
Steel billet		-

LSA charge		Fees (USD)
Per listed assayer		2,500

Distribution of market prices to clients via LMEselect's API		Fees (USD)
Per client per month ⁹		25
up to a maximum fee of		7,500

LMEshield		Fees (bp)
Annual custody fee ¹⁰	Delivery point jurisdictions	1
	Non-Delivery point jurisdictions	5
Transaction fee	Delivery point jurisdictions	Fees waived
	Non-Delivery point jurisdictions	Fees waived

Notes

¹ Clearing fees are indicative only. For a complete list of all the latest LME Clear fees and charges, please refer to the LME Clear pages of the website (<https://www.lme.com/LME-Clear/How-LME-Clear-works/Fees>).

² Short-dated carries are where all carry dates are between the TOM date (next LME prompt day) and 15 calendar days forward from the TOM date inclusive.

³ Medium-dated carries are carries which are not short-dated, and where all legs are within 35 calendar days forward from the closest prompt date. For the avoidance of doubt, multi-leg carries would need to have all legs within 35 days of the closest prompt date for the medium-dated carry fee to apply. These will be effective from 1 November 2017.

⁴ Certain position transfers as detailed in Notice 16/290 : A284, issued on 23 August 2016, and certain other administrative transactions may be eligible for a fee cap or discount. For further information, please contact Client.Advisory@lme.com.

⁵ Category 4 members operating a proprietary trading model will incur annual subscription fees of \$30,000 per annum; Category 4 members who execute / issue client contracts for customers will incur annual subscription fees of \$75,000 per annum.

⁶ A processing fee will be applied to membership applications and will be offset against the first year's annual subscription fee.

⁷ The calculation will be the total reported tonnage (cancelled plus live warrants) on each day, multiplied by the published rent rate for each warehouse, multiplied by 1.10 per cent. Stock levies on cancelled warrants subject to Queue-Based Rent Capping (QBRC) will be adjusted according to QBRC rules (including anti-abuse measures): metal eligible for a 50% rent discount will be liable for only 50% of the stock levy. The stock levy will not apply to metal eligible for rent-free storage under QBRC. Stock levies will continue to be invoiced on a half-yearly basis: the stock levy for 1 January 2017 to 30 June 2017 was invoiced in early July 2017. The stock levy for 1 July 2017 to 31 December 2017 will be invoiced in early 2018.

⁸ Ex-cleared transfers relating to warrants pledged and withdrawn to/from LME Clear as collateral will be capped at \$3,000 per year per member account commencing 1 January 2017. This cap will apply for 2017 and will be reviewed on an annual basis thereafter.

⁹ Effective from 1 January 2017, upon receiving approval from the LME, members may permit clients to use the LME data received from the LMEselect API in simulated trading environments without incurring market data fees (US\$25 per user / per month) provided certain conditions, including reporting obligations, are met. Members wishing to offer this service should contact MemberSelect.APIDataReports@lme.com for pre-approval (per client or sub-client) and an updated reporting template. For further information, please refer to the LMEselect API Side Letter between each member and the LME.

¹⁰ Metal registered on LMEshield will be classified within a specific metal type (e.g. aluminium, copper) and charged based on the LME's average cash price for the previous month for the relevant metal. Fees will be calculated pro-rata on a monthly basis in arrears using the daily closing tonnage by metal and by jurisdiction.

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