

To: All members and other interested parties

Ref: 18/060

Classification: Consultation Rulebook

Date: 1 March 2018

Subject: **DECISION NOTICE – CONSULTATION ON LME RULE CHANGES FOR FINANCIAL OTC BOOKING FEE POLICY AND USE OF LME DATA AND FACILITIES**

Summary

- 1 This Notice (this “**Decision Notice**”): (i) addresses comments made by respondents to Notice 17/378 dated 22 November 2017 (the “**Consultation Notice**”); (ii) sets out the new booking fee policy for LME referenced OTC contracts entered into by financial counterparties (the “**Financial OTC Booking Fee Policy**”); and (iii) provides the revised LME Rulebook.

Defined Terms

- 2 Terms not otherwise defined in this Decision Notice shall have the meaning ascribed to them in the Rules and Regulations of the LME (the “**Rules**”, “**Rulebook**” or “**LME Rulebook**”) or where not defined the Rules, shall have the meaning ascribed to them in the Financial OTC Booking Fee Policy. References to “**paragraph**” in this Decision Notice are references to the paragraphs of the Financial OTC Booking Fee Policy.

Background

- 3 The Consultation Notice proposed certain changes to the LME Rulebook relating to: (i) the introduction of the Financial OTC Booking Fee Policy; and (ii) the introduction of a number of other changes to clarify the extent to which LME data and facilities may be used for non-LME business and to protect the integrity of the LME's data and trading venues more broadly (the “**Proposals**”). The Proposals included:

- (a) a proposal to implement a Financial OTC Booking Fee Policy (the **“FOTC Booking Fee Proposal”**);
 - (b) a proposal to clarify the use of alternative platforms to create contracts using LME intellectual property or booking systems (the **“Facilities Proposal”**);
 - (c) a proposal to require the booking of trades on a gross basis into LMEsmart (the **“Gross Trades Proposal”**);
 - (d) a proposal to require that all orders intended to be submitted to LMEselect are actually submitted (the **“LMEselect Order Transparency Proposal”**); and
 - (e) a proposal to ensure that data made available by means of the API is subject to appropriate protections, including the Financial OTC Booking Fee Policy where applicable (the **“API Terms Proposal”**).
- 4 The London Metal Exchange (the **“LME”** or the **“Exchange”**) is grateful for the detailed comments received from Members and other respondents in response to the consultation and has considered them carefully. This Decision Notice summarises the responses received, the LME’s comments on those responses, and how the Proposals will now be implemented.

Implementation of proposals

- 5 Appendix I contains a table that summarises the responses received to the consultation (the **“Comments Table”**). The LME’s comments on each response are set out in the Comments Table; certain issues (chiefly the FOTC Booking Fee Proposal) are also covered in more detail in the main body of this Decision Notice.
- 6 The LME has decided to implement the following Proposals without modification:
- (a) the Facilities Proposal;
 - (b) the Gross Trades Proposal;

- (c) the LMEselect Order Transparency Proposal; and
- (d) the API Terms Proposal.

7 The LME has decided to implement the FOTC Booking Fee Proposal with minor modifications and clarifications. The modifications to the FOTC Booking Fee Proposal take account of the responses received in the Consultation. The details of the modifications to the Proposals are noted in the Comments Table and the main body of this Decision Notice. The changes to the Financial OTC Booking Fee Policy to effect the modifications to the FOTC Booking Fee Proposal can be seen most clearly in **Appendix V** (the revised Financial OTC Booking Fee Policy redlined against the version of the Financial OTC Booking Fee Policy appended to the Consultation Notice) to this Decision Notice.

FOTC Booking Fee Proposal

8 The FOTC Booking Fee Proposal attracted the most comment of all the Proposals. Set out below are some of the key issues raised by respondents, together with the LME's responses.

Regulatory and Competition Considerations

9 Some respondents asked for confirmation that the LME has considered all relevant regulatory and competition issues when designing, and deciding to implement, the FOTC Booking Fee Proposal.

10 The LME confirms that it has considered in detail the regulatory and competition issues relevant to the FOTC Booking Fee Proposal and considers that the FOTC Booking Fee Proposal is in full compliance with all relevant legal and regulatory requirements, as well as being carefully thought out and justifiable from a commercial perspective.

11 In particular, the LME notes that the FOTC Booking Fee Proposal is:

- (a) transparent, being publicly available and clear in its terms as to its scope and method of application;

- (b) fair, particularly having regard to the intention behind the FOTC Booking Fee Proposal, which is to rebalance and address certain disparities currently existing between the Cleared Contracts and OTC contracts in respect of their use of the LME's facilities; and
- (c) non-discriminatory, in both design and operation, given that the scope of application of the Financial OTC Booking Fee Policy (including the various exclusions from its application, which are consistent with its rationale) has been carefully developed and designed so as to operate on a non-discretionary basis, in accordance with objective criteria.

Scope of Application

- 12 Some respondents have commented that the Financial OTC Booking Fee Policy has a broad scope of application, noting in particular that the definition of "Relevant OTC Contract" is particularly broad, and can capture contracts that are not necessarily "lookalikes" of LME Contracts. Some respondents have instead suggested that certain types of contract should instead be subject to a simple data usage fee.
- 13 The LME has designed the policy to catch a broad range of transactions, in order to be fair between firms that book trades in different ways, and to prevent possible abuse of the arrangements by firms that deliberately structure trades in order to avoid the application of the Financial OTC Booking Fee Policy.
- 14 A flat data usage fee would not have the desired effect of applying a similar charging basis for both Cleared Contracts and OTC contracts in respect of their use of the LME's facilities.

Exclusions from Scope

- 15 Some respondents have suggested certain clarifications to the scope of the exclusions from the Financial OTC Booking Fee, on the basis that the broad scope of the policy could result in the booking fee applying to transactions that it was not designed to cover. Specific examples raised include:

- (a) financing transactions; and
 - (b) transactions in structured products.
- 16 The LME understands the concern around financing transactions, and it was not the LME's intention that such transactions should be subject to the booking fee. The wording of the Financial OTC Booking Fee Policy has therefore been clarified to specifically exclude such trades (see paragraph 3.1(g) of the revised Financial OTC Booking Fee Policy).
- 17 The LME also understands that the reporting mechanisms required to identify the in-scope transactions, so as to enable the LME to calculate the relevant booking fee, may be particularly burdensome in the context of transactions in structured products, where Booking Fee Participants could be party to transactions with a variety of differing terms, which could require more complex calculations to determine the Exchange Equivalent Tonnage. The LME is therefore amenable to the suggestion that structured products should be covered by a new structured products licence, and subject to a per-transaction structured products licence fee (which will be subject to a cap and a floor). The LME is of the view that the principle of fairness is not compromised by offering Booking Fee Participants the choice to have their structured products governed by such a licence fee. The LME has therefore included a further exclusion from the definition of Relevant OTC Contracts that would apply to any transaction covered by an LME structured product licence – thereby excluding such transactions from the scope of the Financial OTC Booking Fee Policy. With respect to structured products, Booking Fee Participants will therefore have a choice:
- (a) either sign a structured products licence with the LME, which will cater for Booking Fee Participants that wish to pay a simple licence fee for the use of LME prices, data, etc for structured products; or
 - (b) alternatively, not enter into the structured products licence, which will cater for those Booking Fee Participants that would prefer to pay the booking fee for transactions in structured products as determined by the pricing mechanism set out in the Financial OTC Booking Fee Policy.

- 18 Whether a Booking Fee Participant selects the option in 17(a) or 17(b) above is for the Booking Fee Participant to determine based on whether such Booking Fee Participant wishes its structured transactions to be subject to the scope of the Financial OTC Booking Fee Policy or covered by an LME structured product licence.

Complexity and Administrative Burden

- 19 Some respondents have commented on the complexity of the FOTC Booking Fee Proposal, noting that Booking Fee Participants will need to apply additional administrative processes to monitor and report trades that fall within the scope of the Financial OTC Booking Fee Policy.
- 20 The LME believes that the FOTC Booking Fee Proposal strikes the correct balance and has been designed to ensure that the process for reporting trades is as simple as possible so as to minimise the impact on Booking Fee Participants. The diverse nature of LME markets and the multitude of businesses that use those markets mean there is an innate level of complexity. However, the LME has endeavoured to be as clear as possible in the design and drafting of the Financial OTC Booking Fee Policy. The LME has also tried to ensure that the Financial OTC Booking Fee Policy is as simple as possible. For example, Booking Fee Participants are able to decide the structure of their own reporting groups, so they can determine the most appropriate groups of entities to include within the reporting structure.

Other Minor Modifications

- 21 Further clarifications have been made to the Financial OTC Booking Fee Policy, in response to feedback, to clarify:
- (a) that where there are multiple Members within the same group, the OTC Booking Fee will not apply to transactions between such affiliated Members;
 - (b) the determination of whether physically settled transactions are Relevant OTC Contracts (see paragraph 3.1(b) of the revised Financial OTC Booking Fee Policy);

- (c) that the provisions applying fees to modifications and cancellations of trades should apply only where there are lifecycle events which introduce new incremental market risk;
- (d) that where trades are novated but the market risk does not change, the OTC Booking Fee will not apply;
- (e) that where an OTC trade is brought onto exchange, such that the original OTC trade would be cancelled and then a new exchange trade created, there should be an exemption from the application of the fee for the cancellation of the OTC trade (to acknowledge that the OTC Booking Fee will already have been paid on the original OTC trade); and
- (f) that in paragraph 5.13, 30 days' notice will be given in all circumstances apart from when an audit is required by a competent regulatory body; and
- (g) that the definition of "Spot Physical Trade" should be broadened to cover same day or T+1 settlement and furthermore, that the Physical Spot Waiver does not apply to two Spot Physical Trades executed as a calendar spread between each other. The LME has also amended the term "Spot Physical Trade" to "Physical Spot Trade" to align with the waiver.

Further Comment

- 22 The Comment Table sets out further detail on the responses to the consultation, and the LME's responses to such comments.

Timing of Implementation

- 23 Some respondents have expressed concern about the timetable for implementation of the Proposals, noting that the FOTC Booking Fee Proposal in particular will require a degree of operational change, particularly in respect of the reporting obligations, in order for firms to be able to comply with the requirements of the Financial OTC Booking Fee Policy.

- 24 The LME has always acknowledged that market participants will require time to establish internal procedures to enable compliance with the requirements of the Financial OTC Booking Fee Policy. The LME recognised the challenges that Booking Fee Participants would encounter and accordingly designed the original FOTC Booking Fee Proposal timeline such that implementation of the Financial OTC Booking Fee Policy would be achievable by all Booking Fee Participants. However, in furtherance of the LME's desire to enable Booking Fee Participants the time needed to build the appropriate internal procedures, the LME is allowing the Booking Fee Participants more time to ensure that their internal procedures have been tested such that Booking Fee Participants can comply with the Financial OTC Booking Fee Policy upon the policy coming into effect. The LME therefore proposes to allow a period of 3 months following the issue of this Decision Notice before the FOTC Booking Fee Proposal will come into effect.
- 25 Consequently, the modified Proposals, as set out in the revised Rulebook and the Financial OTC Booking Fee Policy (as set out in **Appendix IV** and **Appendix VI** respectively) shall be implemented as of the date of this Decision Notice. However, the Financial OTC Booking Fee shall only apply to transactions entered into (as per paragraph 3.1(h)) from 1 June 2018, as set out in Notice 18/061, issued on 1 March 2018.
- 26 Under paragraph 2.5 of the Financial OTC Booking Fee Policy, Booking Fee Participants are required to register their Reporting Group using Forms 1 & 2 (in annexures 1 and 2 of the Financial OTC Booking Fee Policy). Notice 18/061 issued on 1 March 2018 notifies market participants of the requirement to register Reporting Groups with the LME by 1 June 2018. However, the LME encourages Booking Fee Participants to engage with the LME in advance of 1 June 2018 to ensure that Booking Fee Participants have correctly completed the requisite form(s), such that they are ready for submission, on or in advance of 1 June 2018.
- 27 The LME has also updated its data usage licence terms and data distribution terms to incorporate references to the Financial OTC Booking Fee Policy and these licence terms will be available from the LME, as of the date of this Decision Notice. Furthermore, the LME has introduced a structured products

licence, which Booking Fee Participants may choose to enter into in order to cover structured product transactions.

Questions

- 28 If Members or any other respondents have any questions or requests for further clarification regarding the implementation of the Proposals as described in this Decision Notice, please contact Jamie Turner (at jamie.turner@lme.com).

Jamie Turner
Head of Sales

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

List of Appendices

- I. Table of feedback and responses
- II. LME Rulebook Rider with list of LME Rulebook changes (content substantively unchanged from version circulated with Consultation Notice)
- III. LME Rulebook (redline against current version)
- IV. LME Rulebook (clean version)
- V. Financial OTC Booking Fee Policy (redline against the version appended to the Consultation Notice)
- VI. Financial OTC Booking Fee Policy (clean version)

Appendix I

Table of feedback and responses

Question 1: Do you have any comments on the FOTC Booking Fee Proposal (excluding the Financial OTC Booking Fee Policy)?

#	Issue	Summary / Typical Comment	LME Response
1.1	Rationale	<p>Some comments challenged the concept of an “inequality” between firms providing client contracts rather than OTC contracts. These included concerns that:</p> <ul style="list-style-type: none"> - the policy operates to penalise the OTC market which has its own benefits and enhances liquidity; - the persons who are the most impacted are those who already pay the most to the LME in terms of fees and liquidity and it would materially increase such firms' fees; - such firms may be 	<p>OTC transactions typically make use of LME pricing, intellectual property and/or other benefits arising from the operation of LME as a leading exchange for metals trading.</p> <p>On-exchange contracts traded on the LME also make use of these benefits, and market participants pay for them as part of an all-in fee to LME. However, currently, the LME does not charge an equivalent fee for OTC transactions even though they also take advantage of these benefits. (The only LME charges arising in connection with an OTC transaction are its fees for the licensing of its prices to create derived data, such as commodity indices and the trades done against this derived data.)</p> <p>Addressing this fee disparity issue will allow the LME to recoup from those OTC market participants a fair</p>

#	Issue	Summary / Typical Comment	LME Response
		<p>incentivised to trade away; and</p> <ul style="list-style-type: none"> - it may be better to use a data licence model used by other exchanges for data services, that charges per service and with a tiered or volume rebate approach. 	<p>share of the overall investment it makes in operating the exchange. Rebalancing the responsibility for bearing the costs incurred for all transactions, on- and off-exchange, will also mean that LME Members trading on the exchange and paying fees are no longer cross-subsiding OTC trading where market participants are receiving a share of the benefits, but at reduced cost.</p> <p>Firms that trade higher volumes – on and/or off exchange – will pay more in fees than those trading lower volumes, but this will be proportionate to their use of LME pricing data, and consistent with the aim of rebalancing the responsibility for paying fees fairly between all market participants. The LME is conscious that firms may trade away from the LME, but this possibility does not diminish the need to address the disparities in the LME's fee structure.</p> <p>In recognition of the merits of a tiered model for structured products, the LME has provided an option to carve these out of the scope of the FOTC Booking Fee Proposal by giving market participants the option of a structured products licence.</p>

#	Issue	Summary / Typical Comment	LME Response
1.2	Rationale	Other comments were more supportive of the proposal on the basis that it will provide a more level playing field for all Members and will encourage liquidity back onto the Exchange.	The LME is grateful for this feedback.
1.3	Regulatory and Competition Considerations	Some respondents asked for confirmation that the LME has considered all relevant regulatory issues when designing, and deciding to implement, the FOTC Booking Fee Proposal. One respondent raised concerns about whether the FOTC Booking Fee Proposal complied with competition law.	<p>The LME confirms that, in designing the FOTC Booking Fee Proposal and then also in reviewing comments made on it by respondents to the consultation, the LME has considered in detail the regulatory and competition law issues relevant to the FOTC Booking Fee Proposal. As regards competition law, it has undertaken a full analysis with the assistance of specialist external legal advisers. Following this assessment, the LME considers that the FOTC Booking Fee Proposal is in full compliance with all relevant legal and regulatory requirements, including competition law, as well as being carefully thought out and justifiable from a commercial perspective.</p> <p>In particular, the LME notes that the OTC Booking Fee Proposal is:</p> <ul style="list-style-type: none"> - transparent, being publicly available and clear in

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			<p>its terms as to its scope and method of application;</p> <ul style="list-style-type: none"> - fair, particularly having regard to the intention behind the FOTC Booking Fee Proposal, which is to rebalance certain inequalities currently existing between the OTC and on-exchange uses of LME Contracts; and - non-discriminatory, in both design and operation, given that the scope of application of the Financial OTC Booking Fee Policy (including the various exclusions from its application, which are consistent with its rationale) has been carefully developed so as to operate on a non-discretionary basis, in accordance with objective criteria.
1.4	Comparability of Fees	<p>Certain responses questioned the level of fees against benefits when compared to exchange traded contracts and various perspectives were:</p> <ul style="list-style-type: none"> - The OTC booking fee should be equivalent to the comparable fee for an exchange-traded derivative 	<p>Both LME futures and OTC contracts derive certain benefits from the use of LME pricing, for which a fee is justified.</p> <p>LME futures include certain additional benefits which OTC contracts do not benefit from, including the benefits of:</p> <ul style="list-style-type: none"> - being Cleared Contracts, which OTC contracts do not benefit from;

#	Issue	Summary / Typical Comment	LME Response
		<p>transaction.</p> <ul style="list-style-type: none"> - The incentive to bring contracts on-exchange is to have a Market Contract, which has beneficial treatment in insolvency under English law, and that is what justifies the fee for such contracts. 	<ul style="list-style-type: none"> - being Market Contracts, which benefit from insolvency protections; and - other administrative procedures and protections under the LME rules. <p>As such it is appropriate that there is a fee for both types of contract, but the fee for OTC Contracts is lower.</p>
1.5	Level of Fees	<p>The OTC fee should remain competitive, and should not price OTC contracts out of the market by promoting the transference to other potential alternative price references.</p> <p>Client contract fee structures with discounts for short and medium dated carries should be extended to cover OTC trades.</p>	<p>While any increase in cost to trade OTC may at the margin reduce the volume of OTC transactions, the LME believes the fees and discounts laid out in the policy will not adversely affect the market as a whole. This is broadly supported by the responses received, as the level of the fee itself has not come into question, aside from for short-dated carries, where the LME has set out a specific discount (the Short-Dated Spread Discount). The LME believes that the specific discounts for OTC contracts offered in the Policy need to be structured in a different manner to the discounts for on-exchange short and medium dated carries, to take account of the different manner in which OTC contracts are traded.</p>
1.6	Price Structure	<p>A flat pricing structure (e.g. of \$1/lot) would have a</p>	<p>The LME recognises this concern and had already included a discount for short-dated carries to</p>

#	Issue	Summary / Typical Comment	LME Response
		disproportionate impact on the short-dated end of the market, where spreads are generally tighter and volumes traded are higher.	address it.
1.7	Complexity and Administrative Burden	The proposal is complex and will be difficult to implement and monitor across large and complex organisations.	<p>The LME has endeavoured to simplify the FOTC Booking Fee Proposal to the extent possible, while addressing the issues and exceptions that it expects to be of concern to market participants.</p> <p>The diverse nature of LME markets and the multitude of businesses that use the market mean there is an innate level of complexity, however, the LME endeavoured to be as clear as possible in the design and drafting of the Financial OTC Booking Fee Policy.</p> <p>Booking Fee Participants are able to decide the structure of their own reporting groups, so they can determine the most appropriate group of entities to include within the reporting structure.</p>
1.8	Complexity and Administrative Burden	The LME should reduce the complexity of the reporting process and limit the reporting to trades actually in scope for the	The LME believes it is useful to be able to check the LME's data against that held by firms to ensure that the full offset is provided as expected.

#	Issue	Summary / Typical Comment	LME Response
		<p>fee.</p> <p>It is unnecessary and duplicative to report Affiliate Client Contracts as the LME is already in possession of this data and OTC Contracts within a reporting group are not reportable.</p> <p>It should not be necessary to report trades out of scope for the fee, such as physical trades.</p> <p>OTC trade reporting to the LME should be limited to firms who participate in such OTC activity.</p>	<p>The LME also believes it is important to monitor certain trades that are out-of-scope to help with the auditing process when undertaken.</p> <p>The LME views the regular “nil” reports that would need to be made by firms who do not trade Relevant OTC Contracts as a way for those firms to self-certify that they do not hold Relevant OTC Contracts at some later stage. The LME believes submitting a single “nil” report will not be overly burdensome, as the LME has provided a straightforward template reporting form for them to complete and return.</p>
1.9	Complexity and Administrative Burden	The relevance of the Reporting Officer has been queried. It was noted that the Reporting Officer would require administrative support to accurately report transactions.	In order to effectively report trades that are subject to the Financial OTC Booking Fee Policy, it will be necessary to have a central point of co-ordination within a firm’s organisation. This will help to ensure that the transactions are being monitored, recorded and reported in a consistent fashion.
1.10	Complexity and Administrative	The relevance of specific record keeping requirements has been queried, given that investment	The records required to be maintained under the policy are those that will be required to be produced by the firms themselves to enable them to report to

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	Burden	firms are already subject to extensive regulatory requirements regarding record keeping.	the LME, and for the LME to be able to determine the level of booking fee payable. The LME understands that regulated firms are required to maintain certain records and it is intended that the record keeping requirements in the FOTC Booking Fee Proposal are not much more onerous than what is required of regulated firms anyway.
1.11	Timeline	The timeline between the issue of the decision notice and the commencement of the reporting obligation is tight and it may be difficult for participants to implement the necessary changes within such timescales.	The LME has always acknowledged that market participants will require time to establish internal procedures to enable compliance with the requirements of the Financial OTC Booking Fee Policy. The LME recognised the challenges that Booking Fee Participants would encounter and designed the original FOTC Booking Fee Proposal timeline with that in mind. However, in light of feedback, to ensure that Booking Fee Participants have the time needed to build the appropriate internal procedures, the LME is allowing Booking Fee Participants more time to ensure that their internal procedures have been tested such that Booking Fee Participants can comply with the Financial OTC Booking Fee Policy upon the policy coming into effect. The LME therefore proposes to allow a period of 3 months following the issue of this

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			Decision Notice before the FOTC Booking Fee Proposal will come into effect.
1.12	Scope, Complexity and Administrative Burden	<p>The definition of “Relevant OTC Contract” is very broad and can capture contracts that are not necessarily “lookalikes” of LME Contracts.</p> <p>Some respondents suggested that:</p> <ul style="list-style-type: none"> - the proposal should be limited to those contracts that are capable of being entered into the LME clearing system but the parties choose not to; and - there are numerous motivations for trading OTC Contracts including the desire to tailor contract specifications, to trade more complicated transactions than available as 	<p>The LME has designed the policy to catch a broad range of transactions, in order to be fair to the various firms that book trades in different ways, and to prevent possible abuse of the arrangements by firms that deliberately structure trades in order to avoid the application of the Financial OTC Booking Fee Policy.</p> <p>The LME understands the various motivations for trading OTC Contracts and has taken care to structure the Financial OTC Booking Fee Policy in order to ensure that users are treated in a fair way.</p> <p>Introducing a flat data usage fee for OTC Contracts would not achieve one of the objectives of the LME’s change; namely to apply a similar charging basis for both Cleared Contracts and OTC Contracts for the use of the LME’s facilities. This is because a flat fee is not the basis on which Cleared Contracts are charged for and so introducing such a fee for OTC Contracts would not be sensitive to volumes in the</p>

#	Issue	Summary / Typical Comment	LME Response
		<p>Cleared Contracts, and to simplify margin and liquidity requirements;</p> <ul style="list-style-type: none"> - any other use of LME IP should be covered by data licencing (on the basis that a data usage fee is a more proportionate and easier system to introduce); - for structured transactions much of the data required to make the calculation of Exchange Equivalent Tonnage is not recorded on the trade. It will therefore be necessary to build additional systems to record such data and to comply with the requirements of the policy, which will have an associated cost for firms; - more generally, compliance with the policy will require 	<p>same way, thereby leading to a disparity in approach between OTC Contracts and Cleared Contracts.</p> <p>Although firms will need to ensure that they have the systems in place to identify and report the trades that are subject to the policy, most firms will already have systems in place that capture a wide range of relevant data in order to enable them to comply with regulatory record keeping and transaction reporting requirements.</p> <p>However, the LME does consider that the reporting mechanisms required to identify the in-scope transactions, so as to enable LME to calculate the relevant booking fee, may be particularly burdensome in the context of transactions for structured products, where Booking Fee Participants could be party to transactions which would need bespoke calculation. The LME is therefore amenable to the suggestion that structured products should be covered by a new structured products licence, and subject to a structured products licence fee. The LME has therefore included a further exclusion from the definition of Relevant OTC Contracts that would apply to any transaction covered by an LME structured product licence – thereby excluding such</p>

#	Issue	Summary / Typical Comment	LME Response
		<p>firms to develop the systems and processes to capture the data required by the policy, which will have an associated cost for firms.</p>	<p>transactions from the scope of the Financial OTC Booking Fee Policy.</p> <p>With respect to structured products, Booking Fee Participants will therefore have a choice:</p> <p>(a) either sign a structured products licence with the LME, which will cater for Booking Fee Participants that wish to pay a simple licence fee for the use of LME prices, data, etc for structured products; or</p> <p>(b) alternatively, not enter into the structured products licence, which will cater for those Booking Fee Participants that would prefer to pay the booking fee for transactions in structured products as determined by the pricing mechanism set out in the Financial OTC Booking Fee Policy.</p> <p>Whether a Booking Fee Participant selects option (a) or (b) above is for the Booking Fee Participant to determine based on whether such Booking Fee Participant wishes its transactions to be caught by the scope of the Financial OTC Booking Fee Policy or covered by a structured products licence.</p>

#	Issue	Summary / Typical Comment	LME Response
			A new definition of “LME Structured Products Licence” has been inserted into Part 8 of the Financial OTC Booking Fee Policy and the definition of “LME Derived Data Licence” has been amended to more clearly reflect its scope and to distinguish it from the structured products licence.
1.13	Scope	The policy/rules should be drafted in such a way that contracts that are entered into specifically to facilitate the financing of metal inventories should be excluded.	The LME understands the concern around financing transactions, and it was not the LME’s intention that such transactions should be subject to the booking fee. The wording of the Financial OTC Booking Fee Policy has therefore been clarified to specifically exclude such trades (see paragraph 3.1(g) of the revised Financial OTC Booking Fee Policy).
1.14	Scope	What is meant by the reference in the Consultation Notice to the policy not being intended to apply to entities trading LME metals “for investment needs”?	<p>The reference to entities trading LME metals for investment needs is intended to capture those entities that invest client assets, and seek to gain price exposure to LME metals in order to benefit from medium- to long-term changes in metals prices, or to help risk manage existing price exposure to LME metals derived from investment activity elsewhere.</p> <p>These entities are excluded from the policy:</p> <ul style="list-style-type: none"> - under the Client Asset Manager exception

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			<p>(paragraph 1.2 (b) ii) should they be an Affiliate of a Member; or</p> <ul style="list-style-type: none"> - because they are not captured in the definition of Financial Intermediary, should they be a Licensee.
1.15	Scope	The fee does not apply equally to all types of physical trades—e.g. when a firm forward sells or buys physical LME metal it will be bound to pay the fee which is a disincentive for pure physical traders to be Members of the LME.	<p>Many financial derivatives are booked as physically settling trades (as are LME futures themselves). Consequently, it would not be possible to carve out all physically settling contracts while maintaining the fairness that the LME is seeking to achieve.</p> <p>Additionally, “pure physical traders” which are Members will benefit from the Non-Financial Group Exemption, and Affiliates of Members can benefit from the Physical Participant Exemption under the Financial OTC Booking Fee Policy.</p>
1.16	Scope	One respondent raised a specific concern that the FOTC Booking Fee Proposal could give rise to a situation whereby a Member was competing with a non-Member to undertake LME-priced business with a third party, and the former would be subject to the FOTC	<p>This situation would not arise:</p> <ul style="list-style-type: none"> - any non-Member engaged in financial intermediation of LME-priced business would be expected to be classified as a Booking Fee Participant pursuant to the relevant data licensing arrangements, and so would be paying a fee in that way;

#	Issue	Summary / Typical Comment	LME Response
		Booking Fee, but the latter would not be.	<ul style="list-style-type: none"> - while certain types of non-Members undertaking certain types of LME-priced business would not be expected to be classified as Booking Fee Participants (for example, a merchant selling physical metal at a forward fixed price), it would still (in general) be necessary for that non-Member to access the underlying LME market in order to lay-off the LME price risk exposure thus generated. As a non-Member, such access would need to be effected via a Member - and the contract between the Member and the non-Member would be subject to either a Client Contract fee, or to the FOTC Booking Fee. Furthermore, the cost of the Client Contract fee or the FOTC Booking Fee would be expected to be borne (directly or indirectly) by the non-Member. Accordingly, in a situation where a Member and non-Member were competing to offer LME-priced business to a third party, the non-Member would face a similar "all-in" cost to that of the Member; and - in a more limited set of cases (for example, the sale of physical metal, or the financing of metal), it may be possible for a non-Member who was

#	Issue	Summary / Typical Comment	LME Response
			<p>not classified as a Booking Fee Participant to offer LME-priced business without the need to lay-off the LME price risk exposure. However, in respect of such business (as understood by the LME), the LME has decided not to subject Booking Fee Participants, including Members, to the FOTC Booking Fee either - and, as set out in this Notice, the LME has clarified that key categories of business which could be caught under this heading (e.g. financing business) would indeed not be subject to the FOTC Booking Fee.</p> <p>Accordingly, the LME is satisfied that the FOTCBF Proposal has been designed in such a manner as to ensure a "level playing field" between similarly-situated service providers within the metals value chain.</p> <p>Furthermore, while it is not the role of the LME to prescribe business models to its Members or other market participants, the LME notes that client feedback to the consultation was broadly supportive of the FOTC Booking Fee, suggesting that if such fees were passed on to Clients, the sharing of costs</p>

#	Issue	Summary / Typical Comment	LME Response
			involved would strike the right balance.

Question 2: Do you have any comments on the Financial OTC Booking Fee Policy?

#	Issue	Summary / Typical Comment	LME Response
2.1	Scope of Application (1)	Consider adding an additional paragraph which would allow Members to seek an exemption in miscellaneous cases.	<p>While the LME understands this reason for this request, the LME is aiming to introduce a fair and clear policy, such that there need not be a requirement to consider the application of the policy on a case-by-case basis.</p> <p>The LME needs to apply the policy on a transparent, non-discriminatory basis.</p>
2.2	Reporting (2.2)	Where multiple Members exist in a group, the current drafting suggests that the fee would apply to each of them in respect of trades between them. This should be clarified to ensure that the fee would not apply on OTC transactions between affiliated Members.	The LME understands this concern and has amended the policy accordingly (see paragraph 2.2 of the revised Financial OTC Booking Fee Policy).
2.3	Modifications and Cancellations (4.8)	This should apply only where there are lifecycle events with incremental market risk.	The LME agrees and has clarified the language in the policy accordingly (see paragraph 4.8 of the revised Financial OTC Booking Fee Policy).
2.4	Modifications and Cancellations	Where an OTC trade is brought onto exchange, the OTC trade would be cancelled and then a new exchange	The LME agrees and has clarified the language in the policy accordingly (see paragraph 4.8 of the revised

#	Issue	Summary / Typical Comment	LME Response
	(4.8)	trade created. Given that in such circumstances, the OTC Booking Fee will have been paid on the OTC trade, there should be an exemption for the cancellation of the OTC trade where it is being brought onto exchange.	Financial OTC Booking Fee Policy).
2.5	Modifications and Cancellations (4.8)	There should be an exemption for OTC trades where the OTC trade is novated to another counterparty.	The LME agrees and has clarified the language in the policy accordingly (see paragraph 4.10 of the revised Financial OTC Booking Fee Policy)
2.6	Modifications and Cancellations (4.8)	Modifying or terminating an OTC contract early will attract an additional fee. This could potentially have an impact on firms' ability to continue servicing clients who require the restructuring of existing transactions.	Any modification or termination of an OTC contract which impacts the market risk on that trade will require the on-LME hedges to that OTC contract to be restructured, and thereby generate trading and clearing fees. Consequently, it is consistent to charge an additional FOTC Booking Fee for modifications. Trading businesses are able to take these fees into account when conducting client business.
2.7	Waivers (4.10 – now 4.11)	The definition of Spot Physical Trade should cover same day or T+1 settlement.	The LME agrees and has clarified the language in the policy accordingly (see the revised definition of Physical Spot Trade and paragraph 4.11 of the revised Financial OTC Booking Fee Policy).

#	Issue	Summary / Typical Comment	LME Response
2.8	Offsets (4.11 – now 4.12)	OTC Offset Credits should be open ended and not be restricted to the Reporting Period.	Allowing “Offset Credits” to be rolled would require more stringent rules and monitoring to ensure the Financial OTC Booking Fee Policy is not abused by bringing-on OTC contracts that were entered into prior to when the Financial OTC Booking Fee Policy was introduced. The LME believes it has struck the correct balance by allowing any bring-on to give the offset, but limiting the use to within the month. While the LME accepts that the period between an OTC transaction and the associated bring-on may result in the transactions taking place in different months, a “steady-state” business would be expected to see a balance of OTC trades and bring-ons during a given month; it is for this reason that the OTC offsets do not require the matching of specific trades between the OTC trade and the corresponding bring-on.
2.9	Offsets (4.11 – now 4.12)	In order to avoid the application of the reporting process, a member could confirm to the LME in writing that it will not bring OTC contracts to settlement and will inform LME when it does so.	The LME believes that this type of amendment to the policy would unduly complicate the application of the policy and reporting, as the policy does not only apply to the settlement of OTC contracts, but to the trading of them prior to settlement. This approach would then necessitate different reporting requirements dependent on the perceived intention at the outset of the trade. Ultimately, the LME believes it has found the correct

#	Issue	Summary / Typical Comment	LME Response
			balance with the reporting requirements as set out in the Policy.
2.10	Offsets (4.11 – now 4.12)	All contracts in non-LME currencies should be exempt from the OTC booking fee.	Excluding non-LME currencies could potentially encourage trades to be based in non-LME currencies specifically to avoid the Financial OTC Booking Fee, which would subvert the intention of the Policy and be an undesirable outcome.
2.11	Reporting Relevant OTC Trades (5.2)	It is not appropriate for the compliance function to either validate the accuracy of or submit a Report.	The LME has considered this point and notes that the appropriate senior compliance officer need not be the individual that compiles the data for the Report, but compliance ought to be the function that oversees the processes for collection of such data for the Report, thereby ensuring accuracy of the Report.
2.12	Audit and Record Keeping (5.13)	The power to gain physical access to the firm's premises and remote access to the firm's systems without notice is too extensive.	The LME understands this concern and has amended the policy accordingly (see paragraph 5.13 of the revised Financial OTC Booking Fee Policy).
2.13	Change to FOTCBF Policy (6.5)	In the event that any change to the Financial OTC Booking Fee Policy requires adjustments to the way in which trades are reported, 30 days would not be adequate time to	While 30 days' notice is the minimum that the LME will give when making changes to the Financial OTC Booking Fee Policy, this does not preclude the LME from providing a longer period in certain circumstances.

#	Issue	Summary / Typical Comment	LME Response
		implement changes in IT systems.	
2.14	Example Scenarios (7)	Please review the extent and scope of the fee on either scenarios or trade types to be quite clear as to when the fee will apply.	The complex nature of LME trading means that attempting to capture every possible scenario within the examples would not be possible. The LME has provided some scenarios to clarify some areas that could cause confusion. For any additional clarification, Booking Fee Participants should contact the LME.
2.15	Example Scenarios (7)	A “Float Deliver” is not a carry equivalent and therefore should not be subject to 2X fees.	The equivalent risk of a Float Deliver is a carry (hence being hedged with a carry). This is therefore the most representative way to charge for the trade.

Question 3: Do you have any comments on the Facilities Proposal?

#	Issue	Summary / Typical Comment	LME Response
3.1	General	Respondents were generally neutral or supportive of the Facilities Proposal.	The LME is grateful for this feedback.
3.2	Compliance by Affiliates	The LME acknowledges that Relevant OTC Contracts could be entered into using a Non-LME Multi Dealer Trading System (as defined in the Rules). However, the Policy then expressly prohibits any Member, affiliate and licensee from entering into Relevant OTC Contracts on such a platform. How this would be enforced against affiliates is not clear and the LME Member will not have oversight or control of such activities. In a large organisation an LME Member could attempt to do this on a best efforts basis but it would be unable to guarantee compliance across the whole group. This issue should be managed by data licencing rather	<p>This concern was only highlighted by one respondent, despite the fact that many market participants have complicated group structures.</p> <p>The LME is of the view that central compliance functions should be able to make all Affiliates aware of their obligations and that the Affiliate(s) within a Group that are responsible for metals trading will be able to ensure the compliance of other Affiliates with the Facilities Proposal.</p>

		than through this proposal.	
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Question 4: Do you have any comments on the Gross Trades Proposal?

#	Issue	Summary / Typical Comment	LME Response
4.1	General	Respondents were generally neutral or supportive of the Gross Trades Proposal and noted that it reflects market practice.	The LME is grateful for this feedback.
4.2	Hedging	One Member asked for confirmation that the proposal would not prohibit trading on an OTC basis and managing net OTC risk by a single transaction in the inter office market (on the assumption that any OTC activity would be subject to the LME OTC booking fee).	The Gross Trades Proposal applies only to LME Cleared Contracts, ensuring that trades are transparently reported to the LME in the manner that they have been traded (with applicable fees paid). Any party is free to hedge an OTC contract in the way it deems appropriate.

Question 5: Do you have any comments on the LMEselect Order Transparency Proposal?

#	Issue	Summary / Typical Comment	LME Response
5.1	General	Respondents were generally neutral or supportive of the LMEselect Order Transparency Proposal.	The LME is grateful for this feedback.

Question 6: Do you have any comments on the API Terms Proposal?

#	Issue	Summary / Typical Comment	LME Response
6.1	General	Respondents were generally neutral or supportive of the API Terms Proposal.	The LME is grateful for this feedback.

APPENDIX II

DEFINITIONS

The definitions below will be added to the LME Rulebook at Part 1 (Definitions and General Rules):

“Application”	means any application (including a code for each application) receiving LME Information for Non-Display Usage;
“Financial OTC Booking Fee Policy”	means the policy of the Exchange specifying the basis on which Members and other persons shall be required to report to the Exchange certain transactions in financial instruments that are executed outside the facilities of the Exchange, and to pay to the Exchange fees in respect of such transactions, subject to, and in accordance with, the requirements of such policy, as such policy may be updated by the Exchange from time to time in accordance with the requirements and processes set out therein;
“Intellectual Property Rights”	patents, trade marks, rights in logos, get-up, trade names, internet domain names, rights in designs, copyright (including rights in computer software) and moral rights, database rights, rights of confidentiality, semi-conductor topography rights, utility models, trade secrets, inventions, rights in know-how and other intellectual property or proprietary rights, in each case whether registered or unregistered and including applications for registration, and all rights or forms of protection having equivalent or similar effect to the foregoing which may now or in the future subsist in, apply to or are enforceable in, any jurisdiction in the world;
“LME Information”	means any information or data (Including LME Data) made available by the Exchange to Members, Member API Clients and/or Member API Sub-Clients via the API from the Exchange’s systems;
“Matching Rules”	means the LME’s matching rules governing the use of the Matching System as published by the LME, by Notice from time to time;
“Member API Client”	means any Client or Affiliate of a Member to which the Member provides access to LME Information via the LME Select API;
“Member API Sub-Clients”	means any Client or Affiliate of a Member LME Select API Client;
“Non-Display Usage”	means any use of LME Information in electronic trading systems for the purpose of generating orders or executing transactions in an automated and/or semi-automated manner without the display of the original LME Data, including, for example, the use of LME Data for algorithmic trading, program trading or the automatic monitoring of trading activities;

“Non-LME Multi Dealer Trading System”	<p>means:</p> <ul style="list-style-type: none"> (a) an exchange or other trading venue which is not operated by the Exchange or its Affiliates; or (b) any other system, granting access to more than one trading party, to facilitate the arrangement and/or execution of bilateral contracts between such parties, outside the trading venue or systems operated by the Exchange or its Affiliates, <p>but shall not include a Single Dealer to Client Platform;</p>
“Non-LME Platform Contract”	<p>means any contract or product that is traded on, executed on, or otherwise arranged or agreed via a Non-LME Multi Dealer Trading System;</p>
“Product Specifications”	<p>means the specifications, features and/or terms of any Contract listed for trading on the Exchange, as described in the Rules and Administrative Procedures;</p>
“Single Dealer to Client Platform”	<p>means any system operated by a Member for the purpose of arranging bilateral contracts between: (i) such Member; and (ii) its customers by means of either a “Request For Quote” or continual price streaming from the Member to customers, but not including a system operating an order book where one customer may trade against another customer’s price or order;</p>
“Terminal”	<p>means a terminal through which a Member API Client and/or Member API Sub-Client has access to LME Information from a Member via an API; and</p>
“Trade Mark”	<p>means any trade mark (i) belonging to or used by the Company from time to time; or (ii) that the Company may register or apply to register from time to time;</p>
“User”	<p>means a user at a Member API Client and/or Member API Sub-Client who has access to LME Information from a Member via a graphical user interface (GUI).</p>

The Membership Regulations below will be added to the LME Rulebook at Part 2 (Membership, Enforcement and Discipline):

18. INTELLECTUAL PROPERTY RIGHTS

18.2 For the avoidance of doubt, the Company hereby expressly reserves any and all rights (including Intellectual Property Rights and any rights of confidentiality), licences and permissions in and to the LME Data, the Trade Marks and the Product Specifications.

18.3 Unless explicitly permitted in writing between the Member and the Company, the Member shall not:

- (a) remove the Trade Marks from the LME Data or alter them (unless not practicable to display the Trade Marks and LME Data together);
- (b) use the Trade Marks in conjunction with any other mark, name, logo, symbol or device;
- (c) use the Trade Marks other than in relation to:
 - (i) Contracts; or
 - (ii) any contract to which the Financial OTC Booking Fee Policy applies, and in respect of which the Member shall report such contract to the Company in accordance with the Financial OTC Booking Fee Policy;
- (d) use the Trade Marks in such a way as to damage the goodwill or reputation attaching to such Trade Marks or the name of the Company or to otherwise prejudice the validity or enforceability of any such Trade Marks;
- (e) permit access to, distribute, sub-licence or publish the LME Data or Trade Marks to any third party;
- (f) use the LME Data as a Benchmark or in connection with the determination of a Benchmark or pass the Data to an Administrator in connection with the determination of a Benchmark;
- (g) manipulate the LME Data in any way and/or use the LME Data to create any Derived Data;
- (h) use the LME Data or Trade Marks, or any part of them:
 - (i) in breach of these Rules or the Financial OTC Booking Fee Policy or other applicable laws or regulations;
 - (ii) for any unlawful purpose; or
 - (iii) in any way that may in the Company's absolute opinion be considered to bring the Company, its Affiliates, the LME Data and/or the Trade Marks into disrepute.

The current Membership Regulations numbered Regulation 18.2 and Regulation 18.3 of the LME Rulebook will be renumbered as Regulation 18.4 and Regulation 18.5 respectively.

The Membership Regulations below will be the new Regulation 19 and Regulation 20 at Part 2 (Membership, Enforcement and Discipline) of the LME Rulebook:

19. FINANCIAL OTC BOOKING FEE POLICY

19.1 Each Member shall comply with the Financial OTC Booking Fee Policy. Without prejudice to the generality of the foregoing, each Member shall:

- (a) register with the Exchange, pursuant to the requirements of the Financial OTC Booking Fee Policy;
- (b) report to the Exchange, any trades undertaken by the Member which are required to be reported pursuant to the Financial OTC Booking Fee Policy; and
- (c) pay to the Exchange, any fees due to the Exchange pursuant to the Financial OTC Booking Fee Policy in relation to trades undertaken by the Member.

19.2 Each Member shall procure and otherwise take steps to ensure that their Affiliates comply with the Financial OTC Booking Fee Policy. Where the Affiliate fails to comply with the Financial OTC Booking Fee Policy, whether: (a) registering with the Exchange; (b) reporting any trades undertaken by the Affiliate to the Exchange; or (c) paying to the Exchange, any fees due pursuant to the Financial OTC Booking Fee Policy; or (d) otherwise, the Member shall be liable to the Exchange for any non-compliance by Affiliate with the Financial OTC Booking Fee Policy.

19.3 Without prejudice to any additional rights of the Exchange under the Financial OTC Booking Fee Policy to require information from any Member or its Affiliate, each Member shall, and shall ensure that its Affiliates shall, within 5 Business Days of any request by the Exchange:

- (a) permit the Exchange and its representatives to have access to any records and information maintained by the Member and/or its Affiliates (as the case may be) in respect of any transactions undertaken by the Member or its Affiliates for the purposes of assessing compliance with the Financial OTC Booking Fee Policy; and
- (b) respond to any reasonable questions from the Exchange which are relevant to assessing the compliance by the Member and its Affiliates with the Financial OTC Booking Fee Policy.

19.4 For the avoidance of doubt, a Member or its Affiliate shall only be entitled to benefit from an exemption from compliance with any aspect of the Financial OTC Booking Fee Policy in the event that such exemption has been granted by the Exchange in accordance with the terms of the Financial OTC Booking Fee Policy.

20. RESTRICTIONS ON USE OF LME PROPERTY OR SYSTEMS FOR NON-EXCHANGE CONTRACTS

20.1 The facilities of the Exchange may not be used to facilitate the execution, clearing or settlement of any Non-LME Platform Contract. Without limitation to the foregoing:

- (a) no Member may use any LME Data, Product Specifications or any other Intellectual Property Rights of the Exchange, or any part of them for the formation, trading, pricing, clearing or settlement of any Non-LME Platform Contract;
- (b) LME Warrants may not be used for the purpose of settling any Non-LME Platform Contract;

- (c) the Ex-Cleared settlement functionality of LMEsword may not be used to facilitate the settlement of any Non-LME Platform Contract;
 - (d) no Member may use the inter-office market to facilitate the submission to the Matching System of any Non-LME Platform Contract as an Agreed Trade; and
 - (e) no Member may bring-onto, or allow its Client to bring-onto, the Exchange any Non-LME Platform Contract, including pursuant to the OTC Bring-On category within the Matching Rules, the submission to the Matching System of an Agreed Trade, or otherwise.
- 20.2 The Exchange may, in its absolute discretion, by Notice dis-apply any of the restrictions specified in this Regulation 20 in respect of Non-LME Platform Contracts traded on, executed on, or otherwise arranged or agreed via any specific Non-LME Multi Dealer Trading System. Such Notice:
- (a) shall specify the identity of the specific Non-LME Multi Dealer Trading System that is approved by the Exchange as a venue for the formation of Agreed Trades that may be brought-onto the Exchange; and
 - (b) may specify the categories of Contracts to which such approval shall apply.
- 20.3 The Exchange shall issue a Notice pursuant to Regulation 20.2 above, publicising the situation where, as determined by the LME in its sole discretion and acting reasonably, any Non-LME Multi Dealer Trading System is lawfully making use of the Intellectual Property Rights of the Exchange, including, without limitation, where such Non-LME Multi Dealer Trading System has: (i) entered into a licence agreement for the use of Intellectual Property Rights belonging to the Exchange; or (ii) been granted open access rights pursuant to prevailing applicable legislation.

The current Regulation 19 and Regulation 20 in Part 2 (Membership, Enforcement and Discipline) of the LME Rulebook will be renumbered as Regulation 21 and Regulation 22 respectively and the subsequent Regulations will be renumbered accordingly.

The Regulation below will be added to the LME Rulebook at Part 10 (LMESword Regulations):

5. TRANSFER OF WARRANTS LODGED WITH THE DEPOSITORY

5.6 Use of LMESword for Settlement of Non-Platform Contracts

LMESword shall not be used to settle Non-LME Platform Contracts in breach of the requirements specified in Membership Regulation 20 (*Restrictions on use of LME Property or Systems for Non-Exchange Contracts*). Such restriction shall apply to any Account Holder, and shall not be limited to Members.

3. THE MATCHING SYSTEM AND RECORDING OF TRADES

A new Trading Regulation 3.12 will be added to Part 3 (Trading Regulations) of the LME Rulebook.

3.12 Agreed Trades as Gross Transactions

Each Member shall ensure that the details of each Agreed Trade arranged in the inter-office market that is input by or on behalf of the Member into the Matching System shall constitute the details of a single, distinct transaction, without the application of any netting, compression or aggregation by the Member of multiple transactions or Agreed Trades, except where:

- (a) the Member has aggregated Agreed Trades representing either multiple buy or multiple sell transactions (being transactions in the same direction); and/or
- (b) where Agreed Trades representing multiple buy or multiple sell transactions (being transactions in the same direction) have their Prompt Date adjusted to another date in accordance with the Rules.

For the avoidance of doubt, this provision is without prejudice to the ability of a Member to participate in the OTC Backloading Service in accordance with the Matching Rules and the Clearing House Rules.

The current Rule 3.12 in Part 3 (Trading Regulations) will be renumbered as Rule 3.13.

12. DEALINGS ON LME SELECT

The Trading Regulations below will be added to Regulation 12 of Part 3 (Trading Regulations) of the LME Rulebook:

Transparent Reporting of Orders to LME Select

12.18 Where any LME Select Participant:

- (a) submits its own orders into LME Select; or
- (b) offers Direct Electronic Access services to enable Clients to submit orders into LME Select,

such LME Select Participant must ensure that:

- (i) all such orders are submitted into LME Select without delay; and
- (ii) no such order is withheld from submission into LME Select for the purpose of offsetting such order against any other order or orders that would ordinarily be submitted into LME Select, including but not limited to offsetting one Client order against another Client order.

Use of LME Information through LME Select API

12.19 The Exchange hereby consents, subject to Regulation 12.20 and 12.21 below, to allow a Member to:

- (a) transmit LME Information to Member API Clients;
- (b) permit Member API Clients to transmit LME Information to their Member API Member API Sub-Clients;
- (c) use LME Information for Non-Display Usage by such Member; and
- (d) transmit LME Information to Member API Clients for use by the Member API Clients and/or Member API Sub-Clients for Non-Display Usage by such Member API Client and/or Member API Sub-Client.

12.20 It is prohibited for any Member, Member API Client or Member API Sub-Client to:

- (a) store, manipulate or use for Non-Display Usage any LME Information for commercial purposes; and
- (b) to transmit LME Information to, or otherwise permit access to LME Information by, a Non-LME Multi-Dealer Trading System (without the express prior consent of the Exchange),

and the Member shall be:

- (i) responsible for procuring compliance by any Member API Client or Member API Sub-Client with such prohibitions; and
- (ii) liable to the Exchange for any breach of such prohibitions by any Member API Client or Member API Sub-Client as if such breach had been committed by the Member itself;

12.21 The consent given pursuant to Regulation 12.19 above is given subject to the following conditions (and the Member shall comply, and be responsible for procuring compliance, with such requirements):

- (a) no Member may transmit LME Information to any Member API Client or permit any Member API Client to transmit LME Information to any Member API Sub-Client unless the following conditions are satisfied:
 - (i) Member API Clients to which LME Information is transmitted by a Member must have entered into a formal client engagement agreement with the Member, reflecting the requirements, conditions and limitations set out in Regulations 12.19 to 12.21 (including, for the avoidance of doubt, the requirement to comply with Regulation 12.21(a)(ii) below); and
 - (ii) Member API Sub-Clients to which LME Information is transmitted must have entered into a formal client engagement agreement with a Member API Client reflecting the requirements, conditions and limitations set out in Regulation 12.21 (including, without limitation, the prohibitions specified in Regulation 12.20 above);
- (b) without limitation to (a) above, the Member shall procure that each Member API Client that has access to LME Information via the LME Select API shall have entered into an agreement with the Member (to be produced to the Exchange on request) whereby the Member API Client:
 - (i) agrees:
 - (1) to treat such LME Information as confidential information of the Exchange; and
 - (2) that it shall not distribute LME Information to any other person (except as expressly permitted under these Regulations 12.19 to 12.21 or as required by applicable law or regulation);
 - (ii) agrees to comply with the Financial OTC Booking Fee Policy as:
 - (1) an Affiliate of the Member (where such Member API Client is an Affiliate of the Member); or
 - (2) as a Licensee, as such term is defined in the Financial OTC Booking Fee Policy (where such Member API Client is not an Affiliate of the Member);
 - (iii) agrees and confirms that, where the Member API Client intends to transmit LME Information to any Member API Sub-Client, it has in place agreements with such Member API Sub-Client (a "**Member API Sub-Client Agreement**"):
 - (1) under which the Member API Sub-Client agrees to treat such LME Information as confidential information of the Exchange; and
 - (2) that prohibits such Member API Sub-Client from re-distributing LME Information to any other person (except as required by applicable law or regulation);

- (iv) agrees to include in every Member API Sub-Client Agreement, an agreement by the Member API Sub-Client to comply with the Financial OTC Booking Fee Policy as:
 - (1) an Affiliate of the Member (where such Member API Sub-Client is an Affiliate of the Member); or
 - (2) as a Licensee, as such term is defined in the Financial OTC Booking Fee Policy (where such Member API Sub-Client is not an Affiliate of the Member);
- (v) acknowledges that only Category 1 Members and Category 4 Members may issue a Client Contract that is an LME Base Contract;
- (vi) acknowledges that only LMEprecious General Clearing Members and LMEprecious Non-Clearing Members may issue a Client Contract that is an LMEprecious Contract;
- (vii) confirms that, if the Member API Client trades with Member API Sub-Clients, those Member API Sub-Clients have been made to understand that they do not receive Client Contracts;
- (c) the Member shall pay to the Exchange such fees in respect of the access permitted pursuant to Regulation 12.19 as the Exchange shall specify by Notice (as may be amended or updated by the Exchange from time to time);
- (d) the Member shall send to the Exchange such reports, in respect of the access and use of LME Information by the Member and any Member API Clients and/or Member API Sub-Clients, as the Exchange may specify by Notice, in accordance with such requirements as may be specified in such Notice;
- (e) the Member shall comply with the requirements of the Exchange in relation to the identification of Member API Clients and Member API Sub-Clients as notified by the Exchange to the Member from time-to-time;
- (f) (without prejudice to the prohibitions specified in Regulation 12.19, and the Member's liability for any breach by a Member API Client or Member API Sub-Client of any such prohibition) the Member shall use its reasonable endeavours to ensure that each Member API Client and Member API Sub-Client who has access to LME Information does not copy, distribute or transmit it without the prior consent of the Exchange or except as explicitly permitted by these Regulations 12.19 – 12.21, and the Member shall cease to make available LME Information to any Member API Client whom it knows or has reasonable cause to suspect is copying, distributing, transmitting or permitting to be made available LME Information without the consent of the Exchange or except as explicitly permitted by this Regulations 12.19 – 12.21;
- (g) the Member shall retain all documents, books and records relevant to the making available of LME Information to Member API Clients as contemplated by these Regulations 12.19 – 12.21 (including a list of the names and address of each Member API Client to whom LME Information is available and the number of Terminals, Users and Applications of that Member API Client, a list of identities of end users and access identifications and such other information as may be required by the LME from time to time) during the currency of the Member's

Membership and for a period of six (6) years following the termination of the Member's Membership;

- (h) for the purposes of ensuring compliance by the Member with the terms of these Regulations 12.19 – 12.21, the Member shall permit the Exchange and its representatives to have access on reasonable notice to such of the Member's documents, books and records (including those referred to in paragraph (g)) and personnel as it may reasonably require for audit purposes. This is without prejudice to any other rights of the Exchange, contained elsewhere in the Rules, to inspect documents, books and records of Members;
- (i) the Member undertakes that it will at all times be in compliance with all local, legal and regulatory requirements regarding the arrangements that it has with each Member API Client that the Member permits to transmit LME Information to Member API Sub-Clients;
- (j) subject to paragraph (k) below, the consent granted under Regulation 12.19 shall be automatically withdrawn upon termination of the Member's Membership; and
- (k) the Exchange may withdraw its consent under Regulation 12.19, in whole or in part (including in respect of individual Member API Clients and/or Member API Sub-Clients), on 7 days' written notice to the Member.



LONDON METAL EXCHANGE RULES AND REGULATIONS

AS AUTHORISED BY THE BOARD OF DIRECTORS

PREFACE

Parts 1 – 13 of this book set forth the Rules and Regulations of the London Metal Exchange, and the Appendices include further information, as on brands, assayers and warehouses listed in accordance with stated regulations.

These rules, as amended from time to time, are available on the LME website.

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PART 1

DEFINITIONS AND GENERAL RULES

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PART 1: DEFINITIONS AND GENERAL RULES

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1. DEFINITIONS

1.1 In these Rules, the following words and expressions shall, unless the context otherwise requires, bear the meanings set opposite them:-

"Account Holder"	the Clearing House and any person admitted as an Account Holder by the Exchange, and which has not withdrawn or ceased to be an Account Holder, under Regulation 2 of the LMEsword Regulations;
"Acceptance Criteria"	the criteria to be satisfied under the Clearing House Rules in order for a Cleared Contract to come into effect in respect of the relevant Agreed Trade;
"Administrative Procedure" or "Notice"	a notice sent to such class or classes of Member to whom they apply, containing a procedure for implementing the Rules or any part thereof. In the case of LME Select this may also be posted on the market messages screen;
"Affiliate"	in relation to a person, another person in the same Group;
"Agreed Trade"	the particulars of a transaction in a Contract agreed between two parties (or otherwise instructed by one or more Member(s) and confirmed within LME Select), as further specified in Trading Regulation 2.2.3;
"Algorithmic Trading"	trading in financial instruments (as such term is defined in Article 4(1)(15) of the MiFID II Directive) where a computer algorithm automatically determines individual parameters of orders such as whether to initiate the order, the timing, price or quantity of the order or how to manage the order after its submission, with limited or no human intervention, but excluding any system that is only used for the purpose of routing orders to one or more trading venues (as such term is defined in Article 4(1)(24) of the MiFID II Directive) or for the processing of orders involving no determination of any trading parameters or for the confirmation of orders or the post-trade processing of executed transactions;
"Aluminium Premium Contract"	a Premium Contract for aluminium having the characteristics set out in the Premium Contract Regulations (and a "type" of Aluminium Premium Contract shall mean one of the classes of such Contracts distinguished by its applicable Premium

	Warrant Jurisdiction);
"Appeal Committee"	a committee appointed pursuant to Regulation 11 of the Membership Regulations;
<u>"Application"</u>	<u>means any application (including a code for each application) receiving LME Information for Non-Display Usage;</u>
"Arbitration Regulations"	the regulations set out in Part 8 of the Rules;
"Articles"	the Articles of Association for the time being of the Company;
"Average Price Call Option"	a Traded Average Price Option pursuant to which the Granter gives the Taker the right to buy from the Granter;
"Average Price Put Option"	a Traded Average Price Option pursuant to which the Granter gives the Taker the right to sell to the Granter;
"Business Day"	any day except Saturday, Sunday or any public or bank holiday in England or a day during which trade on the Exchange has been suspended by or under the authority of any enactment or a day which the Exchange declares not to be a Business Day;
"B Shares"	class B shares in LME Holdings having a nominal value of 1p each;
"Call Option"	an Option Contract pursuant to which the Granter gives the Taker the right to buy from the Granter or, in the case of an Index Option, a notional right to buy, to be cash settled;
"a Candidate"	a candidate for Membership of the Exchange;
"Capital Requirements Regulation"	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms as from time to time amended;
"Carry"	(a) in respect of a Metal Future, Premium Contract, LMEmini Future or LMEprecious Future for the purchase or sale of a specific number of Lots for one Prompt Date coupled with one or more Futures Contracts of the same type for the sale or, as the case may be, purchase comprising in aggregate the same number of Lots between the same parties for a more distant Prompt Date or Prompt Dates;

or

- (b) in respect of a Monthly Average Future, a Contract for the purchase or sale of a specific number of Lots for one Prompt Date for a specified metal coupled with one or more Contracts for the sale or, as the case may be, purchase comprising in aggregate the same number of Lots for the same metal between the same parties for a more distant Prompt Date or Prompt Dates;

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"Cash"

in relation to the period between 19.31 hours on one Business Day and 19.30 hours on the next Business Day and Contracts entered into in that period, the first Settlement Business Day which falls after the next following Business Day (also referred to as "**SPOT**");

"Cash Today"

in relation to Contracts entered into in the period between 19.31 hours on one Business Day and 12.30 hours on the next Business Day, the first Settlement Business Day after the latter Business Day save that there will be no Prompt Date for Cash Today where Cash Today is a Business Day but not a Settlement Business Day (also referred to as "**TOM**" or "**tomorrow**");

"Category 1 Member"

a Member who is:

- (a) authorised by the Directors to trade in the Ring;
- (b) a member of the Clearing House;
- (c) authorised by the Directors to clear Cleared LME Base Contracts;
- (d) authorised by the Directors to issue Client LME Base Contracts; and
- (e) granted Category 1 Membership by the Directors;

"Category 2 Member"

a Member who is:

- (a) not authorised by the Directors to trade in the Ring;
- (b) a member of the Clearing House;
- (c) authorised by the Directors to clear Cleared LME Base Contracts;

	<ul style="list-style-type: none"> (d) authorised by the Directors to issue Client LME Base Contracts; and (e) granted Category 2 Membership by the Directors;
"Category 3 Member"	<p>a Member who is:</p> <ul style="list-style-type: none"> (a) not authorised by the Directors to trade in the Ring; (b) a member of the Clearing House; (c) authorised by the Directors to clear Cleared LME Base Contracts; (d) not authorised by the Directors to issue Client LME Base Contracts; and (e) granted Category 3 Membership by the Directors;
"Category 4 Member"	<p>a Member who is:</p> <ul style="list-style-type: none"> (a) not authorised by the Directors to trade in the Ring; (b) not authorised by the Directors to clear Cleared LME Base Contracts; (c) authorised by the Directors to issue Client LME Base Contracts; and (d) granted Category 4 Membership by the Directors;
"Category 5 Member"	<p>a Member who is:</p> <ul style="list-style-type: none"> (a) not authorised by the Directors to trade in the Ring; (b) not authorised by the Directors to clear Cleared Contracts; (c) not authorised by the Directors to issue Client Contracts; and (d) granted Category 5 Membership by the Directors;
"Category 6 Member"	<p>a Member who is:</p> <ul style="list-style-type: none"> (a) not authorised by the Directors to trade in the Ring;

	<ul style="list-style-type: none"> (b) not authorised by the Directors to clear Cleared Contracts; (c) not authorised by the Directors to issue Client Contracts; (d) not an Undertaking or a member of an Undertaking; and (e) granted Category 6 Membership by the Directors;
"Category 7 Member"	a Member who is granted honorary Membership of the Exchange by the Directors;
"Chief Executive"	includes the Deputy Chief Executive and any other person for the time being appointed to perform the duties of Chief Executive of the Company;
"Claimant"	the person commencing an arbitration by serving a Notice to Arbitrate;
"Cleared Contract"	<ul style="list-style-type: none"> (a) the Contract or Contracts which may result from the process of acceptance set out in the Clearing House Rules, upon or following Execution; (b) any other Contract or Contracts which may be created between the Clearing House and a Clearing Member in relation to an Agreed Trade by operation of the Clearing House Rules, including, without limitation, any Contract that results from any process under the Clearing House Rules that varies, modifies, transfers, replaces, novates or ports any Contracts within (a) above or any Contract that results from any netting or settlement-to-market process under the Clearing House Rules;
"Cleared Ferrous Future"	a Cleared Contract which is a Ferrous Future;
"Cleared Index Contract"	a Cleared Contract which is an Index Contract;
"Cleared Index Future"	a Cleared Contract which is an Index Future;
"Cleared Index Option"	a Cleared Contract which is an Index Option;
"Cleared LME Base Contract"	a Cleared Contract which is not a Cleared LMEprecious Future;
"Cleared LMEmini Future"	a Cleared Contract which is an LMEmini Future;

"Cleared LMEprecious Future"	a Cleared Contract which is an LMEprecious Future;
"Cleared Metal Contract"	a Cleared Contract which is a Metal Contract;
"Cleared Metal Future"	a Cleared Contract which is a Metal Future;
"Cleared Metal Option"	a Cleared Contract which is a Metal Option;
"Cleared Monthly Average Future "	a Cleared Contract which is a Monthly Average Future;
"Cleared Option Contract"	a Cleared Contract which is an Option Contract;
"Cleared Premium Contract"	a Cleared Contract which is a Premium Contract;
"the Clearing House"	such Clearing-house for the time being appointed by the Exchange to clear Contracts;
"the Clearing House Rules"	the rules of the Clearing House that are binding on Clearing Members, as for the time being in force in relation to the Exchange, and the procedures of the Clearing House with respect thereto;
"Clearing Member"	<p>a Member that is permitted by the Clearing House to clear Cleared Contracts, being:</p> <ul style="list-style-type: none"> (a) in respect of the LME Base Service, a Category 1, 2 or 3 Member; or (b) in respect of the LMEprecious Service, an LMEprecious General Clearing Member or an LMEprecious Individual Clearing Member;
"Clearing Member Transferee"	means a Clearing Member to whom a Client-Related Cleared Contract is transferred in accordance with the Clearing House Rules;
"Clearing Member Transferor"	means a Clearing Member from whom a Client-Related Cleared Contract is transferred in accordance with the Clearing House Rules, being the Clearing Member that was the counterparty to the Clearing House under such Cleared Contract immediately prior to the time of such transfer;
"Client"	<p>a person who:</p> <ul style="list-style-type: none"> (a) is or may be a party to a Client Contract, other than the person who issues the Client Contract; or (b) otherwise has a client relationship with a Member in relation to any transaction

	represented by a Contract;
"Client Contract"	<p>(a) in respect of the LME Base Service, each of:</p> <ul style="list-style-type: none"> (i) an LME Base Contract between a Category 1 or 2 Member and a Category 4 Member; or (ii) an LME Base Contract between a Category 1, 2 or 4 Member and any other person (as a Client); or (iii) a Post-Compression Client Contract that is an LME Base Contract; or (iv) any Contract formed pursuant to the application of a netting, aggregation and/or settlement to market process, applied to any Contract in (i), (ii) or (iii) above, <p>in each case that is not a Cleared Contract; and</p> <p>(b) in respect of the LMEprecious Service:</p> <ul style="list-style-type: none"> (i) an LMEprecious Future between an LMEprecious General Clearing Member and an LMEprecious Non-Clearing Member; or (ii) an LMEprecious Future between an LMEprecious General Clearing Member or LMEprecious Non-Clearing Member and any other person (as a Client); or (iii) any Contract formed pursuant to the application of a netting, aggregation and/or settlement to market process, applied to any Contract in (i) or (ii) above, <p>in each case that is not a Cleared Contract;</p>
"Client Ferrous Future"	a Client Contract which is a Ferrous Future;
"Client Index Contract"	a Client Contract which is an Index Contract;
"Client Index Future"	a Client Contract which is an Index Future;
"Client Index Option"	a Client Contract which is an Index Option;
"Client LME Base Contract"	a Client Contract which is not a Client

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	LMEprecious Future;
"Client LMEmini Future"	a Client Contract which is an LMEmini Future;
"Client LMEprecious Future"	a Client Contract which is an LMEprecious Future;
"Client Metal Contract"	a Client Contract which is a Metal Contract;
"Client Monthly Average Future"	a Client Contract which is a Monthly Average Future;
"Client Option Contract"	a Client Contract which is an Option Contract;
"Client Premium Contract"	a Client Contract which is a Premium Contract;
"Client-Related Cleared Contract"	means a Cleared Contract that came into effect between the Clearing House and a Clearing Member pursuant to the Execution of an Agreed Trade, and which corresponds to a Client Contract that came into effect under these Rules at the same time as such Cleared Contract came into effect (and including any Post-Compression Cleared Contracts that may arise following Compression at the Clearing House of any such Cleared Contract);
"Client Traded Average Price Option"	a Traded Average Price Option where either Granter or Taker or each of them is not a Clearing Member;
"Close of Pleadings"	the end of a period of 28 days after the time for submission of the points of reply, unless otherwise ordered by the Tribunal;
"Closing Prices"	the prices determined for margining purposes on each Business Day by the Quotations Committee in accordance with Regulation 6.1 of the Trading Regulations or by the Clearing House in accordance with Regulation 15 of the Trading Regulations;
"the Company"	the London Metal Exchange, a company registered in England and Wales under company number 02128666;
"Compression"	means the replacement of multiple Contracts between the same two parties with a smaller number of Contracts by the aggregation of Contracts having the same direction, together with the netting of Contracts having opposite directions, and which may occur, as the context requires: <ul style="list-style-type: none"> (a) "at the Clearing House", in relation to Cleared Contracts, subject to and in

	<p>accordance with the Clearing House Rules; and</p> <p>(b) "under the Exchange Rules", in relation to Underlying Client Contracts that relate to such Cleared Contracts, subject to and in accordance with Regulation 14 of the Contract Regulations,</p> <p>and the terms "same direction" and "opposite direction" shall be construed in accordance with Regulation 1.5 of this Part 1;</p>
"Constituent Metals"	the metals underlying the Index, being copper, lead, nickel, primary aluminium, tin and zinc;
"Contingent Agreement to Trade"	an agreement between two parties to an Agreed Trade made in the inter-office market, having the characteristics specified in Regulation 2.10 of the Trading Regulations;
"Contract"	<p>(a) a contract for the purchase and sale of one or more Lots of a metal for the time being dealt in on the Exchange in respect of which:</p> <ol style="list-style-type: none"> (1) either the buyer or the seller or each of them is a Category 1, 2, 3 or 4 Member; and (2) the delivery date is a Prompt Date for the time being permitted by the Rules; and (3) the price is expressed in a currency for the time being permitted by the Rules; and (4) the quality and other characteristics of the metal concerned are expressly or impliedly to be as prescribed by the Exchange; or <p>(b) a Metal Option or Traded Average Price Option which has the characteristics prescribed by or pursuant to the Metal Options Regulations or, as the case may be, the Traded Average Price Options Regulations to enter into a contract falling within (a) above; or</p> <p>(c) an Index Future or an Index Option which has the characteristics prescribed by the Rules and, as the case may be, the Index</p>

	Option Regulations; or
	(d) an LMEmini Contract which has the characteristics prescribed by the Rules; or
	(e) a Monthly Average Future which has the characteristics prescribed by the Rules;
	(f) a Ferrous Future which has the characteristics prescribed by the Rules;
	(g) a Premium Contract which has the characteristics prescribed by the Rules;
	(h) an LMEprecious Future which has the characteristics prescribed by the Rules and, as the case may be, the LMEprecious Regulations;
	but
	(i) shall not include any contract which, by virtue of provisions agreed between the parties at or before the time they enter into the contract as to delivery or otherwise, is clearly intended to be performed otherwise than as prescribed by the Rules;
"Contract Regulations"	the Regulations set out in Part 4 of the Rules;
"Counterparty"	in relation to a party to a Contract, the other party to the same Contract;
"Counter Notice"	a notice served by the Respondent pursuant to Regulation 2.5 of Part 8 of the Rules;
"Daily Settling Client Contract"	has the meaning set out in Regulation 9.7.1 of the Trading Regulations;
"Dealer"	a person duly authorised to trade on behalf of a Category 1 Member or in respect of LME Select, a person permitted to deal on LME Select on behalf of an LME Select Participant;
"Dealing Area"	the Ring and surrounding area and corridors (not including booth offices sublet to Category 1 Members) on the relevant floor of the Exchange's premises;
"Dealing On Own Account"	trading against proprietary capital resulting in the conclusion of transactions in one or more Contracts on the Exchange;

"Declaration Day"	in relation to a Traded Average Price Option for a particular month, the last Business Day in that month;
"Defaulter"	a person whom the Exchange has determined, in accordance with Regulation 2 of the Default Regulations, to be a defaulter;
"Default Notice"	notice of a determination by the Exchange issued pursuant to Regulation 4.1 of the Default Regulations;
"Default Regulations"	the Regulations contained in Part 9 of the Regulations;
"Default Settlement Amount"	the amount payable by one party to the other in respect of an Unsettled Contract to which a Defaulter is a party which is settled under or pursuant to the Default Regulations;
"Default Settlement Price"	<p>(a) in relation to a Metal Future or a Premium Contract or an LMEmini Future, the Settlement Price or Unofficial Closing Price for the relevant metal and Prompt Date published next after the time of issue of the Default Notice (determined where necessary by reference to the Settlement Price or Unofficial Closing Price so published for other Prompt Dates); or</p> <p>(b) in relation to an Index Future, the Index Futures Closing Price for the Prompt Date published next after the time of issue of the Default Notice (determined where necessary by reference to the Index Futures Closing Price so published for other Prompt Dates); or</p> <p>(c) in relation to a Metal Option which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option determined, pursuant to Regulation 5.8 of the Trading Regulations next after the time of issue of the Default Notice; or</p> <p>(d) in relation to a Traded Average Price Option Contract which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option Contract determined, pursuant to Regulation 5.8 of the Trading Regulations next after the</p>

	time of issue of the Default Notice; or
	(e) in relation to an Index Option which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option determined pursuant to Regulation 5.8 of the Trading Regulations next after the time of issue of the Default Notice; or
	(f) in relation to a Monthly Average Future, the difference between the Monthly Average Settlement Price for the relevant tradeable month for the relevant underlying metal as published after the time of issue of the Default Notice, and the fixed price agreed between the buyer and the seller in the Contract multiplied by the Contract size; or
	(g) in relation to a Ferrous Future, the Ferrous Final Settlement Price for the Prompt Date next after the time of issue of the Default Notice (determined where necessary by reference to the Ferrous Final Settlement Price so determined for other Prompt Dates); or
	(h) in relation to an LMEprecious Future, the LMEprecious Final Settlement Price for the Prompt Date next after the time of issue of the Default Notice (determined where necessary by reference to the LMEprecious Final Settlement Price so determined for other Prompt Dates); or
	(i) such other price or prices as the Exchange may, in its absolute discretion, determine;
"Delivery Point"	a specific geographic area within which warehouses may be listed and approved by the Exchange for the issue of Warrants;
"Deposit"	such sum as may be specified by Administrative Procedure from time to time;
"Designated Non-Member"	a person (other than a Member) designated from time to time by the Exchange as a person in respect of whom action may be taken under the Default Regulations or a person (other than a Member) falling within a description of persons so designated;
"Direct Electronic Access"	an arrangement where a Member permits a Client

	to use its trading code so the Client can electronically transmit orders relating to a financial instrument (as such term is defined in Article 4(1)(15) of the MiFID II Directive) directly to the Exchange;
"the Directors"	the Board of Directors of the Company;
"Disciplinary Committee"	a committee appointed pursuant to Regulation 14 of the Membership Regulations;
"EMIR"	means Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, as from time to time amended;
"Enforcement Committee"	shall comprise four members chosen from the Directors of the LME, appointed by the Head of Market Operations in consultation with the Chairman. The quorum for the Enforcement Committee shall be three members. The Enforcement Committee shall not be quorate unless there is at least one independent Director present;
"ESMA"	the European Securities and Markets Authority;
"Event of Default"	any of the events set out in Regulation 1 of the Default Regulations;
"the Exchange"	according to context, the London Metal Exchange administered by the Company, or the premises where Ring trading is conducted;
"Exchange Messaging Policy"	means the electronic messaging functionality within the Exchange's systems, as established by Notice;
"Exchange Traded Average Price Option"	a Traded Average Price Option where both Granter and Taker are Clearing Members;
"Execution"	the execution of an Agreed Trade, being the point at which the transaction represented by the Agreed Trade is concluded, resulting in the formation of one or more Contracts (and " Executed " shall be interpreted accordingly);
"Execution Time"	the time at which Execution occurs, as specified for each Execution Venue in Regulation 2.3, 2.4, 2.5 or 2.11.2 (as applicable) of the Trading Regulations (and such time being the "Acceptance Time" for the purposes of the Clearing House Rules);

"Execution Venue"	has the meaning set out in Regulation 2.2.2 of the Trading Regulations;
"FCA"	The Financial Conduct Authority;
"Ferrous Daily Settlement Price"	the price determined for margining and daily settlement purposes of a Ferrous Future as determined in accordance with Regulation 5.7 of the Trading Regulations;
"Ferrous Final Settlement Price"	the price determined for final settlement purposes of a Ferrous Future as determined in accordance with Regulation 5.7.3 of the Trading Regulations;
"Ferrous Future"	a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay or receive in cash the difference between the level of the Ferrous Final Settlement Price on the Prompt Date and the level agreed in the Contract, multiplied by the Contract size, settled on the Settlement Business Day next following the Prompt Date and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange;
"Ferrous Index"	the index specified in the Special Contract Rules for Ferrous Futures;
"Ferrous Last Trading Time"	the last time on the Last Trading Day for Ferrous Futures as specified in the Special Contract Rules for Ferrous Futures or as otherwise prescribed by the Exchange from time to time;
<u>"Financial OTC Booking Fee Policy"</u>	<u>means the policy of the Exchange specifying the basis on which Members and other persons shall be required to report to the Exchange certain transactions in financial instruments that are executed outside the facilities of the Exchange, and to pay to the Exchange fees in respect of such transactions, subject to, and in accordance with, the requirements of such policy, as such policy may be updated by the Exchange from time to time in accordance with the requirements and processes set out therein;</u>
"Firm Quote"	an order or quote that under these Rules can be matched against an opposite order or quote;
"FSMA"	the Financial Services and Markets Act 2000, as from time to time amended;

"Futures Contract"	a Metal Future, Premium Contract, LMEmini Future, Index Future, Ferrous Future or LMEprecious Future;
"Global Legal Entity Identifier System"	the global system operated under the oversight of the LEI ROC to register legal entities and assign legal entity identifiers to such entities;
"Gold"	Loco London Fine Gold held in London and complying with standards relating to good delivery and fineness acceptable to the Precious Metal Clearer of the Clearing House for the purpose of effecting settlement with the Clearing House, as such standards are in effect from time to time;
"Granter"	the seller of an Option or Traded Average Price Option;
"Group"	in relation to any company, any company that is a "group undertaking" of that company, as defined in section 1161 of the Companies Act 2006;
"Head of Market Operations"	the Head of Market Operations and any other person within the Market Operations division of the Exchange for the time being appointed to perform the duties of the Head of Market Operations;
"In The Money"	<p>(a) in relation to a Metal Option, that the Strike Price is, in the case of a Put Option, above or, in the case of a Call Option, below the last published Settlement Price at the relevant time for the relevant metal and Prompt Date; or</p> <p>(b) in relation to a Traded Average Price Option, that the Strike Price is, in the case of an Average Price Put Option, above or, in the case of an Average Price Call Option, below the last published Moving Monthly Average Settlement Price or Monthly Average Settlement Price at the relevant time for the relevant metal and Prompt Date; or</p> <p>(c) in relation to an Index Option, that the Strike Price is, in the case of a Put Option, above or, in the case of a Call Option, below the Settlement Price or last published Closing Price at the relevant time for the relevant Index Option and Prompt Date;</p>
"Incentive Programme"	has the meaning set out in Regulation 22.2 of the Membership Regulations;

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"Incentive Programme Benefits"	has the meaning set out in Regulation 20.3 22.3 of the Membership Regulations;
"Incentive Programme Requirements"	has the meaning set out in Regulation 22.3 of the Membership Regulations;
"Index"	an index denominated in US dollars the level of which is determined in accordance with the Special Contract Rules for the Construction of the Index;
"Index Contract"	an Index Future or an Index Option;
"Index Future"	a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay or receive in cash the difference between the level of the Index on the Prompt Date and the level agreed in the Contract, multiplied by the Contract size, settled on the Settlement Business Day next following the Prompt Date and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange;
"Index Futures Closing Price"	the Closing Price of an Index Future as determined in accordance with Regulation 6 of the Trading Regulations;
"Index Option"	a cash-settled Exchange-traded option contract over the Index pursuant to which the Granter grants the Taker a right to receive in cash from the Granter the difference between the level of the Index on the Prompt Date and the Strike Price, multiplied by the Contract size, settled on the Settlement Business Day next following the Prompt Date and conforming to the other specifications prescribed by the Exchange;
"Index Options Regulations"	the Regulations set out in Part 5C of the Rules;
"Indirect Client"	means an indirect Client of a Clearing Member, being a Client of a Category 4 Member, where such Category 4 Member is a Client of the Clearing Member;
"Indirect Client Account"	means a segregated account maintained by a Clearing Member in respect of the Client business of a single Category 4 Member, such that it records positions only in respect of Client-Related Cleared Contracts that have been created pursuant to the registration of Client Contracts relating to one or more Clients of that Category 4 Member (such Clients being Indirect Clients of the Clearing

	Member);
"Initial Margin"	<p>(a) in relation to a Cleared Contract, the sum of money fixed by the Clearing House in consultation with the Exchange and in respect of which Members may be required to provide to the Clearing House cover in accordance with the Clearing House Rules;</p> <p>(b) in relation to a Client Contract, such sum as may be agreed between the parties provided that such sum is equal to or greater than the amount in (a) above;</p>
"Intellectual Property Rights"	<p>patents, trade marks, rights in logos, get-up, trade names, internet domain names, rights in designs, copyright (including rights in computer software) and moral rights, database rights, <u>rights of confidentiality</u>, semi-conductor topography rights, utility models, trade secrets, inventions, rights in know-how and other intellectual property or proprietary rights, in each case whether registered or unregistered and including applications for registration, and all rights or forms of protection having equivalent or similar effect to the foregoing which may now or in the future subsist in, apply to or are enforceable in, any jurisdiction in the world;</p>
"Invoicing Back"	the procedure so described in the Clearing House Rules;
"Last Declaration Day"	<p>(a) in relation to a Metal Option for a particular month, the first Wednesday in that month or, if that is not a Business Day, the next day which is a Business Day;</p> <p>(b) in relation to an Index Option for a particular month, up to 16.35 hours on the second Wednesday in that month or, if that is not a Business Day, the next day which is a Business Day;</p>
"Last Trading Day"	<p>(a) in relation to a Metal Option, the Business Day preceding the Last Declaration Day for that Option;</p> <p>(b) in relation to a Traded Average Price Option, the Business Day preceding the Declaration Day of the relevant month for that Traded Average Price Option;</p> <p>(c) in relation to an Index Option, the Last</p>

	Declaration Day for that Index Option;
	(d) in relation to an LMEmini Future, the Business Day which is two Business Days before the Prompt Date;
	(e) in relation to a Monthly Average Future, the last Business Day of the relevant tradeable month;
	(f) in relation to a Ferrous Future, the last Business Day of the relevant tradeable month;
	(g) in relation to a Premium Contract, the Business Day which is two Business Days before the Prompt Date; or
	(h) in relation to an LMEprecious Future, the Business Day which is one Business Day prior to the Prompt Date;
"LEI ROC"	the Legal Entity Identifier Regulatory Oversight Committee;
"Lending Rules"	paragraph 13.24 of Market Aberrations: The Way Forward, published by the Exchange in October 1998, setting out the behaviour required of the holders of dominant long positions in the Exchange's markets, including any clarification, revision or explanation of that behaviour issued by the Exchange from time to time;
"LME Base Contract"	a Contract that is not an LMEprecious Contract;
"LME Base Member"	a Category 1 Member, Category 2 Member, Category 3 Member, Category 4 Member, Category 5 Member or Category 6 Member;
"LME Base Service"	the availability of the facilities of the Exchange for the trading of LME Base Contracts;
"LME Data"	all data relating to trading on the Exchange, including, without limitation, data relating to Closing Prices, Contracts, Default Settlement Amounts, Default Settlement Prices, Indexes, Official Prices, Settlement Prices, Strike Prices, Unofficial Closing Prices, Warrants and Weightings;
"LME Holdings"	LME Holdings Limited, a company registered in England and Wales under company number

4081219, being the sole member of the Company;

"LME Information"

means any information or data (including LME Data) made available by the Exchange to Members, Member API Clients and/or Member API Sub-Clients via the API from the Exchange's systems;

"LMEmini Contract"

an LMEmini Future;

"LMEmini Future"

a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay or to receive in cash the difference between the Settlement Price of the underlying metal on the Prompt Date and the price of the underlying metal agreed in the Contract, multiplied by the Contract size, settled on the Prompt Date and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange;

"LMEmini Futures Closing Price"

the Closing Price of the relevant underlying Metal Future as determined in accordance with Regulation 6 of the Trading Regulations;

"LMEmini Last Trading Time"

the last trading time on the Last Trading Day for LMEmini Contracts as specified in the Special Contract Rules for LMEmini Contracts or as otherwise prescribed by the Exchange from time to time;

"LMEprecious Clearing Member"

an LMEprecious General Clearing Member or an LMEprecious Individual Clearing Member;

"LMEprecious Contract"

an LMEprecious Future and any other type of Exchange-traded derivative contract having Precious Metal as its underlying instrument, that the Exchange may specify from time to time;

"LMEprecious Daily Settlement Price"

the price determined for margining and daily settlement purposes of an LMEprecious Future as determined in accordance with Regulation 5.7 of the Trading Regulations;

"LMEprecious Final Settlement Price"

the price determined for final settlement purposes of an LMEprecious Future as determined in accordance with Regulation 5.7.5 of the Trading Regulations;

"LMEprecious Future"

a physically settling Exchange-traded futures contract pursuant to which the seller agrees to sell to the buyer one or more Lots of Precious Metal for delivery on a specified Prompt Date, and conforming with the other specifications prescribed

	by the Exchange;
"LMEprecious General Clearing Member"	<p>a Member that is:</p> <ul style="list-style-type: none"> (a) a member of the Clearing House; (b) authorised by the Directors to clear Cleared LMEprecious Futures; (c) authorised by the Directors to issue Client LMEprecious Futures; and (d) granted LMEprecious Membership, with the categorisation as an LMEprecious General Clearing Member;
"LMEprecious Individual Clearing Member"	<p>a Member that is:</p> <ul style="list-style-type: none"> (a) a member of the Clearing House; (b) authorised by the Directors to clear Cleared LMEprecious Futures; (c) not authorised by the Directors to issue Client LMEprecious Futures; and (d) granted LMEprecious Membership, with the categorisation as an LMEprecious Individual Clearing Member;
"LMEprecious Member"	an LMEprecious General Clearing Member, LMEprecious Individual Clearing Member or LMEprecious Non-Clearing Member;
"LMEprecious Non-Clearing Member"	<p>a Member that is:</p> <ul style="list-style-type: none"> (a) not authorised by the Directors to clear Cleared LMEprecious Futures; (b) authorised by the Directors to issue Client LMEprecious Futures; and (c) granted LMEprecious Membership, with the categorisation as an LMEprecious Non-Clearing Member;
"LMEprecious Regulations"	the regulations set out in Part 13 of the Rules;
"LMEprecious Service"	the availability of the facilities of the Exchange for the trading of LMEprecious Futures;

"LME Select"	a system provided by the Exchange to enable the anonymous electronic trading of Contracts by LME Select Participants in accordance with the Rules and any Administrative Procedures issued by the Exchange from time to time;
"LME Select API"	a FIX protocol application approved by the Exchange which enables LME Select Participants and their Clients to connect to LME Select for the purpose of facilitating the electronic trading of Contracts;
"LME Select Participant"	a Trading Member who is permitted to use LME Select;
"LMEsword"	the system for, inter alia, the electronic transfer of title to Warrants governed and constituted by the LMEsword Regulations;
"LMEsword Regulations"	the regulations governing the operation of LMEsword issued by the Exchange as amended from time to time in accordance with the terms thereof and forming Part 10 of the Rules;
"Lot"	<ul style="list-style-type: none"> (a) in relation to a metal (that is not covered by another type of Contract specified below), the standard unit of quantity thereof, specified in the Special Contract Rules for that metal, by reference to which settlement is to be made; or (b) in relation to the Index, the standard value per point movement for that Index, specified in the Special Contract Rules for the Construction of the Index, by reference to which settlement is made; or (c) in relation to an LMEmini Contract, the standard unit of quantity thereof, specified in the Special Contract Rules for LMEmini Contracts, by reference to which settlement is made; or (d) in relation to a Monthly Average Future, the standard unit of quantity thereof, specified in the Monthly Average Future Regulations, by reference to which settlement is made; or (e) in relation to a Ferrous Future, the standard unit of quantity thereof, specified in the Special Contract Rules for Ferrous Futures by reference to which settlement is made;

	<p>(f) in relation to a Premium Contract, the standard unit of quantity thereof, specified in the Premium Contract Regulations, by reference to which settlement is made; or</p> <p>(g) in relation to an LMEprecious Future, the standard unit of quantity of Precious Metal specified in the LMEprecious Regulations, by reference to which settlement is to be made;</p>
"LPMCL"	London Precious Metals Clearing Limited, a company registered in England and Wales under company number 04195299;
"Major Currency"	in respect of a metal, the currency in which the Settlement Price and Closing Price are to be determined;
"Market Making Strategy"	a strategy performed by a Member or Client, when Dealing On Own Account, that involves posting Firm Quotes that are simultaneous two-way quotes of comparable size and at competitive prices relating to one or more Contracts, with the result of providing liquidity on a regular and frequent basis to the overall market;
"Matching Period"	a period prescribed pursuant to Regulation 3.4 of the Trading Regulations;
<u>"Matching Rules"</u>	<u>means the LME's matching rules governing the use of the Matching System as published by the LME, by Notice from time to time;</u>
"Matching System"	the system operated by or on behalf of the Exchange for the matching and confirmation of Contracts, or such other system as may from time to time be adopted by the Exchange for such purposes;
"Member"	an Undertaking or individual admitted to Membership of the Exchange in accordance with the Rules;
<u>"Member API Client"</u>	<u>means any Client or Affiliate of a Member to which the Member provides access to LME Information via the LME Select API;</u>
<u>"Member API Sub-Clients"</u>	<u>means any Client or Affiliate of a Member LME Select API Client;</u>
"Membership"	(a) the state of being a Member;

	<p>(b) having the status of a Member; and/or</p> <p>(c) the total body of Members,</p> <p>as the context of the Rules requires.</p>
"Membership Regulations"	the Regulations set out in Part 2 of the Rules;
"Metal Contract"	a Metal Future or Metal Option;
"Metal Future"	an Exchange-traded futures contract pursuant to which the seller agrees to sell to the buyer one or more Lots of metal for delivery on a specified Prompt Date (excluding any Ferrous Future, Premium Contract or LMEprecious Contract);
"Metal Option"	an Exchange-traded option contract pursuant to which the Granter grants to the Taker the right to buy from or sell to the Granter a Lot of a specified metal at a specified Strike Price in a specified month;
"Metal Options Regulations"	the Regulations set out in Part 5A of the Rules;
"MiFID"	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments, as from time to time amended;
"MiFID II"	<p>the package of legislative measures comprising</p> <p>(a) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments;</p> <p>(b) Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending EMIR; and</p> <p>(c) any delegated regulations made by the European Commission thereunder,</p> <p>as from time to time amended;</p>
"Monthly Average Future"	a cash-settled Exchange-traded contract pursuant to which the buyer and seller agree to pay or to receive in cash the difference between (i) the Monthly Average Settlement Price for a specified metal and for a specified tradeable month and (ii) the fixed price agreed between the buyer and the seller in the Contract, multiplied by the Contract size, settled on the Prompt Date and subject to daily marking to market in accordance with the Clearing

	House Rules and conforming to the other specifications prescribed by the Exchange;
"Monthly Average Future Regulations"	the Regulations set out in Part 11 of the Rules;
"Monthly Average Settlement Price"	<p>(a) in relation to an Average Price Call Option, the price at which the Taker will sell to the Granter if the Traded Average Price Option is declared;</p> <p>(b) in relation to an Average Price Put Option, the price at which the Taker will buy from the Granter if the Traded Average Price Option is declared;</p> <p>(c) in relation to a Monthly Average Future for a particular tradeable month, the aggregate of the Settlement Prices for the relevant metal for every Business Day in the relevant tradeable month divided by the number of Business Days for that month and which is calculated and published by the Exchange; and</p> <p>(d) in relation to a Traded Average Price Option for a particular month, the aggregate of the Settlement Prices for the relevant metal for every Business Day in the relevant tradeable month divided by the number of Business Days for that month and which is calculated and published by the Exchange.</p>
"Moving Monthly Average Settlement Price"	in relation to a Traded Average Price Option or a Monthly Average Future for a particular month, the aggregate of the Settlement Prices for the relevant metal for every Business Day to date in the relevant tradeable month divided by the number of Business Days to date for that month and which is calculated and published by the Exchange;
"Non-Display Usage"	<u>means any use of LME Information in electronic trading systems for the purpose of generating orders or executing transactions in an automated and/or semi-automated manner without the display of the original LME Data, including, for example, the use of LME Data for algorithmic trading, program trading or the automatic monitoring of trading activities;</u>
"Non-LME Platform Contract"	<u>means any contract or product that is traded on, executed on, or otherwise arranged or agreed via a</u>

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<u>"Non-LME Multi Dealer Trading System"</u>	<p><u>Non-LME Multi Dealer Trading System;</u></p> <p><u>means:</u></p> <p><u>(a) an exchange or other trading venue which is not operated by the Exchange or its Affiliates;</u> <u>or</u></p> <p><u>(b) any other system, granting access to more than one trading party, to facilitate the arrangement and/or execution of bilateral contracts between such parties, outside the trading venue or systems operated by the Exchange or its Affiliates,</u></p> <p><u>but shall not include a Single Dealer to Client Platform;</u></p>
▲ "Notice"	an Administrative Procedure;
"Notice to Arbitrate"	a notice served by the Claimant pursuant to Regulation 2.1 of Part 8 of the Rules;
▲ "Notional Average Price" ▲	<p>in relation to each metal for a particular month, the aggregate of the Settlement Prices for Cash and, where no Settlement Prices for Cash have been established, the Closing Prices established by the Exchange for each Business Day in a month, divided by the number of Business Days in that month. Where a Business Day in a month is not a valid Prompt Date the Exchange will use a linear interpolation to derive a price for that Business Day.</p>
"Official Prices"	the prices determined in accordance with Regulation 5 of the Trading Regulations;
"Opening Hours"	means the hours on each Business Day during which the Matching System is open and able to receive information regarding Agreed Trades, as specified by the Exchange by Administrative Procedures from time to time;
"Operating Procedures"	the manual issued by the Exchange pursuant to the LMEsword Regulations setting out detailed procedures and information relating to the operation of LMEsword;
"Option Contract"	a Metal Option or an Index Option;
"Overseas Undertaking"	an undertaking which is a body corporate incorporated outside of the United Kingdom or if not itself a body corporate, its principal or

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	managing member is a body corporate incorporated outside of the United Kingdom;
"Panel"	the Arbitration Panel of the Company;
"Panel Committee"	a committee appointed by the Directors to oversee the conduct of arbitrations pursuant to the Arbitration Regulations, and in particular to perform the functions and powers referred to in the Arbitration Regulations;
"Parent Undertaking"	the same meaning as set out in section 1162 of the Companies Act 2006;
"Position Limits"	the position limits applied by the Exchange on any Contract or Contracts from time to time in accordance with requirements specified by the Exchange by Notice sent to the Members;
"Position Netting"	<p>means the netting of multiple Contracts between the same two parties to a smaller number of Contracts (which may take effect through the netting of long and short positions or the aggregation of long positions and short positions respectively) and/or the close out by netting of multiple Contracts, (in each case) in accordance with such process as may be specified in the Clearing House Rules, and which may occur, as the context requires:</p> <ul style="list-style-type: none"> (a) "at the Clearing House", in relation to Cleared Contracts, subject to and in accordance with the Clearing House Rules; and (b) "under the Exchange Rules", in relation to Underlying Client Contracts that relate to such Cleared Contracts, subject to and in accordance with Regulation 9.7.7 of the Trading Regulations;
"Post-Compression Cleared Contract"	a Cleared Contract that comes into effect between the Clearing House and a Clearing Member upon Compression at the Clearing House, which represents the positions under pre-Compressed Cleared Contracts, as compressed by the Clearing House in accordance with the Clearing House Rules;
"Post-Compression Client Contract"	a Client Contract that comes into effect upon Compression under the Exchange Rules, in accordance with Regulation 14 of the Contract

	Regulations, which shall replace the Client Contracts that were subject to such Compression and which shall come into effect between the same parties as were parties to such original Client Contracts;
"Precious Metal"	Gold or Silver;
"Precious Metal Clearer"	a member of LPMCL (or any successor company or association) that is an "Approved Delivery Facility" for the purposes of the Clearing House Rules;
"Precious Metal Clearing System"	the system operated by LPMCL (or any successor company or association), or any successor system, for the electronic settlement of unallocated Precious Metal between Precious Metal Clearers);
"Pre-Execution Checks"	the checks applied to an Agreed Trade within the systems of the Exchange and the Clearing House prior to confirmation that the Agreed Trade may be Executed, as specified in Regulation 2.8 2.8 of the Trading Regulations;
"Premium Contract"	an Exchange-traded futures contract having the features described in the Premium Contract Regulations;
"Premium Contract Closing Price"	the Closing Price for each Premium Contract;
"Premium Contract Last Trading Time"	the last trading time on the Last Trading Day for Premium Contracts as specified in the Premium Contract Regulations or as otherwise prescribed by the Exchange from time to time;
"Premium Contract Price"	the cash consideration payable under a Premium Contract, as agreed at the time of formation of the Premium Contract;
"Premium Contract Regulations"	the Regulations set out in Part 12 of the Rules;
"Premium Warrant"	a Warrant issued by a Qualifying Premium Warrant Warehouse;
"Premium Warrant Jurisdiction"	a geographical jurisdiction specified as such in the Premium Contract Regulations;
<u>"Product Specifications"</u>	<u>means the specifications, features and/or terms of any Contract listed for trading on the Exchange, as described in the Rules and Administrative Procedures;</u>
"Prompt Date"	(a) in relation to a Metal Future, LMEmini

	<p>Future, Premium Contract or a Monthly Average Future, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations, the Contract is to be settled;</p> <p>(b) in relation to an Index Contract, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations, the Settlement Price of the Index is determined, with settlement of the Contract on the next Settlement Business Day;</p> <p>(c) in relation to a Ferrous Future, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations, the Ferrous Final Settlement Price is determined, with settlement of the Contract on the next Settlement Business Day; or</p> <p>(d) in relation to an LMEprecious Future, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations and the LMEprecious Regulations, the Contract is to be settled;</p>
"Put Option"	an Option Contract pursuant to which the Granter gives the Taker the right to sell to the Granter or in the case of an Index Option, the notional right to sell to be cash settled;
"Qualifying Premium Warrant Warehouse"	a listed warehouse for the storage of metal which satisfies the criteria specified by the Exchange from time to time and which is located in a Premium Warrant Jurisdiction;
"Quotations Committee"	a committee authorised by the Directors to be responsible for determining Closing Prices and Settlement Prices;
"RAO"	means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), as amended from time to time and any successor legislation thereto;
"Regulator"	in relation to any person, any regulatory body that has responsibility for regulating the conduct of that person's business and/or which has the power to impose regulatory requirements upon a person's business (and including, where applicable, the FCA or ESMA);

"Relevant Daily Settlement Price"	has the meaning set out in Regulation 9.7.4 of the Trading Regulations;
"Relevant Office Holder"	has the meaning attributed thereto by section 189 of the Companies Act 1989;
"Respondent"	the person receiving a Notice to Arbitrate served by the Claimant;
"Ring"	an Exchange open-outcry trading session in a type of Contract, of such duration and at such times as are laid down by the Directors, or the ring area of the Exchange as the context requires;
"Ring Committee"	a committee appointed by the Directors to oversee trading in the Ring;
"Ring Disciplinary Committee"	a committee appointed by the Directors to enforce discipline on the premises of the Exchange;
"Ring Discipline Supervisory Panel"	Directors appointed by the Directors to enforce discipline on the premises of the Exchange;
"Rules"	means these rules and regulations as the same may be amended in accordance with the Articles;
"Secretary"	any person appointed to perform the duties of Secretary of the Company, and for the purpose only of Part 8 of the Rules, any person to whom the functions and powers of the Secretary referred to therein may be delegated from time to time;
"Settlement Business Day"	a Business Day on which commercial banks are open in New York City for the settlement of international transactions in US dollars;
"Settlement Price"	the Cash offered price or other settlement price determined: <ul style="list-style-type: none"> (a) by the Quotations Committee in accordance with Regulation 5.1.1 of the Trading Regulations and in the circumstances specified in Regulation 5.3 of the Trading Regulations (in respect of Metal Contracts), or Regulation 5.6 of the Trading Regulations (in respect of Index Contracts); or (b) in accordance with Regulation 5.7 of the Trading Regulations (in respect of Ferrous Futures); or (c) in accordance with Regulation 5.1.2 of the

	Trading Regulations (in respect of Premium Contracts); or
	(d) in accordance with Regulation 5.7 of the Trading Regulations (in respect of Ferrous Futures and LMEprecious Futures); or
	(e) in accordance with Regulation 5.8 of the Trading Regulations (in respect of Metal Options, Traded Average Price Options and Index Options); or
	(f) by the Clearing House in accordance with Regulation 15 of the Trading Regulations;
"Silver"	Loco London Fine Silver held in London and complying with standards relating to good delivery and fineness acceptable to the Precious Metal Clearer of the Clearing House for the purpose of effecting settlement with the Clearing House, as such standards are in effect from time to time;
<u>"Single Dealer to Client Platform"</u>	<u>means any system operated by a Member for the purpose of arranging bilateral contracts between: (i) such Member; and (ii) its customers by means of either a "Request For Quote" or continual price streaming from the Member to customers, but not including a system operating an order book where one customer may trade against another customer's price or order;</u>
"Special Committee"	the Committee to whom the Directors have delegated the emergency powers under Regulation 17 of Part 3 as permitted by the Articles;
"Special Contract Rules for Ferrous Futures"	the Regulations set out in Part 6C of the Rules;
"Special Contract Rules for LMEmini Contracts"	the Regulations set out in Part 6B of the Rules;
"Special Contract Rules for Metals"	the Regulations set out in Part 6 of the Rules;
"Special Contract Rules for the Construction of the Index"	the Regulations set out in Part 6A of the Rules;
"Standard Warrant"	a Warrant that is not a Premium Warrant;
"Strike Price"	(a) in relation to a Call Option which is a Metal Option, the price at which the Taker will buy from the Granter if the Option is declared;
	(b) in relation to a Put Option which is a Metal

	Option, the price at which the Taker will sell to the Granter if the Option is declared;
	(c) in relation to an Average Price Call Option, the price at which the Taker will buy from the Granter if the Traded Average Price Option is declared;
	(d) in relation to an Average Price Put Option, the price at which the Taker will sell to the Granter if the Traded Average Price Option is declared;
	(e) in relation to an Option Contract which is an Index Option, the agreed level of the Index which shall be compared with the Settlement Price of the Index on the Prompt Date to determine the amount payable to the Taker (if any);
"Subsidiary Undertaking"	the same meaning as set out in section 1162 of the Companies Act 2006;
"Taker"	the buyer of a Traded Option;
<u>"Terminal"</u>	<u>means a terminal through which a Member API Client and/or Member API Sub-Client has access to LME Information from a Member via an API; and</u>
<u>"Trade Mark"</u>	<u>means any trade mark (i) belonging to or used by the Company from time to time; or (ii) that the Company may register or apply to register from time to time;</u>
"Traded Average Price Option"	an Exchange-traded option contract pursuant to which the Granter grants to the Taker the right to buy from the Granter a Lot of a specified metal at a specified Strike Price in a specified month and to sell to the Granter a Lot of a specified metal at the Monthly Average Settlement Price in that same specified month, or vice versa, the declaration of which will take place automatically if the Monthly Average Settlement Price is, in the case of an Average Price Call Option, greater than the Strike Price or, in the case of an Average Price Put Option, less than the Strike Price for the relevant tradeable month;
"Traded Option"	an Option Contract or a Traded Average Price Option;
"Traded Options Committee"	the committee appointed by the Directors for the purpose of administering trading in Traded

	Options;
"Traded Options Regulations"	the Regulations set out in Part 5 of the Rules in relation to Metal Options, Traded Average Price Options and Index Options;
"Trading-Only Member"	a Trading Member that is not a Clearing Member;
"Trading Member"	a Member permitted to trade in Contracts, being: <ul style="list-style-type: none"> (a) in respect of the LME Base Service, a Category 1, 2, 3 or 4 Member; or (b) in respect of the LMEprecious Service, any LMEprecious Member;
"Trading Regulations"	the regulations set out in Part 3 of the Rules;
"Tribunal"	the tribunal of one, two or three arbitrators appointed in accordance with Regulation 3 of Part 8 of the Rules;
"Unallocated Precious Metal Account"	an account maintained with a Precious Metal Clearer for the settlement of unallocated Precious Metal through the Precious Metal Clearing System;
"Undertaking"	the same meaning as set out in section 1161 of the Companies Act 2006;
"Underlying Client Contract"	means: <ul style="list-style-type: none"> (a) the Client Contract that has resulted from the Execution of an Agreed Trade and that, upon such Execution, resulted in the formation of a Client-Related Cleared Contract pursuant to the Clearing House Rules; and (b) any Post-Compression Client Contract that may arise upon Compression under the Exchange Rules of any Underlying Client Contract, <p>and any reference to "the Underlying Client Contract" in the context of any reference to a Cleared Contract means the Underlying Client Contract that, upon Execution, resulted in the formation of such Cleared Contract, or any Post-Compression Client Contract relating to such Cleared Contract;</p>
"Unofficial Closing Price"	a price determined by the Quotations Committee in accordance with Regulation 5.5 of the Trading Regulations;

"Unsettled Contract"	a Contract in respect of which the obligations of the parties have not been discharged whether by performance, set-off or otherwise;
<u>"User"</u>	<u>means a user at a Member API Client and/or Member API Sub-Client who has access to LME Information from a Member via a graphical user interface (GUI).</u>
"Variation Margin"	<p>(a) in relation to a Cleared Contract, the sum of money determined by the Clearing House under the Clearing House Rules;</p> <p>(b) in relation to a Client Contract, the sum of money determined by the relevant Category 1 or Category 2 Member or LMEprecious Clearing Member (or, where no such Member is a party, by the relevant Category 4 Member or LMEprecious Non-Clearing Member) representing the amount of variation margin called by the Clearing House in respect of the Client-Related Cleared Contract that corresponds to such Client Contract or such larger sum as may be agreed between the parties;</p>
"Warrant"	a warehouse warrant for the storage of metal, issued by a listed warehouse and in a form approved by the Exchange;
"Weighting"	the factor determined by the Exchange from time to time which, when multiplied by the Settlement Price of a Constituent Metal, determines the contribution to the Index of that Constituent Metal;
"Working Day"	any weekday, Monday to Friday inclusive, which is not a public holiday in England and Wales.

- 1.2 In Part 8 and Part 10 of these Rules, the additional definitions set out therein shall apply for the purpose of construing the relevant words and expression in those Parts.
- 1.3 Words importing the singular shall, where the context permits, include the plural and vice versa. Words importing gender shall include each gender. Words importing persons shall, where the context permits or requires, include partnerships and corporations.
- 1.4 Where reference is made to a Regulation in any Part of the Rules it shall be deemed to be a reference to a Regulation in that Part unless the context otherwise requires.
- 1.5 Where reference is made in these Rules to the "direction" of a Contract, such term shall be construed as follows:

- (a) multiple Contracts have the "same direction" where, under each such Contract (i) the same party is the buyer; and (ii) the same party is the seller; and
 - (b) multiple Contracts have the "opposite direction" where the buyer under one Contract is the seller under the other Contract.
- 1.6 Any reference in the Rules or in any Administrative Procedure issued pursuant to the Rules to any European Union Regulation or Directive or any EU-level rules or legislation made pursuant to any such Regulation or Directive shall be construed to include any national law or regulation made in the United Kingdom that replaces or supersedes such Regulation, Directive, rule or legislation. For the avoidance of doubt, this rule of interpretation shall apply to the definitions of the Capital Requirements Regulation, EMIR and MiFID II.
- 2. **GENERAL**
- 2.1 The Rules are made and subject as provided by law may be altered by the Directors in accordance with the powers conferred on them by the Articles.
- 2.2 Administrative Procedures may be issued by (a) the Chief Executive, or those empowered by him for this purpose, in relation to commercial matters, and (b) by the Head of Market Operations, or those empowered by him for this purpose, in relation to regulatory and compliance matters, and shall have the same force as Rules.
- 2.3 Where any Administrative Procedure refers to any Rule then:
 - (a) where such Rule has been amended subsequent to the issuance of such Administrative Procedure, the Administrative Procedure shall, to the extent possible, be construed in a manner consistent with the amended Rule (so that, by way of example, where a specific Rule referred to in an Administrative Procedure is later numbered differently, or contained in a different section or Part of the Rulebook, or has been updated, the Administrative Procedure shall be deemed to refer to the current Rule); and
 - (b) where the effect of the amendment of such Rule is to render any aspect of an Administrative Procedure to be redundant or manifestly inconsistent with the Rule, such aspects of the Administrative Procedure shall be deemed to have been repealed to the extent of such redundancy or manifest inconsistency, subject that (a) or (b) shall not apply where and to the extent that the Exchange amends, replaces or repeals any Administrative Procedure in order to address any inconsistency between the Rules and the Administrative Procedure.
- 2.4 Administrative Procedures shall be sent to such class or classes of Member to whom they apply.
- 2.5 The Rules and Administrative Procedures shall be binding on all Members. Failure to comply with any of them or with any decision of the Directors or direction of the Exchange made pursuant to them shall constitute a breach of the Rules for the purposes of disciplinary procedures.
- 2.6 The Directors or the Head of Market Operations may grant to a Member a waiver of particular requirements of these Rules in such circumstances and subject to such conditions as either think fit, provided that the Directors or the Head of Market Operations are satisfied that compliance with the relevant requirements would be unduly burdensome to

the Member and that the waiver would not create unacceptable risks for the Exchange, or the market generally, and would not result in unreasonable or inequitable discrimination between Members. Waivers granted by the Head of Market Operations shall be subsequently notified to the next meeting of the Directors.

2.7 Unless otherwise stated, all times in the Rules refer to London time.

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PART 2
MEMBERSHIP, ENFORCEMENT AND DISCIPLINE

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19 <u>21 Confidentiality</u>	2-29 <u>31</u>

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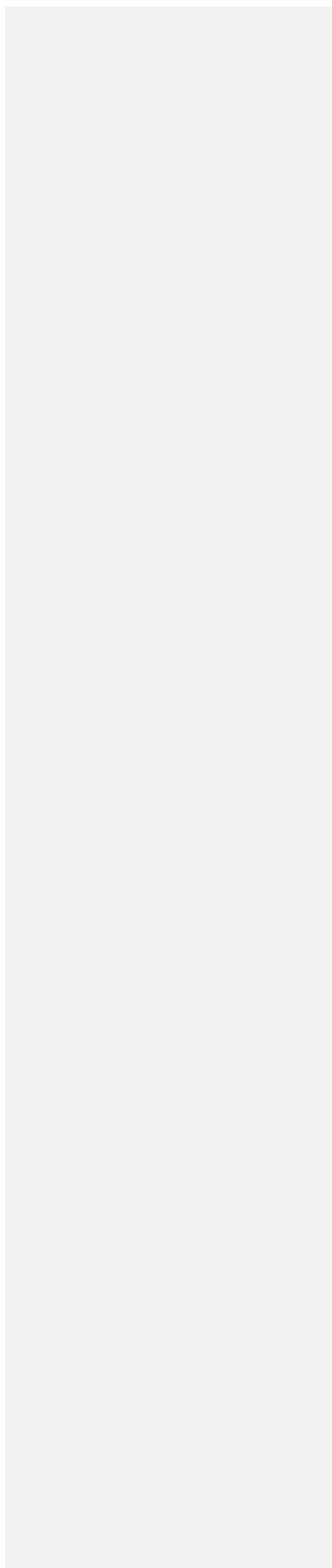
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PART 2: MEMBERSHIP, ENFORCEMENT AND DISCIPLINE

1. ADMISSION TO MEMBERSHIP

- 1.1 The Directors may grant admission to Membership in accordance with these Rules.
- 1.2 The requirements set out in Regulation 2 of these Membership Regulations shall apply to Candidates applying to participate in the LME Base Service.
- 1.3 The requirements set out in Regulation 3 of these Membership Regulations shall apply to Candidates applying to participate in the LMEprecious Service.
- 1.4 The requirements set out in Regulation 4 onwards within these Membership Regulations shall apply in respect of all Candidates or Members, regardless of the service in which they are applying to participate, or already participate, save to the extent that any Regulation specifies that it is limited to any particular category of Membership or any particular service.

2. MEMBERSHIP OF THE LME BASE SERVICE

2.1 Eligibility for Membership

- 2.1.1 The Membership categories described in this Regulation 2 apply to the LME Base Service.
- 2.1.2 To be eligible for Membership of the LME Base Service, a Candidate must satisfy the eligibility criteria set out below for the class or category of Membership for which he is applying.

2.2 Category 1 Membership:

A Candidate for Category 1 Membership must satisfy the Directors:-

- (a) that it is:
 - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
 - (2) an Overseas Undertaking;
- (b) that it satisfies the requirements for Category 1 Members set out in Regulation 7 of these Membership Regulations;
- (c) that it is capitalised at or above the level for the time being prescribed by the Directors;
- (d) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for Ring Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (e) that the persons to be responsible for trading on its behalf in the Ring have sufficient and relevant experience and qualifications to become Authorised Dealers; in considering experience the Directors may take into account indications given by a Candidate as to the level and type of trading it intends to conduct in the Ring;

- (f) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for Category 1 Membership;
- (g) that it is a member of the Clearing House or will, subject to election as a Category 1 Member, become a member of the Clearing House authorised to clear Cleared Contracts;
- (h) that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants;
- (i) that it becomes an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations; and
- (j) that it satisfies any and all other criteria for Category 1 Membership, and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

2.3 **Category 2 Membership:**

2.3.1 A Candidate for Category 2 Membership must satisfy the Directors:-

- (a) that it is:
 - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
 - (2) an Overseas Undertaking;
- (b) that it satisfies the requirements for Category 2 Members set out in Regulation 7 of these Membership Regulations;
- (c) that it is capitalised at or above the level for the time being prescribed by the Directors;
- (d) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for Category 2 Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for Category 2 Membership;
- (f) that it is a member of the Clearing House or will, subject to election as a Category 2 Member, become a member of the Clearing House authorised to clear Cleared Contracts;
- (g) that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants;
- (h) that it becomes an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations; and
- (i) that it satisfies any and all other criteria for Category 2 Membership, and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

2.4 **Category 3 Membership:**

2.4.1 A Candidate for Category 3 Membership must satisfy the Directors:-

- (a) that it is:
 - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
 - (2) an Overseas Undertaking;
- (b) that it satisfies the requirements for Category 3 Members set out in Regulation 7 of these Membership Regulations;
- (c) that it is capitalised at or above the level for the time being prescribed by the Directors;
- (d) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for Category 3 Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for Category 3 Membership;
- (f) that it is a member of the Clearing House or will, subject to election as a Category 3 Member, become a member of the Clearing House authorised to clear Cleared Contracts;
- (g) that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants;
- (h) that it becomes an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations; and
- (i) that it satisfies any and all other criteria for Category 3 Membership, and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

2.5 **Category 4 Membership:**

2.5.1 A Candidate for Category 4 Membership must satisfy the Directors:-

- (a) that it is:
 - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
 - (2) an Overseas Undertaking;
- (b) that it satisfies the requirements for Category 4 Members set out in Regulation 7 of these Membership Regulations;
- (c) that it enjoys a financial business standing which, in the opinion of the Directors, is suitable for Category 4 Membership; in considering financial and business standing

the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;

- (d) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for Category 4 Membership; and
- (e) that it satisfies any and all other criteria for Category 4 Membership and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

2.5.2 A Category 4 Member may, if it is eligible in accordance with Regulation 2.4 of the LMEsword Regulations, apply to become an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations. Any such Category 4 Member that applies to become an Account Holder must also satisfy the Directors that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants.

2.6 **Category 5 Membership:**

2.6.1 A Candidate for Category 5 Membership must satisfy the Directors:-

- (a) that it is:
 - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
 - (2) an Overseas Undertaking;
- (b) that it enjoys a financial business standing which, in the opinion of the Directors, is suitable for Category 5 Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives; and
- (c) that it satisfies any and all other criteria for Category 5 Membership and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

2.6.2 A Category 5 Member need not hold shares in LME Holdings.

2.6.3 A Category 5 Member may, if it is eligible in accordance with Regulation 2.4 of the LMEsword Regulations, apply to become an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations. Any such Category 5 Member that applies to become an Account Holder must also satisfy the Directors that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants.

2.7 **Category 6 Membership:**

A Candidate for Category 6 Membership:-

- (a) may not, unless the Directors in the circumstances of any particular application decide otherwise, be a director or employee of (a) an Undertaking which either is a Member or, although not a Member, would be eligible to become a Member nor
- (b) a Subsidiary Undertaking or Parent Undertaking of any such Undertaking; and

- (b) must satisfy the criteria for Category 6 Membership which the Directors may from time to time prescribe.

2.8 Category 7 Membership:

Category 7 Membership may be conferred on individuals at the discretion of the Directors.

3. MEMBERSHIP OF THE LMEPRECIOUS SERVICE

3.1 Eligibility for Membership

3.1.1 The Membership categories described in this Regulation 3 apply to the LMEprecious Service.

3.1.2 To be eligible for Membership of the LMEprecious Service, and to become an LMEprecious Member, a Candidate must satisfy the eligibility criteria set out below for the class or category of Membership for which he is applying.

3.1.3 For the avoidance of doubt, the requirements for certain LMEprecious Members to hold B Shares is not cumulative with the requirements for certain LME Base Members to hold B Shares (and *vice versa*). For example: if the Directors have prescribed that a Category 1 Member is required to hold 25,000 B Shares and that an LMEprecious General Clearing Member is required to hold 10,000 B Shares, a Candidate seeking to become both a Category 1 Member and an LMEprecious General Clearing Member would be required to hold 25,000 B Shares in total (not 35,000 B Shares).

3.2 LMEprecious General Clearing Member:

A Candidate for LMEprecious General Clearing Membership must satisfy the Directors:

- (a) that it is a member of the Clearing House, or will, subject to election as an LMEprecious General Clearing Member, become a member of the Clearing House with permission to clear LMEprecious Futures; and
- (b) that it has established one or more Unallocated Precious Metal Accounts of the appropriate type, at a Precious Metal Clearer, to enable the LMEprecious General Clearing Member to make and receive deliveries of unallocated Precious Metal, through the Precious Metal Clearing System, in settlement of LMEprecious Futures; and
- (c) that it is a Member of the LME for the LME Base Service having a Category 1 or 2 Membership; or
- (d) if (c) does not apply:
 - (i) that it is:
 - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
 - (2) an Overseas Undertaking;

- (ii) that it satisfies the requirements for LMEprecious General Clearing Members set out in Regulation 7 of these Membership Regulations;
- (iii) that it is capitalised at or above the level for the time being prescribed by the Directors; and
- (iv) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for LMEprecious General Clearing Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for LMEprecious General Clearing Membership; and
- (f) that it has met any additional criteria for use of the LMEprecious Service and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

3.3 **LMEprecious Individual Clearing Member:**

A Candidate for LMEprecious Individual Clearing Membership must satisfy the Directors:

- (a) that it is a member of the Clearing House, or will, subject to election as an LMEprecious Individual Clearing Member, become a member of the Clearing House with permission to clear LMEprecious Futures; and
- (b) that it has established one or more Unallocated Precious Metal Accounts of the appropriate type, at a Precious Metal Clearer, to enable the LMEprecious Individual Clearing Member to make and receive deliveries of unallocated Precious Metal, through the Precious Metal Clearing System, in settlement of LMEprecious Futures; and
- (c) that it is a Member of the LME for the LME Base Service having a Category 1, 2 or 3 Membership; or
- (d) if (c) does not apply:
 - (i) that it is:
 - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
 - (2) an Overseas Undertaking;
 - (ii) that it satisfies the requirements for LMEprecious Individual Clearing Members set out in Regulation 7 of these Membership Regulations;
 - (iii) that it is capitalised at or above the level for the time being prescribed by the Directors; and

- (iv) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for LMEprecious Individual Clearing Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for LMEprecious Individual Clearing Membership; and
- (f) that it has met any additional criteria for use of the LMEprecious Service and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

3.4 **LMEprecious Non-Clearing Member:**

3.4.1 A Candidate for LMEprecious Non-Clearing Membership must satisfy the Directors:

- (a) that it has appointed one or more LMEprecious General Clearing Members to clear Agreed Trades in LMEprecious Futures effected by such LMEprecious Non-Clearing Member;
- (b) that it is a Member of the LME for the LME Base Service having a Category 1, 2 or 4 Membership; or
- (c) if (b) does not apply:
 - (i) that it is:
 - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
 - (2) an Overseas Undertaking;
 - (ii) that it satisfies the requirements for LMEprecious Non-Clearing Members set out in Regulation 7 of these Membership Regulations; and
 - (iii) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for LMEprecious Non-Clearing Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (d) that it has met any additional criteria for use of the LMEprecious Service and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

3.4.2 An LMEprecious Non-Clearing Member must have at all times one or more LMEprecious General Clearing Members appointed to clear Agreed Trades in LMEprecious Futures effected by such LMEprecious Non-Clearing Member.

3.4.3 For the avoidance of doubt, an LMEprecious Non-Clearing Member shall not be required to use to clear LMEprecious Futures the same Clearing Member that it uses to clear Contracts subject to the LME Base Service.

3.4.4 An LMEprecious Non-Clearing Member must at all times maintain appropriate arrangements to enable the settlement of any LMEprecious Contract to which it is party. For the avoidance of doubt, such arrangements may include the maintenance of settlement and custody accounts for Precious Metals with: (a) an LMEprecious General Clearing Member; or (b) a Precious Metal Clearer; or (c) a custodian having an account for the settlement of unallocated Precious Metals.

4. COMMON ELIGIBILITY CRITERIA

4.1 Share Capital

4.1.1 The amount prescribed by the Directors, from time to time, as the minimum Net Worth Requirement for each category of Membership shall be met by permanent capital plus additional capital less disallowables.

4.1.2 Permanent capital shall be issued and fully paid ordinary shares, issued and fully paid preference shares, share premium and other reserves not available for distribution. A deficit in reserves available for distribution will be deducted when calculating permanent capital.

4.1.3 Additional capital shall be other equity reserves (distributable or otherwise) profit and loss reserves and subordinated loans.

4.1.4 Disallowable items are intangible fixed assets such as goodwill, development costs etc., investments in subsidiaries and/or other group companies, shares in the Clearing House and the value of exchange Memberships.

4.2 Overseas Undertakings

(a) A Candidate that is an Overseas Undertaking may not be admitted to Membership in the event that the Exchange does not have any necessary licences, authorisations or regulatory permissions to enable the Exchange to lawfully provide investment exchange services to a person having the same characteristics as the Candidate from that Candidate's (or, where applicable, its principal or managing member's) place of incorporation or any other relevant jurisdiction.

(b) A Candidate that is an Overseas Undertaking may not be admitted to Membership in the event that the jurisdiction of the Candidate's place of incorporation or other relevant jurisdiction is not satisfactory to the Exchange, on the grounds of legal or regulatory risk relating to that jurisdiction.

4.3 AML Procedures

A Candidate must have appropriate anti-money laundering and financial crime systems, controls and procedures, the adequacy of which must be satisfactory to address the risk that the facilities of the Exchange may be used for any improper purpose and to address any applicable legal or regulatory requirements. The Exchange reserves the right to request from any Candidate or Member from time to time (a) details of such systems, controls and procedures and/or (b) a reasoned legal opinion from a reputable law firm that such systems,

controls and procedures are appropriate to address any applicable legal or regulatory requirements, in such format and addressing such concerns as the Exchange may specify.

4.4 Discretion to Refuse Application on Grounds of Compliance or Risk

The Directors shall be permitted to refuse any application for Membership by a Candidate that satisfies the criteria set out above where the Directors have reasonable grounds for considering that:

- (a) the Candidate is unlikely to be capable of complying with its obligations as a Member under these Rules or any Administrative Procedures; or
- (b) the Candidate is subject to any legal or regulatory requirement or restriction that may prevent the Candidate from complying fully with any obligation it may have as a Member under these Rules or any Administrative Procedure; or
- (c) the admission of the Candidate as a Member would be likely to expose other Members and/or the Exchange and/or the Clearing House to a materially increased level of risk than is generally presented by other Members having the same category of Membership for which the Candidate is applying.

5. APPLICATIONS FOR MEMBERSHIP

- 5.1 An application for Membership of the Exchange shall be made in the form prescribed from time to time by the Directors, obtainable upon application to the Secretary. Each application must be accompanied by such admission fee as may be prescribed by the Directors. Where required under Regulation 7.5, such application shall include a legal opinion that satisfies the requirements of that Regulation.
- 5.2 The Directors may require from the Candidate such information, and may institute such investigations to verify information submitted by the Candidate, as they deem necessary. The Directors may require the Candidate, or one or more representatives of the Candidate, to attend for interview by the Directors or by a committee of the Directors.
- 5.3 Notice of each application for Membership shall be sent to Members promptly following the date when the application is first considered by the Directors. Within a ten Business Day period thereafter, any Member who objects to the Candidate becoming a Member of the Exchange shall be entitled to submit a written objection for consideration by the Directors. The Directors may take such objections into consideration before confirming their decision whether to admit the Candidate. In the absence of any objections beyond the ten Business Day period, the Directors shall promptly notify the Candidate in writing of their decision to admit the Candidate to the Membership and an approval Notice will be sent to Members.
- 5.4 When the Exchange determines that a Candidate is operationally ready to commence trading on the Exchange, the Directors shall confirm such status by means of a Notice sent to Members, including the designated mnemonic for the Candidate for the purposes of the Matching System.
- 5.5 Upon admission a Member shall pay the Subscription applicable to his class or category of Membership.
- 5.6 An official list of all Members can be seen by any Member on application to the Secretary.

- 5.7 If the Directors decide not to admit a Candidate to Membership they shall notify him with a statement of reasons for the refusal and the Candidate may within 14 days of being notified of the Directors' decision lodge notice of appeal with the Secretary.
- 5.8 Appeal under this Regulation shall be to a single arbitrator ("**the Arbitrator**") to be appointed by the President for the time being of The Law Society. Regulations 1, 4-10, 14 and 16 of Part 8 of the Rules (amended as set out in Regulation 5.9) shall apply to an appeal under this Rule. The Arbitrator shall consider the written statement of reasons given to the Candidate by the Directors and any representations made by or on behalf of the Candidate and by or on behalf of the Company. The Arbitrator shall determine whether or not the Directors correctly interpreted the Membership criteria from time to time applicable in respect of the class of Membership for which the Candidate applied and whether the rules of natural justice were complied with in reaching the decision refusing admission ("**the Decision**"). The Decision shall not otherwise be open for review and the Arbitrator shall have no power to order that the Directors shall admit the Candidate. The decision of the Arbitrator on questions of fact shall be final and binding on the Company and the Candidate. If the Arbitrator determines that the Directors did not correctly interpret the relevant Membership criteria, or that the rules of natural justice were not complied with in reaching the Decision, the Directors shall reconsider the application. In doing so the Directors shall consider the application afresh and (in particular but without limitation) shall not be obliged to decide the application on the basis only of information available to them prior to the Decision.
- 5.9 For the purpose only of an appeal under Regulation 5.8, and without prejudice to any powers the Arbitrator may have under English law, the following amendments shall apply to the Arbitration Regulations.
- 5.9.1 In Regulation 1.1 of Part 8 of the Rules:
- (a) defined terms shall be ignored unless used in the Regulations referred to in Regulation 2.8;
 - (b) "Claimant" shall mean the Candidate;
 - (c) "Respondent" shall mean the Company;
 - (d) "Tribunal" shall mean the arbitrator appointed pursuant to Regulation 2.8.
- 5.9.2 Regulation 6.3 of Part 8 of the Rules shall not apply.
- 5.9.3 Regulations 10.1(e), (i), (j), (l), (n), and (p)-(s) of Part 8 of the Rules shall not apply.
- 5.9.4 In Regulation 14.1 of Part 8 of the Rules the words "or by the Company" and "or the Company" shall be ignored.
- 5.9.5 Regulation 14.3 of Part 8 of the Rules shall not apply.
6. **CHANGE IN CLASS OR CATEGORY OF MEMBERSHIP**
- 6.1 Any Member may change his Membership from any class or category of Membership to any other class or category, or add a new category of Membership in respect of a new service, provided that:-
- (a) the prior consent of the Directors is obtained; and

- (b) he pays any increase in Subscription applicable to his new class or category of Membership. A Member shall pay the full amount of Subscription applicable to his new class or category of Membership, credit being given for the amount of Subscription already paid by the Member in the year of application.

6.2 In deciding whether or not to admit a Member to a different class or category of Membership, the Directors shall determine whether the Member satisfies the criteria for the new class or category of Membership in accordance with Regulations 1 to 4 above (as applicable).

6.3 Any Member having any category of Membership in respect of the LME Base Service may apply to have any category of Membership in respect of the LMEprecious Service (and vice versa), subject in each case to the application of Regulations 6.1 and 6.2 above.

6.4 Regulations 1 to 4 and Regulations 5.2, 5.4 and 5.5 shall apply *mutatis mutandis* to an application under this Regulation 6 save that any reference to a "Candidate" shall be construed as a reference to the relevant applicant Member. Any change of the type described in Regulation 6.1 shall be effective from the date stipulated in the Notice to Members in accordance with Regulation 5.3.

7. **REQUIREMENTS OF THE FINANCIAL SERVICES AND MARKETS ACT 2000**

7.1 No person may apply or continue to be a Trading Member unless he is:

- (a) an authorised person or exempt person within the meaning of Part III of FSMA; or
- (b) an authorised investment firm within the meaning of Article 4 of the MiFID II Directive by the competent authority of an EEA State other than the United Kingdom (including a branch established in the United Kingdom of such a firm); or
- (c) an authorised credit institution within the meaning of Article 4.1(1) of the Capital Requirements Regulation by the competent authority of an EEA State other than the United Kingdom (including a branch established in the United Kingdom of such an institution); or
- (d) a person whose activities in relation to the Exchange as a Member would not constitute regulated activities (as defined in FSMA) on the basis of an appropriate exclusion under the RAO.

In this Regulation 7.1, "competent authority" and "EEA State" have the meanings given to them in the FCA Handbook.

7.2 No Member may undertake any regulated activity (as defined in the FSMA) in relation to the Exchange unless the Member is:

- (a) authorised, including through exemption, by the FCA to carry on such a regulated activity; or
- (b) a person whose activities in relation to the Exchange as a Member would not constitute regulated activities (as defined in the FSMA) on the basis of an appropriate exclusion under the RAO.

7.3 No person may enter into a Client Contract unless he or the other party to the Contract is:

- (a) where such Contract is an LME Base Contract, a Category 1 Member, Category 2 Member or Category 4 Member; or
- (b) where such Contract is an LMEprecious Future, an LMEprecious General Clearing Member or LMEprecious Non-Clearing Member,

in each case that can validly enter into Client Contracts in accordance with the law of the United Kingdom and any other applicable law or regulation.

7.4 A Member must inform the Exchange immediately of:

- (a) any variation or cancellation of permission to carry on a regulated activity, including the withdrawal of the Member's status as an authorised person by the FCA; or
- (b) any change of circumstances that may result in the Member no longer being able to rely upon an appropriate exclusion under the RAO.

7.5 A person falling within Regulation 7.1(d) or Regulation 7.2(b) must:

- (a) promptly following a request by the Exchange, provide such information as the Exchange may reasonably request regarding the person's business, regulatory status and the basis on which the person is able to lawfully perform activities in relation to the Exchange in the United Kingdom and any other relevant jurisdictions; and
- (b) where requested by the Exchange, include in that person's application for Membership a reasoned legal opinion from a reputable law firm with demonstrable expertise in United Kingdom financial services regulation that the activities to be performed by that person, taking into account that person's proposed category of Membership, could lawfully be performed by that person under the law of their home jurisdiction and under the law of the United Kingdom, notwithstanding that such person is not an authorised person within the meaning of Part III of the FSMA; and
- (c) following that person's admission to Membership, promptly following a request by the Exchange:
 - (1) (where the person has previously provided a legal opinion pursuant to (b) above) provide to the Exchange an updated reasoned legal opinion, from a law firm meeting the requirements in (b), confirming the continuing validity of the opinion provided under (b); and
 - (2) (where the person has not previously provided a legal opinion pursuant to (b) above) provide to the Exchange a reasoned legal opinion that satisfies the requirements in (b) above.

The Exchange shall be entitled to refuse to accept a legal opinion provided pursuant to this Regulation 7.5 in the event that the Exchange, in its absolute discretion, is not satisfied that the law firm selected by the Candidate or Member has sufficient and appropriate expertise in United Kingdom financial services regulation or where the Exchange, in its absolute discretion, disagrees with the conclusions set out in the legal opinion.

7.6 Notwithstanding Regulations 7.1, 7.2 or 7.5, the Exchange may:

- (a) refuse to admit a Candidate for Membership that is seeking admission on the basis of Regulation 7.1(d) or Regulation 7.2(b) (as applicable) in the event that:
 - (1) the Exchange is not satisfied that the Candidate has demonstrated beyond all reasonable doubt that it is able to lawfully perform the activities that it may, or may be required to, perform as a Member of the Exchange notwithstanding that it is not an authorised person within the meaning of Part II of the FSMA; or
 - (2) the Exchange has reasonable grounds for concern as to the ability of the Candidate to ensure that the activities that it performs as Member in relation to the Exchange shall always fall within the scope of an appropriate exclusion under the RAO;
- (b) where a Member is admitted on the basis of Regulations 7.1(d) or 7.2(b), suspend or terminate a Member's Membership, or change the category of a Member's Membership in the event that:
 - (1) the Member fails to comply with Regulations 7.4(b) or 7.5(a) or (c); or
 - (2) the Exchange has reasonable grounds to believe that the Member may not be able to lawfully continue to perform the activities that it may, or may be required to, perform as a Member of the Exchange with the Member's category of Membership.

7.7 Each Member is responsible for ensuring that it and its agents have secured all regulatory approvals needed by them in any jurisdiction in order to perform the activities that the Member may conduct on or in connection with the Exchange and for complying with all applicable laws and regulations applying to such activities.

8. **CHANGE IN OWNERSHIP OF A MEMBER**

8.1.1 A Member which is a body corporate shall notify the Exchange in writing of the name of any person for the time being holding, or having a beneficial interest in, 10% or more of any class of the equity share capital of the Member or of any Parent Undertaking of the Member, and of any change in such a holding or interest, within seven days of the holding or interest, or a change therein, coming to the Member's notice.

8.1.2 The members of a partnership or an unincorporated association who are joint Members shall notify the Exchange in writing of the name of any person who becomes or ceases to be a partner of that partnership or member of that unincorporated association (as the case may be) within seven days of that event coming to that joint Member's notice.

8.2 Upon receipt by the Exchange of any notice from a Member under Regulation 8.1.1 or 8.1.2 the Directors may review the suitability of the Member for Membership of the Exchange. The Directors may require the Member to furnish such additional information as the Directors may from time to time consider material in the course of such review. If upon completion of the review the Directors are not satisfied that the Member continues to satisfy the criteria for Membership of the relevant class they shall consider whether to suspend the rights of the Member.

9. **DESIGNATION OF MEMBERS**

Members may only describe their Membership of the Exchange on any letter heading, advertisements, brochures, or other written material in the following terms:

Type of Member	Description
Category 1 Member	"Ring Dealing Member" or "Category 1 Member" of the London Metal Exchange.
Category 2 Member	"Associate Broker Clearing Member" or "Category 2 Member" of the London Metal Exchange.
Category 3 Member	"Associate Trade Clearing Member" or "Category 3 Member" of the London Metal Exchange.
Category 4 Member	"Associate Broker Member" or "Category 4 Member" of the London Metal Exchange.
Category 5 Member	"Associate Trade Member" or "Category 5 Member" of the London Metal Exchange.
Category 6 Member	"Individual Member" or "Category 6 Member" of the London Metal Exchange.
Category 7 Member	"Honorary Member" or "Category 7 Member" of the London Metal Exchange.
LMEprecious General Clearing Member	"LMEprecious General Clearing Member" of the London Metal Exchange.
LMEprecious Individual Clearing Member	"LMEprecious Individual Clearing Member" of the London Metal Exchange.
LMEprecious Non-Clearing Member	"LMEprecious Non-Clearing Member" of the London Metal Exchange.

The words London Metal Exchange may be abbreviated to LME.

10. **WITHDRAWAL FROM MEMBERSHIP**

- 10.1 Subject to Regulation 10.2 to 10.7, a Member may at any time withdraw from Membership of the Exchange and, where the Member participates in both the LME Base Service and the LMEprecious Service, from any individual service.
- 10.2 A Member desiring to withdraw from Membership must lodge a notice in writing to that effect (a "**resignation notice**") with the Secretary. If the resignation notice is not received by the Secretary on or before the 30th day of November of the year in which the Member intends his Membership to cease, he will be liable for payment of the subscription for the following year.
- 10.3 A Member who gives the Exchange a resignation notice must provide the Exchange with such information concerning the circumstances of the resignation as, in the opinion of the Directors, is necessary for the Directors to determine whether:

- (a) to accept the resignation;
 - (b) to postpone the effective date of the resignation;
 - (c) without prejudice to the courses of action available to the Directors under subparagraphs (a) and (b) above, any other measures should be taken by the Exchange before or after the resignation takes effect.
- 10.4 The Directors may, in their absolute discretion, refuse to accept a resignation notice given by a Member or may postpone the effective date if they consider it necessary for the protection of Clients, or otherwise in the interests of the market.
- 10.5 A Member who ceases to be a Member by virtue of Regulations 10 or 15 (a "**former member**") shall remain subject to the Rules and to the jurisdiction of the Exchange including, inter alia, those Rules relating to the retention of records and provision of information, in respect of acts and omissions while he was a Member and in respect of any investigation or disciplinary proceedings relating thereto (including the payment of any fine or application of any other sanction imposed) as if he were a Member, for the longer of:
- (a) the period of six years from the date on which he ceased to be a Member; or
 - (b) the period during which any disciplinary proceedings continue against him, being proceedings started by the Exchange no later than twelve months after the date on which he ceased to be a Member, subject to any extension of the period under Regulation 10.7; or
 - (c) the period until such time as all his obligations under any Contract entered into by him prior to his ceasing to be a Member shall have been discharged.
- 10.6 Disciplinary proceedings following a Member's resignation may be started by giving notice to the former member of an investigation no later than twelve months after the date on which he ceased to be a Member.
- 10.7 In the event that a Disciplinary Committee concludes that there are, or may be additional matters which should be investigated and in respect of which disciplinary proceedings may be taken, the period referred to in Regulation 10.5 shall be extended until such time as such additional disciplinary proceedings are completed (including the payment of any fine or application of any other sanction imposed).
- 10.8 Where a Category 5 or Category 6 Member does not pay any Membership fee due to the Exchange and such fee remains unpaid for more than sixty (60) calendar days, the Exchange may deem this to be an indication of the Member's intention to resign from Membership of the Exchange. In such circumstances, the Directors may at their absolute discretion accept such resignation and confirm in writing to the Member, the effective date of such resignation, and the Membership of the relevant Category 5 or Category 6 Member shall terminate on such date.
- 10.9 Where a Member resigns from an individual service, and remains a Member of any other service, Regulations 10.6 and 10.7 shall be construed to apply only in respect of the service from which the Member has resigned.

11. **COMMITTEES**

- 11.1 The Directors shall appoint such committees with such terms of reference as they may from time to time determine.
- 11.2 The persons to serve on committees shall be drawn from Category 7 Members, Category 6 Members, directors and employees of other Members and such other persons with relevant experience as the Directors may select.
- 11.3 No person serving on any committee shall, in the absence of bad faith or wilful default, be under any liability whatsoever whether in contract, in tort or otherwise to any Member for any decision taken or other act or omission of the relevant committee.

12. **PROVISION OF INFORMATION AND OBLIGATIONS OF MEMBERS**

- 12.1 Each Member (other than Category 6 and Category 7 Members) shall provide the following financial and trading information to the Exchange:
- 12.1.1 annual audited accounts (including balance sheet, profit and loss account and cash flow statement) within four months of the end of its financial year and those of its ultimate Parent Undertaking (if any) as soon as they are sent to any person entitled to receive them; and
- 12.1.2 such further information in relation to commercial matters as may be required by the Chief Executive or those empowered by him generally or in any specific case; and
- 12.1.3 such further information in relation to regulatory and compliance matters as may be required by the Head of Market Operations or those empowered by him generally or in any specific case. Where the Head of Market Operations or those empowered by him have cause to suspect the existence or to anticipate the development or likely development of an undesirable situation or undesirable or improper trading practice, the information which may be required shall include information relating to the over-the-counter business of a member or any of its affiliates in metals, including any index thereon, traded on the Exchange.
- 12.2 The Chief Executive in relation to commercial matters and the Head of Market Operations in relation to regulatory and compliance matters and those empowered by each of them generally or in any specific case may request trading or other information regarding any Clearing Member from the Clearing House and the Clearing House shall provide the same.
- 12.3 The Chief Executive in relation to commercial matters and the Head of Market Operations in relation to regulatory and compliance matters and those empowered by each of them generally or in any specific case shall be entitled at any time to inspect and take copies of the records, trading information, books of account and other documentation, in whatsoever medium retained, of Members (including, in whatsoever medium retained, any documentation maintained by or in the possession of the Member for any other person) for the purpose of ensuring compliance with the Rules. Where documentation of a Member is maintained for it by a third party, the Member shall procure that access is provided to such documentation as if it were in the possession of the Member.
- 12.4 The Chief Executive in relation to commercial matters and the Head of Market Operations and those empowered by each of them generally or in any specific case shall be entitled at any time to attend at the premises of any Member for the purpose of inspecting any of the

matters referred to in Regulations 12.1 and 12.3 and the Member shall ensure that all cooperation is afforded.

12.5 The Chief Executive and the Head of Market Operations and those empowered by each of them generally or in any specific case may cooperate with any governmental or international agencies, any investment exchanges, any clearing houses and self-regulatory and other regulatory or enforcement organisations in such manner as each of them think fit and shall, in particular, be permitted to divulge to any of the aforesaid persons or bodies any information for the time being in the possession of the Exchange regarding any Member's financial condition or trading activity including any information obtained pursuant to Regulations 12.1 to 12.4.

12.6 A Member shall:

- (a) observe high standards of integrity and fair dealing, and observe high standards of market conduct as reflected in the FCA Principles and Guidance Releases as published from time to time;
- (b) organise and control its internal affairs in a responsible and effective manner, with appropriate and adequate risk management systems;
- (c) ensure its internal record-keeping is appropriate and adequate;
- (d) ensure that it has appropriate and adequate business continuity plans;
- (e) ensure that all of its Dealers, staff and directors involved in the conduct of business on the Exchange are fit and proper, suitable, appropriately and adequately trained, properly supervised, and, where appropriate, suitably qualified;
- (f) ensure that any business conducted on the Exchange complies with the Member's obligations under the Rules;
- (g) ensure that any business conducted by it, or by or through any of its Dealers or staff shall not cause the Member, its Dealers or staff of the Exchange to be in breach of any applicable laws and/or regulations;
- (h) ensure that it does not enter orders into or make trades on LME Select in or from a jurisdiction where the Exchange does not have the relevant regulatory licences or approvals (if such regulatory licence or approval is required) if to do so would bring the Exchange into disrepute with the regulatory authority within such jurisdiction or put the Exchange in breach of any legal or regulatory obligations to which it might be subject within that jurisdiction. A Member shall observe the requirements relating to participants from jurisdictions other than the UK, as set out in the document headed "Jurisdictions" which shall be available on the website of the Exchange, as such document is updated from time to time;
- (i) ensure that any hardware, information technology or any online services provided to it, or any of its Dealers or staff, or made available to it, or any of its Dealers or staff, pursuant to its Membership of the Exchange shall only be used for the purposes of conducting its business and activities as a Member of the Exchange, in accordance with these Regulations;

- (j) retain all relevant documentation, and provide the Exchange with copies thereof on request, in relation to all Contracts entered into by them and also in relation to all other contracts entered into by them for the purchase and sale of primary aluminium, aluminium alloy, cobalt, copper, lead, molybdenum, nickel, steel, tin, zinc, including:
 - any option for the purchase and sale of any such metal; and
 - any contract for difference, swap, or similar contract based on the price of any such metal.
- (k) deal with the Exchange in an open and cooperative manner and keep the Exchange promptly informed of anything concerning the Member which might reasonably be expected to be disclosed to it.

12.7 No Member shall:

- (a) manipulate or attempt to manipulate the market;
- (b) create or attempt to create a disorderly market; or
- (c) assist its Clients, or any other person, to do either (a) or (b) above.

12.8 Where applicable under Regulation 7.5, a Member shall provide to the Exchange a legal opinion that satisfies the requirements of that Regulation, which shall be updated at such frequency as may be required pursuant to that Regulation.

13. **INVESTIGATION**

13.1 Investigation into alleged acts of misconduct must be authorised by the Head of Market Operations.

13.2 In the context of this Regulation 13 and the following Regulation 14, the expression "the Exchange" shall, where appropriate, be taken to mean the Head of Market Operations or any other person or persons being part of the Executive, authorised by the Head of Market Operations to undertake any of the functions described herein.

13.3 In the course of conducting an investigation, the Exchange may appoint professional, legal or accounting advisors to assist, or enlist the assistance of any other external advisor as it thinks fit. Any external adviser appointed by the Exchange shall be required to treat all information obtained in the course of the investigation as confidential and to disclose it only to the Exchange.

13.4 The Exchange shall issue a Notice of Investigation (NoI) notifying the Member concerned that an investigation has been commenced. The NoI shall be in writing to the Member's Compliance Officer, and shall contain a brief description of the matter under investigation.

13.5 Members shall co-operate fully with all investigations (whether or not they are the Member under investigation). In particular, and without limitation, Members shall:

13.5.1 Make available for interview such of their officers, employees or agents as may be reasonably requested in order that they may answer questions and explain any matter that the Exchange considers relevant to the investigation;

- 13.5.2 Comply fully with their obligation to provide information in accordance with Regulation 12;
- 13.5.3 Permit an authorised representative of the Exchange to visit their offices at any time, for the purpose of the investigation.
- 13.6 A report detailing the findings of the investigation shall be passed to the Head of Market Operations who may, or may not, recommend to the Enforcement Committee that disciplinary proceedings should be commenced.
- 13.7 Where some or all of the findings of an investigation may be of relevance to the market in general, the Head of Market Operations may publish such findings as he deems appropriate.

14. **DISCIPLINE**

Institution of Proceedings

- 14.1 The Enforcement Committee may institute disciplinary proceedings against any Member in respect of any act of misconduct by a Member or employee thereof or any other person for whom the Enforcement Committee deems the Member to be responsible. For the purposes of this Regulation, an act of misconduct is:
- (i) any violation or attempted violation of these Rules and Regulations or participation in conduct by a third party which would be a violation or attempted violation of these Rules and Regulations if that third party were subject to these Rules and Regulations;
 - (ii) a failure to pay an automatic fine or a fine or order for costs imposed by a Disciplinary Committee that has not been overturned by an Appeal Committee;
 - (iii) conduct which has brought or may be likely to bring the Exchange or any of its markets into disrepute;
 - (iv) provision to the Exchange of information (including information for the purpose of obtaining Membership) which is false, misleading or inaccurate in a material particular;
 - (v) ceasing to meet eligibility criteria for Membership as set out in Regulations 1 to 4 without notifying the Exchange;
 - (vi) any other matter of which the Exchange may, from time to time, notify Members through Notices.
- 14.2 Where the Enforcement Committee decides to institute disciplinary proceedings, a Notice, approved by it setting out the alleged act of misconduct together with a summary of the facts relied upon ("the Notice") shall be served on the Member concerned.

Defence

- 14.3 The Member has twenty working days from service of the Notice in which to serve a statement of defence ("the Defence") responding to all or any of the allegations, stating its intended pleas and what admissions of fact, if any, it makes.

- 14.4 Where no defence has been served pursuant to Regulation 14.3, and no settlement has been reached, the Member will be deemed to have accepted the facts and matters alleged in the Notice.
- 14.5 Having seen and considered the Defence, the Enforcement Committee, if it deems it appropriate, may choose to discontinue disciplinary proceedings.

Pre-hearing Review

- 14.6 Unless decided otherwise by the Disciplinary Committee, and subject to Regulation 14.7, a pre-hearing review shall be convened not later than twenty working days after service of the Defence.
- 14.7 Unless required by the Disciplinary Committee, the Exchange and the Member can agree in writing to postpone or dispense with a pre-hearing review. In the event that they dispense with the pre-hearing review Regulation 14.10 shall apply.
- 14.8 At the pre-hearing review, the Disciplinary Committee may give all such directions and take such other steps as it considers appropriate for the clarification of the facts and issues and for the just and expeditious determination of the case.
- 14.9 The Exchange and the Member shall attend the pre-hearing review and may be legally represented.
- 14.10 Without restriction on its general power to give directions, the Disciplinary Committee may, at the pre-hearing review (or where there is no pre-hearing review, may in writing to the parties):
- 14.10.1 fix a time and place or make arrangements for the hearing;
- 14.10.2 direct the hearing or any part of the hearing proceed by way of written submissions and written evidence;
- 14.10.3 direct the Exchange or the Member to disclose and serve copies of any document;
- 14.10.4 direct the Exchange or the Member to provide the names of all witnesses to be called at the hearing and their statements or an outline of proposed evidence;
- 14.10.5 make time limits for complying with directions and orders or for any other purpose of the proceedings;
- 14.10.6 grant leave to the Exchange or the Member to amend any formal documents referred to in these Regulations. Within such period of time of the grant of leave to amend as shall be specified by the Disciplinary Committee, the party granted such leave shall serve the amended document on the other party;
- 14.10.7 extend or abridge time limits;
- 14.10.8 make any order for the payment of costs of or in connection with pre-hearing preparation or any pre-hearing review.
- 14.11 In the event that the Member fails to comply with any direction, the Exchange may apply to the Disciplinary Committee for an order that the Member be precluded from contesting the case unless the direction is complied with. In addition, failure by the Member to

comply with any direction may be adduced by the Exchange before the Disciplinary Committee for such inferences to be drawn as are proper in all the circumstances. Failure to comply with any direction may render the Member liable for costs, whether or not any charge is found proved.

- 14.12 In the event that the Exchange fails to comply with any direction, the Member may apply to the Disciplinary Committee for an order that the Exchange be precluded from pursuing the case unless the direction is complied with, or an order that the case be dismissed.

The Hearing

- 14.13 The date of the hearing shall be set at the pre-hearing review, where held. Where no pre-hearing review has taken place, the hearing shall take place no later than 20 working days after service of the Defence, or on such other date as the Disciplinary Committee shall require.
- 14.14 All parties attending the hearing, including any witnesses to be called by either party, shall be given reasonable notice of the date, time and venue.
- 14.15 The Disciplinary Committee shall determine the procedure to be followed at the hearing having regard to the following:
- 14.15.1 the Exchange to open the case;
- 14.15.2 the Exchange to adduce evidence and to call witnesses whom the Member may then cross-examine, the Exchange re-examine, and who may be asked questions by the Disciplinary Committee;
- 14.15.3 the Member to adduce evidence and to call witnesses whom the Exchange may cross-examine, the Member re-examine and who may be asked questions by the Disciplinary Committee;
- 14.15.4 the Exchange to address the Disciplinary Committee;
- 14.15.5 the Member to address the Disciplinary Committee.

The Determination

- 14.16 The Disciplinary Committee shall announce its findings to the parties as soon as practicable.
- 14.17 Where the Disciplinary Committee is satisfied that the Member has committed an act of misconduct it shall provide the parties with an opportunity to make representations before determining the penalty to be imposed.
- 14.18 The Disciplinary Committee shall announce the penalty to be imposed as soon as possible.
- 14.19 Any penalty imposed shall take into account any representations made by the parties, all the circumstances of the offence and may take into account any previous disciplinary record before deciding the penalty to be imposed and the costs to be ordered.
- 14.20 Within twenty business days of announcing its findings, the Disciplinary Committee shall serve on the parties a written decision comprising its findings of fact, its findings as to whether any charges not admitted are proved, the reasons for its decision and any penalties

to be imposed on the Member together with an indication as to whether any part of the penalty is compensatory for the benefit of the market generally or of specified individuals, and what part is purely punitive.

- 14.21 Subject to appeal, and unless the Disciplinary Committee determines otherwise, any penalty imposed shall take effect ten business days after service of the written decision.

Penalties

- 14.22 The Disciplinary Committee may impose one or more of the following penalties:

14.22.1 a reprimand;

14.22.2 a fine;

14.22.3 an order that the Member make restitution to any person when the Member has profited from an act of misconduct at that person's expense;

14.22.4 an order that the Member forfeit to the LME any gains made as a result of a proven Regulation breach;

14.22.5 a requirement to comply with such terms and conditions as appropriate;

14.22.6 temporary or permanent withdrawal of Dealer or Clerk status or admission rights to the Exchange rooms from any individual;

14.22.7 suspension or expulsion from Membership subject to ratification by the Directors.

Indicative Penalties

14.23 Where appropriate, the Enforcement Committee may submit proposals to the Disciplinary Panel (referred to in Regulation 14.47) for indicative penalties to be attached to certain offences covered by these Regulations. These indicative penalties shall represent the level of penalty the Enforcement Committee considers appropriate for an offence given no aggravating or extenuating circumstances.

14.24 Such indicative penalties as are approved by the Disciplinary Panel shall be notified from time to time to all Members, and where relevant Warehouse Companies, by way of an administrative notice.

14.25 Penalties so notified shall be indicative only and shall not fetter the discretion of a disciplinary committee or appeal committee to set the penalty it deems appropriate in all the circumstances of the case in question.

Costs

14.26 Costs are at the discretion of the Disciplinary Committee. It may order any party to pay such costs as it thinks appropriate, including, but not limited to, administration costs, costs incurred in the investigation, preparation and presentation of the case.

Appeal

14.27 Within ten days of service of the Disciplinary Committee's decision, the Member may appeal to the Disciplinary Appeal Committee ("the Appeal Committee") by serving a Notice of Appeal on the Chairman of the Appeal Panel.

- 14.28 Within ten days of service of the Disciplinary Committee's decision, the Exchange may appeal to the Appeal Committee by serving a Notice of Appeal on the Chairman of the Appeal Panel and the Member.
- 14.29 A Notice of Appeal shall set out the grounds of the appeal and shall contain a brief statement of all matters relied upon by the appellant.
- 14.30 The grounds of the appeal may be any one or more of the following:
- 14.30.1 the Disciplinary Committee misdirected itself;
- 14.30.2 the Disciplinary Committee's decision was
- (a) one which no reasonable Disciplinary Committee could have reached;
 - (b) unsupported by the evidence or was against the weight of the evidence;
 - (c) based on an error of law, or misinterpretation of the Rules.
- 14.30.3 the penalty imposed by the Disciplinary Committee was either excessive or insufficient;
- 14.30.4 new evidence is available and that, had it been adduced, the Disciplinary Committee could reasonably have come to a different decision provided that this will not apply if the evidence could have been adduced before the Disciplinary Committee by the exercise of reasonable diligence.
- 14.31 The Appeal Committee shall determine the procedure at the appeal having regard to the following:
- 14.31.1 the appellant will open the appeal;
- 14.31.2 any witnesses called may be cross-examined and re-examined by the parties and questioned by the Appeal Committee;
- 14.31.3 the other party may make submissions in response;
- 14.31.4 the appellant may make closing submissions.
- 14.32 The Appeal Committee shall announce its decision to the parties as soon as practicable.
- 14.33 The Appeal Committee may dismiss or allow the appeal and may increase or decrease the penalty imposed upon such terms and conditions as it considers appropriate.
- 14.34 Within 20 business days of the conclusion of the hearing, the Appeal Committee shall serve on the parties a written decision setting out its reasons.
- 14.35 Regulation 14.26 in relation to costs shall apply to the Appeal Committee mutatis mutandis.

Settlements

- 14.36 The Exchange and the Member may agree a settlement of disciplinary proceedings at any time up to the commencement of the disciplinary hearing.
- 14.37 A Member wishing to enter into settlement negotiations must submit written proposals for settlement to the Exchange and the Enforcement Committee.

- 14.38 Settlement negotiations shall be on a without prejudice basis.
- 14.39 Any settlement agreement shall be submitted to the Enforcement Committee for ratification. The Enforcement Committee may ratify or refuse to ratify any settlement agreement. A settlement agreement shall not take effect unless ratified by the Enforcement Committee. A settlement agreement so ratified shall have the same status as a decision by a Disciplinary Committee.
- 14.40 Once the hearing has commenced, the Exchange and the Member may reach an agreed finding. Any agreed finding shall be submitted to the Disciplinary Committee for ratification.
- 14.41 The Disciplinary Committee may ratify or refuse to ratify the agreed finding. An agreed finding shall not take effect unless ratified by the Disciplinary Committee. Where the Disciplinary Committee refuses to ratify the agreed finding, the hearing shall proceed as if no agreed finding was reached.

Publication of Findings and Penalties

- 14.42 Subject to appeal, where the Disciplinary Committee finds that there has been an act of misconduct, notification of such findings and of any sanction shall be made (once the same has taken effect) by means of a notice to the relevant parties.
- 14.43 Where disciplinary proceedings have been concluded by way of settlement ratified by the Enforcement Committee or an agreed finding ratified by a Disciplinary Committee, notification of the settlement agreement or the agreed finding shall be made by means of notice to the relevant parties. Such notice to be drafted by the Exchange in consultation with the Member.
- 14.44 Relevant parties in this context shall mean:
- 14.44.1 the person or Member found to have committed the act of misconduct;
- 14.44.2 where the misconduct was on the part of a warehouse company or agent thereof, all Members, approved warehouses and their agents;
- 14.44.3 where the misconduct was on the part of any Member or person deemed to be the responsibility of a Member, to all Members;
- 14.44.4 as an exception to Regulation 14.44.3, where the finding is by the Ring Disciplinary Committee or the Ring Discipline Supervisory Committee, all Category 1 Members;
- 14.44.5 in all cases the appropriate regulatory or other authorities, as the Exchange deems appropriate.
- 14.45 The outcome of disciplinary proceedings being notified to all Members shall also be made public by such means as the Exchange shall think fit.
- 14.46 Where the Appeal Committee upholds the finding of the Disciplinary Committee (even in the event that the penalty is altered), the above rules on publication shall apply.

Procedural Provisions applicable to the Exchange Disciplinary Process

Membership of the Disciplinary Committee and the Appeal Committee

- 14.47 The Exchange, in consultation with the Chairman of the Appeal Panel, shall from time to time appoint persons, who may be Directors or other persons, to a panel ("the Disciplinary Panel"). A member of the Enforcement Committee cannot be appointed to the Disciplinary Panel. Membership of particular Disciplinary Committees shall be drawn only from the Disciplinary Panel.
- 14.48 The Exchange, in consultation with the Chairman of the Appeal Panel, shall from time to time appoint persons, who shall not be Directors, to a panel ("the Appeal Panel"). Membership of particular Appeal Committees shall be drawn only from the Appeal Panel.
- 14.49 Membership of the Disciplinary Panel and the Appeal Panel shall be notified to Members from time to time by means of a Notice.
- 14.50 Membership of the Disciplinary Panel shall be for a period of 5 years (the term) renewable. A member of the Disciplinary Panel may not be removed from the Panel prior to the expiration of the term save in the event that he or she ceases to be a Director of the LME, or in the event that he or she is guilty of conduct which has brought or may be likely to bring the Exchange or any of its markets into disrepute.
- 14.51 Membership of the Appeal Panel shall also be for a period of 5 years (the term) renewable. A member of the Appeal Panel may not be removed from the Panel save in the event that he or she is guilty of conduct which had brought or may be likely to bring the Exchange or any of its markets into disrepute.
- 14.52 The Exchange shall appoint one member of the Disciplinary Panel to be the Chairman of the Disciplinary Panel. The Exchange shall appoint one member of the Appeal Panel to be the Chairman of the Appeal Panel.
- 14.53 No person shall be eligible to serve as a member of the Disciplinary Committee or Appeal Committee in relation to any particular case if he has any material interest in the matter under consideration either personally or through any Undertaking with which he may be concerned.
- 14.54 At least one member of the Appeal Committee must be a qualified lawyer.
- 14.55 At the request of the Head of Market Operations, the Chairman of the Disciplinary Panel shall nominate three members of the Disciplinary Panel to sit on a Disciplinary Committee and shall notify the Member and the Exchange of such nomination. The Chairman may nominate himself. If the Member does not agree to one or more of the nominated Disciplinary Committee, the Chairman, if satisfied that the grounds of objection are reasonable, shall nominate a replacement, or replacements, from the Disciplinary Panel, subject to such replacement, or replacements, being willing and able to sit on that Disciplinary Committee.
- 14.56 On receipt of a Notice of Appeal, the Chairman of the Appeal Panel shall nominate three members of the Appeal Panel to sit on an Appeal Committee and shall notify the Member and the Exchange of such nomination. The Chairman may nominate himself. If the Member does not agree to one or more of the nominated Appeal Committee, the Chairman, if satisfied that the grounds of objection are reasonable, shall nominate a replacement, or replacements, from the Appeal Panel, subject to Regulation 14.54 and subject to such replacement, or replacements, being willing and able to sit on that Appeal Committee.

- 14.57 In the case of a matter set out in Regulations 11.3 to 11.10 of the Trading Regulations (by way of appeal or otherwise) the Appeal Committee shall not include any member of the Ring Discipline Supervisory Panel who was involved in that capacity in the matter.

Composition

- 14.58 The Disciplinary Committee or the Appeal Committee shall appoint one of their number to be the Chairman.
- 14.59 The quorum of a Disciplinary Committee or Appeal Committee shall be three, unless decided otherwise by the Disciplinary Committee or Appeal Committee.
- 14.60 The Disciplinary Committee may decide that any pre-hearing review shall be heard by the Chairman sitting alone.

Legal Adviser

- 14.61 A legal adviser, who shall be a barrister or solicitor, may be appointed by the Disciplinary Committee or the Appeal Committee to sit throughout the hearing (including any pre-hearing review) and provide legal advice to the Committee.
- 14.62 The same legal adviser may not be appointed to advise both the Disciplinary Committee and Appeal Committee on the same case.

Hearings in private

- 14.63 Disciplinary Committee hearings and Appeal Committee hearings shall be held in private, unless the Member elects to hold the hearing in public.

Representation

- 14.64 Parties to disciplinary proceedings may be represented.
- 14.65 Where disciplinary action is taken against an individual, he or she may represent himself or herself, or may be represented by his or her employer or may be legally represented.
- 14.66 Where disciplinary proceedings are taken against a Member, it may be represented by one of its officers, employees or may be legally represented.
- 14.67 The Exchange may be represented by one of its officers, employees or may be legally represented.
- 14.68 The availability of a particular legal representative shall not be conclusive when fixing a date for a pre-hearing review or a tribunal.

Failure to attend

- 14.69 If either party fails to attend, the hearing may proceed in its absence.

Record of hearing

- 14.70 A record shall be made of the hearing, electronically or otherwise. The Member shall be entitled to a transcription or copy of the record on payment of the costs.

Burden and standard of proof

- 14.71 The burden of proof shall be on the Exchange. The Disciplinary Committee shall not find a charge proved unless it is satisfied on the balance of probability.

Evidence

- 14.72 The Disciplinary Committee may admit any evidence whether oral or written, whether direct or hearsay and whether or not the same would be admissible in a court of law.

Notice periods

- 14.73 Any notice periods specified in these rules may be amended by agreement in writing between the Exchange and the Member, unless such notice periods have been set by the Disciplinary Committee or the Appeal Committee.

Convictions and findings by other authorities

- 14.74 The findings of fact of any court in the United Kingdom or of the Financial Services Tribunal, which have not been set aside on appeal or otherwise shall be conclusive evidence of the facts so found.
- 14.75 A criminal conviction by any court in the United Kingdom which has not been set aside on appeal or otherwise shall be conclusive evidence of the commission of that offence.
- 14.76 The findings of fact of the following bodies, which have not been set aside on appeal or otherwise, shall be prima facie evidence of the facts so found:
- 14.76.1 any court of competent jurisdiction outside the United Kingdom;
- 14.76.2 any committee or tribunal of the Financial Conduct Authority, and self-regulating organisation, recognised professional body, recognised investment exchange or recognised clearing house or any overseas regulatory authority which the Exchange considers to be relevant exercising regulatory or disciplinary functions;
- 14.76.3 the Monopolies and Mergers Commission;
- 14.76.4 any other body exercising a regulatory or disciplinary jurisdiction over any persons engaged in financial services business whether in the United Kingdom or elsewhere.

15. **DISQUALIFICATION AND EXPULSION**

- 15.1 The criteria for Membership are continuing requirements and if a Member shall cease at any time to satisfy any of the criteria for Membership of his class the Directors may in their discretion re-categorise his Membership to a class the criteria for which he is able to satisfy or, subject to Regulation 15.4, suspend his Membership until such time as he is able to satisfy the criteria, or may seek to expel him from Membership.
- 15.2 Upon the happening of any of the following events the Directors may resolve, with immediate effect, that the Member concerned be suspended from Membership, and, where appropriate, subject to Regulation 15.5, expelled from Membership:-
- 15.2.1 A Member pursuant to disciplinary proceedings held in accordance with these Regulations is found to have committed a serious breach or persistent breach of the Regulations and the Disciplinary Committee has suspended or expelled the Member subject to ratification by the Directors, provided that the Disciplinary Committee's decision has been upheld by an

Appeal Committee, or the time for lodging an appeal has elapsed and no appeal has been made;

15.2.2 A Member fails to meet his material contractual obligations to another Member and the obligation or the obligations concerned are not being disputed in good faith;

15.2.3 A Member is declared a Defaulter pursuant to the Default Regulations;

15.2.4 An Event of Default (as defined in the Default Regulations) occurs in relation to a Member and is continuing.

15.3 The Directors shall have the power to suspend a Member where it is considered necessary to ensure an orderly market, or otherwise to enable the Exchange to comply with its statutory obligations.

15.4 Save in the case of Regulation 15.2.1, the power to suspend a Member is subject to a right of appeal by the Member to an Appeal Committee convened pursuant to Regulation 14. The Appeal Committee shall, in such circumstance, have full jurisdiction to review the facts of the case as if it were a Disciplinary Committee. Any appeal shall be heard swiftly.

15.5 Save in the case of Regulation 15.2.1, where the Directors believe expulsion is warranted, they shall request that an Appeal Committee be convened, pursuant to Regulation 14, to consider the case for expulsion. Such an Appeal Committee shall be convened swiftly. The Directors may suspend the Member with immediate effect pending the outcome of the Appeal Committee so convened. The Appeal Committee shall, in such circumstance, have full jurisdiction to review the facts of the case as if it were a Disciplinary Committee. Where the Appeal Committee agrees that expulsion is justified, the Member shall be expelled with immediate effect.

16. **FORFEITURE OF RIGHTS ON CESSATION OF MEMBERSHIP**

16.1 A Member who shall have been expelled or shall otherwise have ceased to be a Member shall not be entitled to any refund of subscription or fees.

16.2 All rights and privileges of being a Member and all Cards of Admission issued to a Member or to a Member's directors or employees on his application and all rights appertaining thereto shall ipso facto be cancelled upon the Member's ceasing for any reason to be a Member or losing in any other way the right of entry to the Exchange.

17. **DISPUTES BETWEEN MEMBERS**

Upon the Secretary receiving a notice in writing from a Member that a dispute exists between him and another Member arising out of or in connection with a Contract, he shall send a Notice to Members to this effect. Such memorandum shall be removed by the Secretary when he shall receive notification in writing by the party or parties reporting the existence of such dispute that it has been settled or has been referred to arbitration in accordance with Part 8 of the Rules or otherwise disposed of.

18. **INTELLECTUAL PROPERTY RIGHTS**

18.1 As between the Members and the Company, all right, title, interest and Intellectual Property Rights in:-

(a) the Rules and Administrative Procedures; and

(b) LME Data;

shall be the property of the Company. To the extent a Member acquires any right, title, interest or Intellectual Property Rights in the same it hereby assigns all such right, title, interest and Intellectual Property Rights (including by way of a present assignment of any future copyright or similar rights) to the Company for the full duration of such right, title, interest and Intellectual Property Rights.

18.2 For the avoidance of doubt, the Company hereby expressly reserves any and all rights (including Intellectual Property Rights and any rights of confidentiality), licences and permissions in and to the LME Data, the Trade Marks and the Product Specifications.

18.3 Unless explicitly permitted in writing between the Member and the Company, the Member shall not:

- (a) remove the Trade Marks from the LME Data or alter them (unless not practicable to display the Trade Marks and LME Data together);
- (b) use the Trade Marks in conjunction with any other mark, name, logo, symbol or device;
- (c) use the Trade Marks other than in relation to:
 - (i) Contracts; or
 - (ii) any contract to which the Financial OTC Booking Fee Policy applies, and in respect of which the Member shall report such contract to the Company in accordance with the Financial OTC Booking Fee Policy;
- (d) use the Trade Marks in such a way as to damage the goodwill or reputation attaching to such Trade Marks or the name of the Company or to otherwise prejudice the validity or enforceability of any such Trade Marks;
- (e) permit access to, distribute, sub-licence or publish the LME Data or Trade Marks to any third party;
- (f) use the LME Data as a Benchmark or in connection with the determination of a Benchmark or pass the Data to an Administrator in connection with the determination of a Benchmark;
- (g) manipulate the LME Data in any way and/or use the LME Data to create any Derived Data;
- (h) use the LME Data or Trade Marks, or any part of them:
 - (i) in breach of these Rules or the Financial OTC Booking Fee Policy or other applicable laws or regulations;
 - (ii) for any unlawful purpose; or
 - (iii) in any way that may in the Company's absolute opinion be considered to bring the Company, its Affiliates, the LME Data and/or the Trade Marks into disrepute.

~~18.2~~18.4 Each Member acknowledges and agrees that LME Data may be provided by the Company to any Member and any third party, and may be used by the Company or such other persons for any commercial or other purpose, subject to any restrictions applicable to particular categories of LME Data in Regulation 21 (Confidentiality). The Company may from time to time grant a licence to Members or third parties to use, copy, modify, distribute or otherwise exploit the LME Data, but, subject to Regulation 18.5 below, in the absence of such a licence, Members may not use, copy, modify, distribute or otherwise exploit the LME Data.

~~18.3~~18.5 The Company hereby grants to each Member a non-exclusive, worldwide, perpetual, royalty-free licence, with the right to sub-licence, to use, copy, modify, distribute and otherwise exploit the LME Data relating solely to that Member for any commercial or other purpose, subject in each case to the restrictions in Regulation 21 (Confidentiality).

19. FINANCIAL OTC BOOKING FEE POLICY

19.1 Each Member shall comply with the Financial OTC Booking Fee Policy. Without prejudice to the generality of the foregoing, each Member shall:

- (a) register with the Exchange, pursuant to the requirements of the Financial OTC Booking Fee Policy;
- (b) report to the Exchange, any trades undertaken by the Member which are required to be reported pursuant to the Financial OTC Booking Fee Policy; and
- (c) pay to the Exchange, any fees due to the Exchange pursuant to the Financial OTC Booking Fee Policy in relation to trades undertaken by the Member.

19.2 Each Member shall procure and otherwise take steps to ensure that their Affiliates comply with the Financial OTC Booking Fee Policy. Where the Affiliate fails to comply with the Financial OTC Booking Fee Policy, whether: (a) registering with the Exchange; (b) reporting any trades undertaken by the Affiliate to the Exchange; or (c) paying to the Exchange, any fees due pursuant to the Financial OTC Booking Fee Policy; or (d) otherwise, the Member shall be liable to the Exchange for any non-compliance by Affiliate with the Financial OTC Booking Fee Policy.

19.3 Without prejudice to any additional rights of the Exchange under the Financial OTC Booking Fee Policy to require information from any Member or its Affiliate, each Member shall, and shall ensure that its Affiliates shall, within 5 Business Days of any request by the Exchange:

- (a) permit the Exchange and its representatives to have access to any records and information maintained by the Member and/or its Affiliates (as the case may be) in respect of any transactions undertaken by the Member or its Affiliates for the purposes of assessing compliance with the Financial OTC Booking Fee Policy; and
- (b) respond to any reasonable questions from the Exchange which are relevant to assessing the compliance by the Member and its Affiliates with the Financial OTC Booking Fee Policy.

19.4 For the avoidance of doubt, a Member or its Affiliate shall only be entitled to benefit from an exemption from compliance with any aspect of the Financial OTC Booking Fee Policy

in the event that such exemption has been granted by the Exchange in accordance with the terms of the Financial OTC Booking Fee Policy.

20. RESTRICTIONS ON USE OF LME PROPERTY OR SYSTEMS FOR NON-EXCHANGE CONTRACTS

20.1 The facilities of the Exchange may not be used to facilitate the execution, clearing or settlement of any Non-LME Platform Contract. Without limitation to the foregoing:

- (a) no Member may use any LME Data, Product Specifications or any other Intellectual Property Rights of the Exchange, or any part of them for the formation, trading, pricing, clearing or settlement of any Non-LME Platform Contract;
- (b) LME Warrants may not be used for the purpose of settling any Non-LME Platform Contract;
- (c) the Ex-Cleared settlement functionality of LMEsword may not be used to facilitate the settlement of any Non-LME Platform Contract;
- (d) no Member may use the inter-office market to facilitate the submission to the Matching System of any Non-LME Platform Contract as an Agreed Trade; and
- (e) no Member may bring-onto, or allow its Client to bring-onto, the Exchange any Non-LME Platform Contract, including pursuant to the OTC Bring-On category within the Matching Rules, the submission to the Matching System of an Agreed Trade, or otherwise.

20.2 The Exchange may, in its absolute discretion, by Notice dis-apply any of the restrictions specified in this Regulation 20 in respect of Non-LME Platform Contracts traded on, executed on, or otherwise arranged or agreed via any specific Non-LME Multi Dealer Trading System. Such Notice:

- (a) shall specify the identity of the specific Non-LME Multi Dealer Trading System that is approved by the Exchange as a venue for the formation of Agreed Trades that may be brought-onto the Exchange; and
- (b) may specify the categories of Contracts to which such approval shall apply.

20.3 The Exchange shall issue a Notice pursuant to Regulation 20.2 above, publicising the situation where, as determined by the LME in its sole discretion and acting reasonably, any Non-LME Multi Dealer Trading System is lawfully making use of the Intellectual Property Rights of the Exchange, including, without limitation, where such Non-LME Multi Dealer Trading System has: (i) entered into a licence agreement for the use of Intellectual Property Rights belonging to the Exchange; or (ii) been granted open access rights pursuant to prevailing applicable legislation.

19.21. CONFIDENTIALITY

19.21.1 Subject to Regulation 21.2, the Company shall treat as confidential all information received from a Member that concerns the business and affairs of a Member or Client (including any information relating to any Contract).

19.21.2 The Company may disclose any information which is subject to the confidentiality obligations in Regulation 21.1:-

- (a) to any regulator that has responsibility for regulating the Exchange or the Clearing House;
- (b) to any regulator that has responsibility for regulating the Member;
- (c) to the Clearing House, to the extent that such information is relevant to the performance by the Clearing House of its functions under its own rules or terms of service, or its obligations under applicable law, or its contractual obligations to the Company;
- (d) to the Member itself;
- (e) where the Company acquires or develops the information independently of any information or document provided by the Member;
- (f) to any member of the Company's group, or to any employees, officers, consultants, professional advisers or agents of any of them, in connection with the operation of the Exchange, risk management processes or for the purposes of internal group control or accounting, subject to appropriate confidentiality requirements;
- (g) to any other Member for the purposes of a potential transfer of a Contract to such Member in accordance with the Rules;
- (h) to third parties appointed or engaged by the Company or a Member in connection with the operation of the Company's complaint-handling or discipline processes, where and to the extent that such third parties reasonably need to receive such information in order to discharge their functions in support of such processes;
- (i) with the consent of the Member;
- (j) to potential acquirers (and their advisers) of the Company or an holding company of the Company or of the businesses of the Company, provided that each such potential acquirer has entered into a confidentiality undertaking with respect thereto;
- (k) in a document in relation to a takeover offer conducted under the rules of The Panel on Takeovers and Mergers or any equivalent body in any other relevant jurisdiction;
- (l) if and to the extent the information has come into the public domain through no fault of the Company;
- (m) to the Company's insurer(s), provided that any such insurer has entered into a confidentiality undertaking with respect thereto;
- (n) where necessary for the discharge of the Company's obligations under applicable law;
- (o) where the Company considers it appropriate to disclose such information for the purpose of discharging the Company's obligations under the Rules having due regard to the confidential nature of the information, and taking reasonable care to ensure that the recipient of such information is aware of its confidential nature; or

- (p) where and to the extent that such disclosure is necessary or permitted pursuant to any other Regulation or Administrative Procedure, including for the avoidance of doubt, any Regulation permitting the Company to issue Notices in respect of a Member,

and for the avoidance of doubt, nothing in this Regulation 21 shall prevent the Company from providing LME Data to any third party in accordance with Regulation 18.4 above where and to the extent that any such LME Data that is provided to a third party in respect of a Member is anonymised and/or aggregated with LME Data in respect of other Members.

~~19.3~~21.3 Subject to Regulation 21.4, each Member shall treat as confidential all information concerning the business and affairs of the Company.

~~19.4~~21.4 A Member may disclose any information which is subject to the confidentiality obligations in Regulation 21.3:-

- (a) to any regulator that has responsibility for regulating the Member where required to do so pursuant to any direction, rule or requirement of the regulator or by applicable law;
- (b) to the Company itself;
- (c) where the Member develops the information independently of any information or document provided by the Company;
- (d) to the Member's group, or to employees, officers, consultants, professional advisers or agents of the Member or its group solely to the extent that such persons need to receive such information in order to assist the Member in properly performing its obligations or exercising its rights under these Rules, and subject, in all cases to their agreement to treat such information as strictly confidential;
- (e) with the consent of the Company;
- (f) if and to the extent the information has come into the public domain through no fault of the Member;
- (g) where necessary for the discharge of the Member's obligations under applicable law; or
- (h) where the Member considers it appropriate to disclose such information for the purpose of discharging the Member's obligations under the Rules having due regard to the confidential nature of the information, and taking reasonable care to ensure that the recipient of such information is aware of its confidential nature.

~~20.22.~~22. **FEES & INCENTIVE PROGRAMMES**

~~20.1~~22.1 Members shall pay such fees to the Exchange as the Exchange shall specify by Administrative Procedure from time to time.

~~20.2~~22.2 The Exchange may, from time to time, make available to Members incentive, rebate or market-making programmes that shall operate to provide certain specified benefits and/or modify the fees payable in respect of specified types of Contracts (each such programme being an "**Incentive Programme**").

20.322.3 The Exchange shall specify, by way of notice issued on the public website maintained by the Exchange:

- (a) the eligibility criteria to be satisfied by any Member and, where applicable, any Client of such Member wishing to participate in each Incentive Programme;
- (b) any information and/or application documentation to be submitted to the Exchange by the Member in respect of itself and, where applicable, any Client of such Member wishing to participate in each Incentive Programme;
- (c) the technical and operational procedures to be followed by any Member and, where applicable, any Client of such Member, in order to qualify for the benefits available under an Incentive Programme;
- (d) any conditions, commitments, minimum transaction volumes, or requirements as to the types of transactions executed that are to be satisfied by any Member and, where applicable, any Client of such Member, in order to qualify for the benefits available under an Incentive Programme;
- (e) any information reporting requirements or other obligations that must be complied with by any Member participating in an Incentive Programme;
- (f) the specific benefits available under an Incentive Programme for any Member that complies with the requirements specified in accordance with (a) to (e) above; and
- (g) any other information, descriptions, explanations or details that the Exchange considers relevant to the manner in which the Exchange intends to operate the Incentive Programme,

such criteria, procedures, conditions and requirements under (a) to (e) being the "**Incentive Programme Requirements**" and such benefits under (f) being the "**Incentive Programme Benefits**". The Exchange may, from time to time, amend, add to or replace any Incentive Programme Requirements and/or Incentive Programme Benefits applying to or under any Incentive Programme, and any other information published pursuant to (h), by updating or replacing the relevant notice published on the public website of the Exchange.

20.422.4 Any Member wishing to participate in an Incentive Programme must satisfy the Incentive Programme Requirements for such Incentive Programme that may be specified by the Exchange, in accordance with Regulation 22.3 above, from time to time.

20.522.5 The Exchange may, in its absolute discretion:

- (a) reject any request by a Member:
 - (1) to participate in any Incentive Programme; or
 - (2) to allow a Client to participate in any Incentive Programme; or
 - (3) to apply the Incentive Programme to the activities of any Client; or
- (b) terminate the application of any Incentive Programme to any:
 - (1) Member; or
 - (2) Client, or to the activities of any Client, of a Member.

~~20.622.6~~ For the avoidance of doubt, the Incentive Programme Benefits available in respect of any Incentive Programme may include:

- (a) the specification of a rebate to any fees payable by a Member in respect of any specified type of Contract; or
- (b) the specification of a reduction to any fees payable by a Member in respect of any specified type of Contract; or
- (c) the specification of any other form of monetary or non-monetary benefit that the Exchange may make available to a Member,

and any such Incentive Programme Benefit may be specified as being limited in duration, or applicable only to specific Contracts or Transactions that satisfy certain Incentive Programme Requirements.

~~20.722.7~~ Where any Incentive Programme makes the availability of Incentive Programme Benefits subject to any Incentive Programme Requirements applying to the trading activity of any Client of a Member, or the nature, identity or behaviour of any such Client:

- (a) it shall be the responsibility of the Member to ensure that the relevant Incentive Programme Requirements are satisfied; and
- (b) it shall be the sole responsibility of the Member to notify its Clients of its participation in the Incentive Programme, and the features of such Incentive Programme, together with the satisfaction of any other disclosure requirements that may be applicable under any relevant law or regulation or the terms of any agreement between the Member and any Client; and
- (c) for the avoidance of doubt, the Exchange has no responsibility to any Client for ensuring that any of the Incentive Programme Benefits are made available by the Member to the relevant Client; any such arrangement shall be governed solely by the arrangements established between the Member and the Client.

For the avoidance of doubt, any reference in these Rules to any "participation" by a Client in any Incentive Programme does not create, imply or infer the creation of any contractual relationship between the Exchange and any Client in relation to such Incentive Programme, nor confer on any Client any entitlement to receive any benefits (including Incentive Programme Benefits) from the Exchange. If and to the extent that the Exchange provides an Incentive Programme that is intended to provide an entitlement for a Client to receive Incentive Programme Benefits, such entitlement shall be established pursuant to separate contractual documentation between the Exchange and the relevant Client that explicitly establishes the basis for such entitlement.

~~20.822.8~~ Any Clearing Member that participates in any Incentive Programme shall ensure that it shall not, and that any Client shall not, through its participation in the Incentive Programme:

- (a) affect or distort the proper market in any Contract; or
- (b) commit or permit the commission of any market abuse or any other breach of any applicable law or regulation applying to the Member, Client or the trading of any Contract; or

- (c) enter into any Contract that is not compliant with any applicable Incentive Programme Requirements.

~~20.9~~22.9 The Exchange may, at any time and from time to time, request from a Member such evidence as the Exchange may consider necessary or appropriate to determine the compliance by the Member, or any Client of the Member, with the Incentive Programme Requirements applicable to any Incentive Programme in which the Member or its Client is participating, and the Member shall, upon receipt of such request, promptly provide such evidence.

~~20.10~~22.10 The Exchange may publish the names of any Member or Client participating in any Incentive Programme.

~~20.11~~22.11 The Exchange may withdraw any Incentive Programme, together with any Incentive Programme Benefits available thereunder, at any time in its sole discretion. The withdrawal of any Incentive Programme shall not affect any Incentive Programme Benefits that have accrued to a Member prior to the time of such withdrawal.

~~20.12~~22.12 Subject to Trading Regulation 21, a Member must not pursue, or permit any Client of the Member to pursue, a Market Making Strategy on the Exchange without first notifying the Exchange and entering into such agreements as the Exchange may specify, including any agreement required to satisfy any applicable legal or regulatory requirement. The Member must ensure that any activity it undertakes on the Exchange in pursuing a Market Making Strategy complies with the term of any such agreement, the Rules, including but not limited to the applicable requirements in Trading Regulation 21, and any relevant administrative procedure.

~~20.13~~22.13 Regulation 22.12 above shall apply with effect from 3 January 2018.

~~21.23.~~ **RECORDING OF TELEPHONE CALLS**

~~21.1~~23.1 The Exchange may record:

- (a) telephone calls between representatives of Members and the Exchange; and
- (b) the telephone number from which representatives of Members call the Exchange, together with the time, date and content of the call,

and may maintain records relating to (a) and (b) above, in each case in accordance with the Exchange's policy on telephone recording from time to time and applicable law.

PART 3
TRADING REGULATIONS

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PART 3: TRADING REGULATIONS

1. GENERAL

- 1.1 Members who wish to access any of the Exchange's systems must meet all prescribed connectivity requirements, as amended by the Exchange from time to time. Members must ensure that any connectivity solutions that are utilised have the appropriate degree of resiliency.
- 1.2 The Exchange may fix and from time to time alter the hours of opening and closing the Exchange, the hours for trading by open outcry in the Ring and the hours for trading on LME Select.
- 1.3 The Exchange may, at its absolute discretion, acting reasonably suspend trading on one or more of the Exchange trading venues for such period it considers necessary in the interests of maintaining a fair and orderly market. Trading will be resumed as soon as reasonably practicable following any such suspension of a trading venue.
- 1.4 Members may enter into Agreed Trades at any time on a Business Day notwithstanding that the Exchange may not be open at the time.
- 1.5 The Exchange may implement procedures to establish the maximum price fluctuations on the market for each Metal Contract, which may as a consequence lead to the restriction or suspension of business.
- 1.6 The making by a Trading Member of Contracts shall be subject to the Rules of the Exchange (of which the Trading Regulations form a part). Cleared Contracts shall in addition be subject to the Clearing House Rules.
- 1.7 Contracts may be written only by Trading Members and accordingly at least one party to every Contract must be such a Member. LME Base Contracts may be written only by Category 1, 2, 3 or 4 Members. LMEprecious Futures may be written only by LMEprecious Members.
- 1.8 All Contracts shall be governed by the Rules including:
 - (a) the Trading Regulations;
 - (b) the Contract Regulations;
 - (c) the Traded Options Regulations,
 - (d) the Monthly Average Future Regulations;
 - (e) the Special Rules for the relevant metal, LMEmini Contract, Ferrous Future or for the Construction of the Index;
 - (f) the Premium Contract Regulations;
 - (g) the LMEprecious Regulations; and
 - (h) (in respect of Cleared Contracts) the Clearing House Rules,as effectively as if the same had been expressly inserted therein.

2. **PERMITTED CONTRACTS AND CONTRACT FORMATION**

2.1 **Permitted Contracts**

2.1.1 Members may act only as principals. In all dealings with non-Members they shall comply with the provisions contained in the Rules which refer to relations with Clients and to dealings with Clients.

2.1.2 All dealing by Members in Metal Contracts, LMEmini Contracts, Index Contracts, Ferrous Futures, Monthly Average Futures, Premium Contracts and LMEprecious Futures made subject to the Rules of the Exchange must be evidenced by:

- (a) a Cleared Contract; and/or
- (b) one or more Cleared Contracts and one or more Client Contracts,

and the details of the Agreed Trade that results in the formation of such Contract(s) must be input into the Matching System by the Member. This Regulation shall not impose on the Clearing House any obligation which is not imposed on it by the Clearing House Rules.

2.1.3 Any Contract, except Index Contracts, Ferrous Futures, LMEmini Contracts, Monthly Average Futures, Premium Contracts and LMEprecious Futures, may be written with the price or premium payable in any one of the following currencies and no other: US dollar, euro, Japanese yen or sterling. Index Contracts, Ferrous Futures, LMEmini Contracts, Monthly Average Futures, Premium Contracts and LMEprecious Futures shall be written with the price or premium payable solely in US dollars.

2.2 **Contract Formation**

2.2.1 The basis on which Contracts shall be formed shall be as set out in this Trading Regulation 2.

2.2.2 Agreed Trades may be made:

- (a) in the Ring; or
- (b) in LME Select; or
- (c) in the inter-office market,

(and each of (a), (b) and (c) shall be an "**Execution Venue**"), subject to any restrictions regarding the permissible trading venues for any type of Contract specified in these Rules.

2.2.3 An Agreed Trade shall constitute the agreement of the terms of a transaction for the purpose of enabling Contracts to be formed between each Clearing Member that is:

- (a) party to the Agreed Trade; or
- (b) responsible for the clearing of the Agreed Trade,

and the Clearing House, subject to and in accordance with the Acceptance Criteria of the Clearing House. An Agreed Trade shall not itself constitute a binding contractual agreement between the parties to the Agreed Trade (whether as a Cleared Contract or otherwise) unless and to the extent otherwise specified in these Rules.

- 2.2.4 A Clearing Member shall be "**responsible for the clearing of an Agreed Trade**" where:
- (a) one party to the Agreed Trade is a Client of the Clearing Member; and
 - (b) the Client and the Clearing Member have established arrangements for such Agreed Trade to be cleared by the Clearing Member.
- 2.2.5 An Agreed Trade shall result in the formation of one or more Contracts when it is Executed, in accordance with the applicable Rules governing Execution for the Execution Venue within which the Agreed Trade was agreed.
- 2.3 **Execution of trades in the Ring**
- 2.3.1 Where an Agreed Trade is made in the Ring and satisfies the Acceptance Criteria, the following shall apply.
- (a) The time of such agreement between two Clearing Members shall be the Execution Time.
 - (b) At the Execution Time, Cleared Contracts shall be automatically and immediately formed between the Clearing House and each Member that is party to the Agreed Trade, subject to and in accordance with the Clearing House Rules.
- 2.4 **Execution of trades in LME Select**
- 2.4.1 Where an Agreed Trade is made in LME Select, the following shall apply.
- (a) The Agreed Trade made in LME Select shall, provided that it satisfies the Acceptance Criteria, be Executed at the time that LME Select confirms that the Agreed Trade is matched and that all Pre-Execution Checks are satisfied (and such time shall be the Execution Time).
 - (b) At the Execution Time, Cleared Contracts shall be automatically and immediately formed between the Clearing House and each Member that is party to, or responsible for the clearing of, the Agreed Trade, subject to and in accordance with the Clearing House Rules.
- 2.5 **Execution of trades in the inter-office market**
- 2.5.1 Where an Agreed Trade is made in the inter-office market, the following process shall apply.
- (a) Upon the agreement of an Agreed Trade in the inter-office market, the parties to the Agreed Trade shall become bound to a Contingent Agreement to Trade.
 - (b) The obligations of the parties to the Contingent Agreement to Trade shall be as specified in Regulation 2.10 below.
 - (c) The Agreed Trade shall, provided that it satisfies the Acceptance Criteria, be Executed at the time that the Matching System confirms that the Agreed Trade is matched and that all Pre-Execution Checks are satisfied (and such time shall be the Execution Time).
 - (d) At the Execution Time:

- (i) Cleared Contracts shall be automatically and immediately formed between the Clearing House and each Member that is party to, or responsible for the clearing of, the Agreed Trade, subject to and in accordance with the Clearing House Rules; and
- (ii) the Contingent Agreement to Trade shall be discharged.

2.6 **Formation of Client Contracts**

2.6.1 Where an Agreed Trade is made between:

- (a) a Clearing Member and its Client; or
- (b) a Client of a Clearing Member and any other person, pursuant to an arrangement where the Clearing Member is to be responsible for the clearing of the Agreed Trade,

and upon Execution of the Agreed Trade, one or more Cleared Contracts are formed between the Clearing House and the Clearing Member, then a back-to-back Client Contract shall automatically and immediately come into effect between the Clearing Member and the Client having the same terms as the Cleared Contract and having the same direction as the Cleared Contract, such that:

- (i) where the Member is the Buyer under the Cleared Contract, it shall be the Seller under the Client Contract; and
- (ii) where the Member is the Seller under the Cleared Contract, it shall be the Buyer under the Client Contract.

2.6.2 Where the Client is a Category 4 Member or an LMEprecious Non-Clearing Member, and the Agreed Trade is made by the Category 4 Member or LMEprecious Non-Clearing Member with its own Client, then, in addition to the Client Contract formed pursuant to Regulation 2.6.1 above, an additional back-to-back Client Contract shall automatically and immediately come into effect between the Category 4 Member or LMEprecious Non-Clearing Member and its Client, having the same terms and direction as the Client Contract formed under Regulation 2.6.1, such that:

- (a) where the Member is the Buyer under the Client Contract formed under Regulation 2.6.1 it shall be the Seller under the Client Contract formed under this Regulation 2.6.2; and
- (b) where the Member is the Seller under the Client Contract formed under Regulation 2.6.1, it shall be the Buyer under the Client Contract formed under this Regulation 2.6.2.

2.6.3 A Client Contract shall be deemed to come into effect pursuant to this Regulation 2.6 where both parties to the Client Contract are Members.

2.6.4 Where any party to a Client Contract is not a Member, the back-to-back Client Contract shall come into effect pursuant to the terms of business between the Member and the Client. Any Member seeking to enter into Client Contracts with Clients that are not Members must ensure that its terms of business with such Clients contain provisions giving effect to this Regulation 2.6, and which provide that such Client Contracts shall incorporate and be subject to these Rules.

2.7 **LME Select API**

2.7.1 In the event that a Member makes available to a Client the order-routing facility of the LME Select API and due to any use by a Client of the order-routing facility of the LME Select API:

- (a) one or more Cleared Contracts come into effect between the Clearing House and a Clearing Member; and
- (b) one or more Client Contracts comes into effect between:
 - (i) the Clearing Member and the Client (in accordance with Regulation 2.6.1); and / or
 - (ii) the Clearing Member and a Category 4 Member or LMEprecious Non-Clearing Member (in accordance with Regulation 2.6.1); and / or
 - (iii) a Category 4 Member or LMEprecious Non-Clearing Member and its Client (in accordance with Regulation 2.6.2)

then :

- (1) such Client Contract(s) shall be on the same commercial terms as the Cleared Contract, save that the price of the back-to-back Client Contract(s) may be marked-up or down to reflect a commission payable by the Client to the relevant Member, provided that such mark-up or mark-down to the price has been input into the Matching System prior to the Execution Time;
- (2) when the particulars of the Agreed Trade are input into the Matching System, the Clearing Member that is to become party to the Client Contract must ensure that the particulars of the Agreed Trade that will result in the Client Contract are also input into the Matching System, including the identification of the accounts to which the resulting Cleared Contract(s) should be allocated and the identification of any details reflecting the arrangements specified in (1) above, in accordance with Administrative Procedures; and
- (3) Members are reminded that a Metal Future or Premium Contract is a promise by one party to deliver metal to the other party on the specified Prompt Date and a promise by the other party to pay for that metal on the Prompt Date, and that the obligations to take and to deliver metal must remain open until such specified Prompt Date, subject to any provision of these Rules that specifies otherwise.

2.8 **Pre-Execution Checks**

2.8.1 The Exchange and/or the Clearing House will conduct the following checks prior to allowing an Agreed Trade made in LME Select or the inter-office market to be Executed:

- (a) the Agreed Trade is for a valid Contract, including having a valid Prompt Date (if applicable);

- (b) each Member that is to be party to a Cleared Contract upon Execution of the Agreed Trade is permitted to clear such Cleared Contract;
- (c) any Member that is to be party to a Client Contract upon Execution of the Agreed Trade is permitted to issue such Client Contract;
- (d) the transaction price or, in the case of a Traded Option, premium, is within an acceptable range, as specified by the Exchange from time to time;
- (e) the Agreed Trade is within any parameters (with respect to the number of Lots and notional value) specified by the Member within the pre-trade risk management functionality within the Matching System;
- (f) the transaction details identifying the correct position keeping account(s) at the Clearing House to which the resulting Cleared Contracts should be allocated have been entered into the Matching System;
- (g) (in respect of Agreed Trades made in the inter-office market), the Clearing Member responsible for the Agreed Trade meets the Acceptance Criteria; and
- (h) such other checks as the Exchange and/or the Clearing House may deem prudent or appropriate from time to time.

2.9 **Post-Execution Checks**

- 2.9.1 The Exchange and/or the Clearing House will conduct the checks specified in Trading Regulation 2.8.1(a) to (h) above following the Execution of an Agreed Trade made in the Ring.
- 2.9.2 The Exchange and/or the Clearing House, will following the Execution of an Agreed Trade made in LME Select, check that the Clearing Member responsible for the Agreed Trade has sufficient collateral with the Clearing House to cover the additional risk(s) represented by the Cleared Contract(s) resulting from the Execution of the Agreed Trade.
- 2.9.3 For the avoidance of doubt, where an Agreed Trade falling within Trading Regulations 2.9.1 or 2.9.2 above fails any of the checks specified therein, such failure shall not affect the validity of the Execution of the Agreed Trade or the Contracts that have come into effect upon such Execution.

2.10 **Contingent Agreement to Trade**

- 2.10.1 The terms of a Contingent Agreement to Trade shall be as set out below:
 - (a) where both parties to the Contingent Agreement to Trade are Members:
 - (i) the Contingent Agreement to Trade shall be deemed to come into effect at the time of agreement between the Members of the particulars of the Agreed Trade, and shall be subject to, and governed by, these Rules; and
 - (ii) the obligations of the parties to the Contingent Agreement to Trade shall be to submit the particulars of the Agreed Trade to the Matching System within the timescales specified in Regulation 3.5 below;

- (b) where only one party to the Contingent Agreement to Trade is a Member, the Member shall:
 - (i) be responsible for submitting the particulars of the Agreed Trade into the Matching System in accordance with Regulation 2.10.1(a)(ii);
 - (ii) ensure that its terms of business with the other party (being a Client):
 - (1) specify that any Contingent Agreement to Trade shall come into effect pursuant to such terms of business, and shall incorporate and be subject to, these Rules; and
 - (2) oblige the other party to become bound to the Contingent Agreement to Trade on the basis that the other party's obligations shall be to become bound to, and perform, the Client Contract that shall come into effect in accordance with Regulation 2.6 upon Execution of the Agreed Trade.
- 2.10.2 A Member that is party to a Contingent Agreement to Trade must not submit the particulars of the Agreed Trade into the Matching System if such Member has been declared a Defaulter under these Rules.
- 2.10.3 In the event that a Member that is party to a Contingent Agreement to Trade fails to fulfil its obligations to submit the particulars of the Agreed Trade into the Matching System within the timescales specified in Regulation 3.5:
 - (a) the Member may be subject to disciplinary action for an act of misconduct in accordance with Membership Regulation 14;
 - (b) the Member shall be in breach of the Contingent Agreement to Trade and the Member acknowledges that it shall be liable to the other party to the Contingent Agreement to Trade for any loss suffered by such party as a consequence of such breach; and
 - (c) in the event that the Member becomes a Defaulter after entering into the Contingent Agreement to Trade, the Contingent Agreement to Trade shall automatically and immediately be terminated for all purposes, without prejudice to any liability that may have accrued pursuant to Regulation 2.10.3(b) above. For the avoidance of doubt, and in the absence of any specific agreement to the contrary, the references to "all purposes" above shall include the possible existence of any bilateral (OTC) contract.
- 2.10.4 Any dispute between the parties to a Contingent Agreement to Trade shall, unless resolved between the parties, be referred by either party to arbitration in accordance with the Arbitration Regulations.
- 2.10.5 For the avoidance of doubt, a Contingent Agreement to Trade shall not itself be a derivative contract for the purpose of EMIR or MiFID II, although the Cleared Contracts and any Client Contracts that arise pursuant to the Execution of the Agreed Trade to which the Contingent Agreement to Trade relates may be derivative contracts for such purposes.

2.11 **Give-Ups**

2.11.1 In the event that a Member agrees an Agreed Trade that is to be the subject of a give-up, such Member must comply with such technical, procedural and timing requirements as may be specified in Administrative Procedures, including any requirements relating to: (i) the specification of the accounts at the Clearing House to which the Cleared Contract(s) resulting from the Execution of the Agreed Trade should be allocated; and (ii) any subsequent cancellation or reversal of such Cleared Contract(s) upon acceptance of the give-up by another Clearing Member.

2.11.2 Where a Clearing Member accepts a give-up:

- (a) such Clearing Member shall comply with such technical, procedural and timing requirements as may be specified in Administrative Procedures to facilitate the acceptance of the give-up; and
- (b) the acceptance of the give-up shall, at the time that the Matching System confirms that the Agreed Trade represented by such acceptance satisfies the Acceptance Criteria and that all Pre-Execution Checks are satisfied (such time being the Execution Time), be deemed to result in the Execution of an Agreed Trade between the Clearing Member and the Client which shall result in the formation of a Client Contract between the Clearing Member and the Client, in accordance with Regulation 2.6 above.

3. **THE MATCHING SYSTEM AND RECORDING OF TRADES**

3.1 **Responsibility for Trade Input**

3.1.1 Each Trading Member shall be responsible for the input into the Matching System of all Agreed Trades by him in relation to Contracts.

3.1.2 For the purpose of input of Agreed Trades, Trading Members shall install and maintain within their offices such electronic data input and capture systems as may be required and approved by the Exchange for the purpose of using the Matching System. They shall ensure the operational capability of such systems at all times and operate the same in accordance with any terms as may be prescribed by the Exchange.

3.2 **Form for Recording of Trades**

3.2.1 Agreed Trades made in the Ring shall be recorded as they are agreed on such form as may be approved by the Exchange, and shall also be input into the Matching System.

3.2.2 All other Agreed Trades made by Trading Members shall be recorded on Trading Members' own recording documentation and shall also be input into the Matching System.

3.2.3 All Agreed Trades required to be input into the Matching System shall be input in such form and within such time as may be prescribed by the Exchange from time to time.

3.3 **Identification of Clearing House Accounts**

3.3.1 Each Clearing Member must, in respect of each Agreed Trade that it inputs to the Matching System specify to which account at the Clearing House the resulting Cleared Contracts should be allocated. It is the sole responsibility of the Clearing Member to ensure that any Cleared Contract that is to be allocated to a "client account" (whether it is an "omnibus"

client account, an "individually segregated" client account or an "indirect" client account) is so allocated through the input of the relevant information into the Matching System. Where an Agreed Trade is entered into by a Category 4 Member or an LMEprecious Non-Clearing Member, such Member and the Clearing Member that is responsible for clearing the Agreed Trade shall comply with the Administrative Procedures with respect to the requirements for identifying the account(s) at the Clearing House to which the resulting Cleared Contracts should be allocated.

3.3.2 Members shall comply with any requirements specified by the Clearing House and any requirements under applicable law (including EMIR) regarding the identification and allocation of Cleared Contracts to accounts at the Clearing House.

3.3.3 Where:

- (a) an Agreed Trade relates to an LME Base Contract:
 - (i) an Agreed Trade between two Clearing Members shall be allocated to each Clearing Member's house account at the Clearing House;
 - (ii) an Agreed Trade between a Client and the Clearing Member responsible for clearing the Agreed Trade shall result in the allocation of Cleared Contracts to both:
 - (1) the Clearing Member's house account; and
 - (2) the Clearing Member's appropriate client account at the Clearing House;
 - (iii) an Agreed Trade between a Client and any other person shall result in the allocation of Cleared Contracts to both:
 - (1) the house account of the Clearing Member responsible for clearing the Agreed Trade; and
 - (2) the client account of the Clearing Member responsible for clearing the Agreed Trade;
- (b) an Agreed Trade relates to an LMEprecious Future:
 - (i) an Agreed Trade that is a proprietary trade of an LMEprecious Clearing Member shall be allocated to the house account of the LMEprecious Clearing Member at the Clearing House; and
 - (ii) an Agreed Trade made by a Member, and for which an LMEprecious LMEprecious General Clearing Member is responsible for clearing such Agreed Trade may be allocated to a house account of the LMEprecious General Clearing Member (where the Agreed Trade is a proprietary trade of the LMEprecious General Clearing Member falling within (i) above) or a client account of the LMEprecious General Clearing Member (in any other circumstance).

3.3.4 In the event that a Cleared Contract is allocated by the Clearing House to an administrative account due to any determination by the Clearing House that the details of the Agreed Trade submitted by a Member have incorrectly identified the account at the Clearing

House to which the Cleared Contract should be allocated, the Member must, within the Opening Hours on the Business Day following the agreement of the Agreed Trade, submit corrected instructions to LME Clear, specifying the correct account to which the Cleared Contract should be allocated.

3.4 **Matching**

3.4.1 For the purpose of matching Agreed Trades the Exchange shall divide each Business Day into "Matching Periods". The Administrative Procedures shall specify the application of the Matching Periods.

3.4.2 Any dispute or difference between Trading Members as to matching of any Agreed Trade or alleged Agreed Trade may be referred to arbitration in accordance with the Rules of the Exchange by either such Trading Member.

3.5 **Deadlines**

3.5.1 Each Member responsible for the input of an Agreed Trade and all relevant particulars of the Agreed Trade into the Matching System must do so within the following timescales:

- (a) where the Agreed Trade is made in LME Select, at the time of the input of the order for the Agreed Trade in LME Select;
- (b) where the Agreed Trade is made in the inter-office market:
 - (i) (except where (ii) below applies) within 10 minutes of the Contingent Agreement to Trade in respect of the Agreed Trade having been agreed; or
 - (ii) where the Contingent Agreement to Trade in respect of the Agreed Trade is agreed:
 - (1) during the last 10 minutes of the Opening Hours of the Matching System; or
 - (2) outside the Opening Hours of the Matching System,within such timeframe as is specified by the Exchange from time to time; and
- (c) where the Agreed Trade is made in the Ring, within 10 minutes of the close of the Ring trading-period in which the Agreed Trade was Executed.

Any failure by a Member to comply with this Regulation 3.5 shall be an act of misconduct for the purposes of Regulation 14 of the Membership Regulations, and may result in disciplinary action against the Member by the Exchange.

3.5.2 Where an Agreed Trade is made in the inter-office market and its particulars are not entered into the Matching System:

- (a) (except where (ii) below applies) by the close of the Opening Hours for the Business Day on which the Contingent Agreement to Trade in respect of the Agreed Trade has been agreed; or
- (b) where the Contingent Agreement to Trade in respect of the Agreed Trade is agreed outside the Opening Hours, by the next following close of the Opening Hours,

the Matching System will not accept the Agreed Trade.

3.6 Presentation of Particulars

3.6.1 Only Agreed Trades which have been agreed in accordance with these Rules, and which satisfy the Acceptance Criteria of the Clearing House, may give rise to Contracts.

3.6.2 Particulars of an Agreed Trade presented to the Clearing House by the Matching System shall be deemed to be presented by the Clearing Members in whose names it is presented and accordingly, under the Clearing House Rules, presentation of the particulars by the Matching System shall constitute confirmation of the Agreed Trade by those Clearing Members.

3.6.3 Upon such presentation of particulars the Clearing House shall, subject as provided in the Clearing House Rules, send to each Clearing Member in whose name they are confirmed a member-registration statement showing the date and other particulars of each accepted Agreed Trade and the resulting Cleared Contract or a summary thereof. If the Clearing House does not accept an Agreed Trade particulars of which have been presented to it, it shall notify the contracting parties within a reasonable time. This provision is without prejudice to, and subject to, the rights and obligations of the Clearing House under the Clearing House Rules.

3.7 Maintenance of Records

3.7.1 Every Trading Member shall keep such records, with such content and in such form, as may be required to demonstrate compliance by the Member with the Rules.

In particular, such Members shall keep records of all Agreed Trades and resulting Contracts in such form as the Exchange may approve and such records shall include the following details:-

- (a) name of the other party;
- (b) whether the Member has bought or sold or, in the case of a Traded Option, granted or taken;
- (c) the metal or Precious Metal or Index or Ferrous Index;
- (d) whether the Contract is an LMEmini Contract;
- (e) Prompt Date (if applicable) and, in the case of a Traded Option, maturity or declaration month, Strike Price, and whether the Traded Option is a put or a call,
- (f) whether the Contract is a Monthly Average Future and, if so (i) the tradeable month which is to be used to calculate the Monthly Average Settlement Price; and (ii) the fixed price agreed between the buyer and the seller in the Contract;
- (g) whether the Contract is a Premium Contract;
- (h) in relation to any Premium Contract:
 - (i) the Premium Warrant Jurisdiction; and
 - (ii) the Premium Contract Price; and

- (iii) any other details specified in the Premium Contract Regulations;
- (i) whether the Contract is an LMEprecious Contract;
- (j) quantity;
- (k) transaction price or, in the case of a Traded Option, premium; and
- (l) date and time of transaction; and
- (m) in relation to any Cleared Contract, the account of the Clearing House to which the Cleared Contract has been allocated by the Clearing Member, which may include for the avoidance of doubt, the Clearing Member's "house" or "proprietary" account, or a relevant "client" account, being either segregated on an "omnibus" basis or an "individual" basis with respect to the Clearing Member's Clients and, where relevant, Indirect Clients of the Clearing Member.

3.7.2 The time of a transaction effected by open outcry in the Ring shall be recorded by denoting the Ring-trading period in which the transaction is effected, using the appropriate abbreviation from below:-

"R1" for the first Ring of the first session;

"R2" for the second Ring of the first session;

"K1" to "K6" for the ensuing kerb;

"R3" for the first Ring of the second session;

"R4" for the second Ring of the second session;

"K7" to "K9" for the ensuing kerb.

3.8 **Post-Compression Contracts**

3.8.1 For the avoidance of doubt, nothing in this Regulation 3 shall require a Post-Compression Client Contract to be separately input into the Matching System as a consequence of its creation pursuant to Compression. The input of the original trade that gave rise to the Contract that was subject to Compression is sufficient to ensure that such trade (and any Contracts and Post-Compression Contracts resulting therefrom) is recorded in the Matching System.

3.9 **Pre-Requisites to Contract Formation**

3.9.1 Upon entry into the Matching System of the particulars of any Agreed Trade, each Member that is party to the Agreed Trade must:

- (a) specify the Clearing Member that is responsible for the clearing of the Agreed Trade for such Member;
- (b) specify the relevant account of such Clearing Member at the Clearing House to which the Cleared Contract(s) that will result from the Execution of the Agreed Trade must be allocated;

- (c) have ensured that such Clearing Member has agreed to clear the Agreed Trade and to the allocation of the Cleared Contract(s) in accordance with (b) above;
- (d) have ensured that such Agreed Trade is not agreed or entered into the Matching System unless any prior requirements specified by the Clearing House in accordance with the Clearing House Rules have been satisfied;
- (e) where any Client is to be party to any Client Contract to be formed pursuant to these Rules upon Execution of the Agreed Trade, and such Client is not a Member, have agreed terms of business with such Client providing for:
 - (i) the agreement of such Client that the formation and performance of such Client Contract shall be subject to and in accordance with these Rules, as if such Rules were incorporated into such terms of business; and
 - (ii) where any such Agreed Trade is made in the inter-office market, the formation of a Contingent Agreement to Trade between the Member and the Client, having the terms described in Trading Regulation 2.10 above.

3.9.2 Each Member must ensure that it has systems and controls in place to ensure that, before it enters into an Agreed Trade:

- (a) where the Member is a Clearing Member, it can; or
- (b) where the Member is not a Clearing Member, its Clearing Member can

at all times comply with any requirements imposed by, and systems operated by, the Exchange or the Clearing House regarding the verification that the Clearing Member has sufficient collateral.

3.10 **Corrections**

3.10.1 In the event that the Matching System determines that an Agreed Trade made in LME Select or the inter-office market has failed to satisfy any Pre-Execution Checks on the basis of the checks (any such failed check being a "**Failed Check**") applied to any Member that is party to the Agreed Trade or that would be party to any Cleared Contract resulting from the Execution of such Agreed Trade, the Member shall comply with the requirements of the Administrative Procedures regarding the correction of such Failed Checks.

3.10.2 Where, as a consequence of a Member having submitted incorrect information to the Matching System in respect of an Agreed Trade, the resulting Cleared Contract(s) are allocated by the Clearing House to the incorrect account of the Clearing Member, the Member must promptly submit corrected information to the Matching System.

3.11 **Failure to Input Ring Trade**

3.11.1 In the event that:

- (a) a Member has Executed an Agreed Trade in the Ring;
- (b) the Member subsequently becomes a Defaulter; and

- (c) prior to becoming a Defaulter, the Member has failed to input the particulars of the Agreed Trade into the Matching System, or has input particulars that are incorrect in any respect,

then the Exchange may, where it has evidence of the particulars of the Agreed Trade, input such particulars into the matching system on behalf of the Member in order to ensure that such particulars are recorded within the systems of the Exchange and the Clearing House, and to enable the Clearing House to identify the Cleared Contract(s) that have come into effect from the Execution Time. The Exchange may use such information as it has available to it to determine the relevant particulars, including any information available from recordings of the dealings in the Ring.

3.12 Agreed Trades as Gross Transactions

Each Member shall ensure that the details of each Agreed Trade arranged in the inter-office market that is input by or on behalf of the Member into the Matching System shall constitute the details of a single, distinct transaction, without the application of any netting, compression or aggregation by the Member of multiple transactions or Agreed Trades, except where:

- (a) the Member has aggregated Agreed Trades representing either multiple buy or multiple sell transactions (being transactions in the same direction); and/or
- (b) where Agreed Trades representing multiple buy or multiple sell transactions (being transactions in the same direction) have their Prompt Date adjusted to another date in accordance with the Rules.

For the avoidance of doubt, this provision is without prejudice to the ability of a Member to participate in the OTC Backloading Service in accordance with the Matching Rules and the Clearing House Rules.

3.12.13 Administrative Procedures

3.12.13.1 Administrative Procedures shall apply to determine how Members shall effect certain trading operations using the facilities of the Exchange. The Administrative Procedures containing the "Matching Rules" shall be supplemental to these Trading Regulations.

3.12.23.13.2 In the event of any conflict between these Rules and the Administrative Procedures, these Rules shall prevail.

4. PRICE INFORMATION

- 4.1 For the purpose of disseminating information as to prices obtaining at any time during business hours of any Business Day:-
- 4.1.1.1 the Exchange shall, during Ring and kerb trading, input current prices for all types of contract traded in the Ring to the Exchange's price-reporting service;
- 4.1.1.2 the Exchange shall, during LME Select trading hours, input the current best bid and best offer prices shown on LME Select and the aggregated volumes for each, together with the price and volume of each trade transacted, to the Exchange's price-reporting service;
- 4.2 Representatives of the Exchange shall be in attendance during Ring and kerb trading on each Business Day for the purpose of maintaining a record of trends in prices bid, offered and traded for all Contracts and, in respect of Carries, of price spreads.

- 4.3 Members shall not supply the aforementioned pricing-information in the form of a video- or data-feed directly or indirectly to any financial information service provider other than the Exchange or any of its authorised agents without prior written consent of the Exchange.
5. **SETTLEMENT PRICES AND OTHER OFFICIAL PRICES**
- 5.1.1 At the close of the morning Ring trading session for each metal (for which there is a Ring trading session) and before commencement of kerb trading the Quotations Committee shall determine and post in the Exchange as soon as possible thereafter Official Prices for that metal in its Major Currency. Such prices shall be at the levels which the Quotations Committee determines to have been the last bid and offered prices in the second Ring or, where it determines there were not such prices, at such other level as it may in its discretion decide for Cash, three months and:-
- (a) fifteen months forward in the case of Steel Billet, Cobalt, Molybdenum and Tin;
 - (b) the third Wednesday in December of the following calendar year in the case of Aluminium Alloy and North American Special Aluminium Alloy; and
 - (c) the third Wednesday in December of each of the following three calendar years in the case of all other metals.
- 5.1.2 At the close of the morning Ring trading session for Premium Contracts and before commencement of kerb trading the Quotations Committee shall determine and post in the Exchange as soon as possible thereafter the Official Prices for Premium Contracts. Such prices shall be at the levels which the Quotations Committee determines to have been the last bid and offered prices in the second Ring or, where it determines there were not such prices, at such other level as it may in its discretion decide for the third Wednesday in the first, fourth and fifteenth months forward for each type of Premium Contract.
- 5.2 The Official Prices so determined shall immediately be reported by the Exchange to the Clearing House.
- 5.3 If the second succeeding Business Day is a Prompt Date:
- (a) the Official Prices for metals as determined under Regulation 5.1.1 above shall be the Settlement Prices for the relevant metal for that Prompt Date; and
 - (b) the Official Prices for Premium Contracts as determined under Regulation 5.1.2 above shall be the Settlement Prices for the relevant Premium Contract for that Prompt Date.
- 5.4 At the same time as the Quotations Committee determines official Settlement Prices, it shall in addition determine Official Prices for all metals in their respective Major Currencies for the Prompt Dates three months and:-
- (a) fifteen months forward in the case of Steel Billet, Cobalt, Molybdenum and Tin;
 - (b) the third Wednesday in the December of the following calendar year in the case of Aluminium Alloy and North American Special Aluminium Alloy;
 - (c) the third Wednesday in December of each of the following three calendar years in the case of all other metals.

The said prices shall be determined on the basis of trading during the second of that morning's Ring trading-sessions or on such other basis as the Quotations Committee shall, in its discretion, decide.

5.5 At the close of the afternoon Ring trading-session the Quotations Committee shall determine prices for metals in the same manner as provided in Regulation 5.1.1 and 5.1.2 but on the basis of trading in the fourth Ring. Such prices shall be known as "Unofficial Closing Prices" and shall be posted in the Exchange.

5.6 After the close of the afternoon Ring-trading session on the Prompt Date of each Index Contract, the Quotations Committee shall determine and publish the level of the Index based upon the Closing Prices of the Constituent Metals determined and published for that day in accordance with Regulation 6.1 of these Trading Regulations. The level of the Index so determined shall immediately be reported by the Company to the Clearing House and shall be the Settlement Price for the Index for such Index Contracts and for Cleared Contracts that have come into effect pursuant to the registration of Index Contracts by the Clearing House.

5.7 **Settlement Prices for Ferrous Futures and LMEprecious Futures**

5.7.1 The Ferrous Daily Settlement Price and the LMEprecious Daily Settlement Price shall be calculated using a volume weighted average price ("VWAP") from transactions on LME Select between such periods as shall be specified by way of Notice.

The Exchange may specify a minimum volume threshold with respect to each Contract that is subject to this daily Settlement Price process, which shall be advised to the market from time to time by way of Notice.

5.7.2 In the event that the minimum volume threshold requirement is not reached, then the Ferrous Daily Settlement Price or LMEprecious Daily Settlement Price (as applicable) shall be determined as follows:

- (a) it shall be the last traded price within the bid/offer on the close of the pricing period, unless any of the following apply;
- (b) if the last traded price is outside of the bid/offer on the close of the pricing period, then the closest price to the last trade that falls within the bid/offer will be used;
- (c) if no trades have occurred during the pricing period, then the mid-point of the bid/offer on the close of the pricing period will be used;
- (d) if no trades have occurred during the pricing period and no bid/offer exists on the close of the pricing period, then the last traded price may be used but there is no obligation on the Exchange to determine that Ferrous Daily Settlement Price or LMEprecious Daily Settlement Price (as applicable) at that level;
- (e) if no trades have occurred during that day and no bid/offer exists, then the Ferrous Daily Settlement Price or LMEprecious Daily Settlement Price (as applicable) will be determined with reference to market activity in related Prompt Dates and/or market activity during the pricing period on the previous Business Day; and

- (f) where no such pricing information exists, then the Ferrous Daily Settlement Price or LMEprecious Daily Settlement Price (as applicable) will be determined by the Exchange in its absolute discretion.

5.7.3 The Ferrous Final Settlement Price shall be determined with reference to the Monthly Ferrous Index.

5.7.4 Errors in the Ferrous Index

- (a) If, not later than 30 minutes after the Ferrous Final Settlement Price has been published by the Exchange, any Member of the Exchange notifies the Exchange of, or it otherwise comes to the attention of the Exchange that there is an alleged or apparent error in the Ferrous Index, then the Exchange shall promptly request the index provider investigate such alleged or apparent error. If in the index provider's opinion an error has been made, the index provider shall correct any Ferrous Index value affected thereby and the Exchange shall as soon as reasonably practicable publish a correction to the Ferrous Final Settlement Price, as required.
- (b) No correction to the Ferrous Index shall be made other than may be allowed for in Regulation 5.7.4(a).
- (c) Without prejudice to the generality of Regulation 19 (*Liability*) of these Trading Regulations, neither the Exchange nor its officers, employees, agents or representatives shall have any liability whatsoever in respect of any decision as to whether or not to correct the Ferrous Index, or as to whether or not to re-determine the Ferrous Final Settlement Price.

5.7.5 The LMEprecious Final Settlement Price shall be the last LMEprecious Daily Settlement Price calculated for the relevant Prompt Date that is specified by way of Notice as being determinative of such LMEprecious Final Settlement Price. This price will be established on the Business Day prior to the relevant Prompt Date.

5.7.6 Any reference in these Rules to an LMEprecious Final Settlement Price determined for, pertaining to, or in respect of, a Prompt Date means the last LMEprecious Final Settlement Price determined prior to such Prompt Date in accordance with Regulation 5.7.5 above.

5.8 **The Daily Settlement Price for Metal Options, Traded Average Price Options and Index Options**

5.8.1 The daily Settlement Price for Metal Options, Traded Average Price Options and Index Options shall be determined in accordance with the following, with the Clearing House having overall responsibility for the determination of the daily Settlement Price for Metal Options, and the Exchange having day-to-day responsibility for the determination of such daily Settlement Price on a delegated basis.

5.8.2 For Traded Average Price Options, the Exchange shall input to the screen information service and display thereon the daily Settlement Price, Moving Monthly Average Settlement Price and Monthly Average Settlement Price for the relevant metal during the relevant tradeable month according to the currency in which the Traded Average Price Option is denominated.

5.8.3 For the purpose of enabling the Clearing House to determine Metal Option, Traded Average Price Option, and Index Option daily Settlement Prices pursuant to the Clearing

House Rules, the Exchange shall, on each Business Day, use such options valuation methodology as may be agreed between the Exchange and the Clearing House from time to time for the purposes of its valuations. Without prejudice to the generality of the foregoing, the Exchange may determine the volatilities prevailing in the Market at or around 17:15 hours, for the Strike Price nearest the Closing Price and for such other Strike Prices as may be required by the Exchange in agreement with the Clearing House, of the relevant Metal Option, Traded Average Price Option, and Index Option Contract and each relevant month in which the relevant Metal Option, Traded Average Price Option, and Index Option is traded, and communicate the above to the Clearing House at or around 18:30 hours. The determination of the Closing Prices will take into account contributions from Members, voluntary contributions from Members and/or Clients and trading activity throughout the day.

5.8.4 If a Member is active in a particular Metal Option, Traded Average Price Option, and/or Index Option at any particular time as determined by the Exchange, it shall be obliged to submit closing volatilities to the Exchange (in consultation, where appropriate, with the Clearing House), for the purpose of the Clearing House valuations if requested by the Exchange, unless the Exchange expressly states in its request that such contribution would be voluntary. If a Member fails to comply with such a request, or provides inaccurate or unreflective submissions, such Member may be subject to Exchange disciplinary procedures.

5.8.5 If a Client (who is not also a Member) is active in a particular Metal Option, Traded Average Price Option, and/or Index Option at any particular time, such Client may choose to submit closing volatilities to the Exchange on a daily basis for the purpose of the Clearing House valuations. The Exchange (in consultation with the Clearing House) will have absolute discretion to stop using voluntary submissions from any particular Client if they are deemed to be inaccurate or unreflective of volatilities prevailing in the market. Neither Clients nor Members shall be liable for any inaccurate or unreflective submissions made under this Rule 5.8.5.

6. CLOSING PRICES AND MARGIN

6.1 After the close of the afternoon Ring-trading session on each Business Day the Quotations Committee shall determine and publish Closing Prices in the Major Currency for each metal (for which there is a Ring trading session) for each Prompt Date, and the Index Futures Closing Price for each month forward, and the Premium Contract Closing Prices and the Company shall communicate the same to the Clearing House within a reasonable time after close of kerb trading. The Quotations Committee shall at the same time advise the Clearing House of such quoted values of Metal Contracts and Premium Contracts for such other Prompt Dates as may be necessary to enable current prices for all Prompt Dates to be calculated.

6.2 For the purposes of Initial and Variation Margin, Carries shall comprise two or more separately identifiable Contracts each with a different Prompt Date.

6.3 Where in any documentation issued by the Exchange in relation to LMEprecious Futures refers to the "Closing Price" of such Contract(s), such reference shall be construed to mean the LMEprecious Daily Settlement Price.

7. **PAYMENT SYSTEM**

Every Clearing Member shall make such arrangements as may be requisite for his participation in the payment system administered by the Clearing House.

8. **PROMPT DATES**

8.1 Metal Futures may have any of the following Prompt Dates (but subject, where relevant, to sub-paragraph 8.2 and 8.4 of this Regulation):-

- (a) Cash Today;
- (b) Cash;
- (c) each other day forward from Cash to the day which is three months forward from the date upon which the Contract is made (the "three-months date");
- (d) each Wednesday falling after the three-months date until and including the last Wednesday in the sixth calendar month after the calendar month in which the Contract is made;
- (e) each third Wednesday in each calendar month from and including the seventh calendar month to and including the fifteenth calendar month in the case of Contracts for Cobalt, Molybdenum, Steel Billet and Tin, or the twenty-seventh month in the case of Contracts for Aluminium Alloy and North American Special Aluminium Alloy, or the sixty-third month in the case of Lead, Primary Nickel and Special High Grade Zinc, or the one hundred and twenty-third month in the case of High Grade Primary Aluminium and Copper – Grade A, after the calendar month in which the Contract is made; or
- (f) the second Business Day of each calendar month from and including the fourth calendar month to and including:
 - (i) the twenty fourth calendar month after the calendar month in which the Contract is made, in the case of Contracts for Aluminium Alloy, North American Special Aluminium Alloy, High Grade Primary Aluminium, Copper – Grade A, Primary Nickel and Special High Grade Zinc; or
 - (ii) the fifteenth calendar month after the calendar month in which the Contract is made, in the case of Lead and Tin.

8.2 Index Contracts may have as their Prompt Dates (but subject, where relevant, to sub-paragraph 8.4 of these Trading Regulations) the second Wednesday in each permitted expiry month.

8.3 No Metal Contract in which the price is denominated in a currency other than sterling, US dollars or euro may be made for Cash Today or with a Prompt Date falling on a day which the Exchange shall have declared to be a day on which commercial banks in the principal financial centre for the currency concerned will not be open for the transaction of foreign exchange business. No Metal Option Contract may be made which, on declaration, would result in a Futures Contract with such a Prompt Date.

8.4.1 Except in relation to Monthly Average Futures, if any Prompt Date would fall on a day which is not a Settlement Business Day it shall instead fall on the next succeeding day which is a Settlement Business Day except:-

- (a) if the Prompt Date would fall on a Saturday and the preceding Friday is a Settlement Business Day;
- (b) if the Prompt Date would fall on Good Friday;
- (c) if the Prompt Date would fall on Christmas Day (and Christmas Day is on a Tuesday, Wednesday, Thursday or Friday); or
- (d) if the Prompt Date would fall on any other day which the Directors have specially declared is not a Business Day.

In the case of (a), (b) and (c) above, the Prompt Date shall instead fall on the preceding Settlement Business Day. In the case of (d) above the Prompt Date shall instead fall on such day as the Exchange in its absolute discretion shall determine.

8.4.2 If any Prompt Date falling within Trading Regulation 8.1(c) would, in spite of or by reason of the provisions of Trading Regulation 8.4.1, fall in the fourth calendar month after the calendar month in which the contract was made, it shall instead fall on the last Settlement Business Day in the third such calendar month.

8.4.3 The Chief Executive or the Head of Market Operations shall be empowered to declare, by way of Administrative Procedure given on such notice as is reasonably practicable, that a particular date shall not be a Prompt Date, for the purposes of facilitating the migration to an alternative Clearing House or for any other reason. In such cases, where trading has already taken place for a Prompt Date which is subsequently declared not to be a Prompt Date, then any open positions will be rolled to the next available Prompt Date or such other date as the Exchange may determine in its absolute discretion.

8.5 LMEmini Futures may have the following Prompt Dates:

- (a) if, in any calendar month, the Contract is made on or before the LMEmini Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of that calendar month and on the third Wednesday of each calendar month thereafter for eleven months, subject, where relevant, to Trading Regulation 8.4.1; or
- (b) if, in any calendar month, the Contract is made after the LMEmini Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of the next eleven calendar months thereafter, subject, where relevant, to Trading Regulation 8.4.1.

8.6 Monthly Average Futures may have the following Prompt Dates:

- (a) two Business Days following the last Business Day in the tradeable month which is to be used to calculate the Monthly Average Settlement Price; or
- (b) where (a) is not a Settlement Business Day, the next Business Day which is a Settlement Business Day.

- 8.7 Ferrous Futures Contracts may have the Prompt Dates specified in the Special Contract Rules for Ferrous Futures.
- 8.8 Premium Contracts may have the following Prompt Dates:
- (a) if, in any calendar month, the Contract is made on or before the Premium Contract Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of that calendar month and on the third Wednesday of each calendar month thereafter for fifteen months, subject, where relevant, to Trading Regulation 8.4.1; or
 - (b) if, in any calendar month, the Contract is made after the Premium Contract Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of the next fifteen calendar months thereafter, subject, where relevant, to Trading Regulation 8.4.1.
- 8.9 LMEprecious Futures may have the Prompt Dates specified in the LMEprecious Regulations.
- 8.10 Except as otherwise provided in these Trading Regulations, the Contract Regulations, the Traded Options Regulations and the Default Regulations each Contract shall be settled on its Prompt Date and, except as aforesaid, Metal Contracts and Premium Contracts shall not be settled earlier notwithstanding that an offsetting Contract for the same tonnage and Prompt Date may have been made. For the avoidance of doubt, this Trading Regulation 8.10 is subject to, and shall be construed in accordance with Regulation 4.4 of the Contract Regulations.
- 8.11 This Trading Regulation 8 is subject to Regulation 3.4.3 of the Default Regulations.

9. SETTLEMENT OF CONTRACTS

9.1 Cleared Contracts - General:

- 9.1.1 In Trading Regulations 9.1 to 9.4, references to "Cleared Contracts", "Cleared Metal Contracts", "Cleared LMEmini Contracts", "Cleared Index Futures", "Index Options", "Monthly Average Futures", "Cleared Monthly Average Futures", "Cleared Ferrous Futures", "Cleared Premium Contracts" and "Cleared LMEprecious Futures" shall be construed to include any Cleared Contract that arises pursuant to the Clearing House Rules upon the Execution of any Agreed Trade pursuant to these Rules and the Clearing House Rules.
- 9.1.2 Settlement of all Cleared Metal Contracts whether by offset or by delivery and settlement of differences shall be made on the relevant Prompt Date by reference to the Settlement Price determined for that Prompt Date in the currency of the relevant Cleared Metal Contract. Where the currency of the Cleared Metal Contract is not the Major Currency of the relevant metal, settlement shall be made by reference to the Settlement Price translated into the currency of the Cleared Metal Contract at the rate determined by the Company. Settlement of accrued rent and weight differences shall be made by reference to the Settlement Price applicable for that Prompt Date and in the Major Currency of the contract concerned.
- 9.1.3 Settlement of all Cleared LMEmini Contracts shall be made in cash on the relevant Prompt Date by reference to the Settlement Price determined for that Prompt Date for the relevant

underlying metal, provided that only the difference between the Settlement Price of the underlying metal on the Prompt Date and the price of the underlying metal agreed in the Contract shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract size.

- 9.1.4 In addition to their settlement on the Prompt Date, all Cleared LMEmini Contracts shall be subject to settlement to market in accordance with the Clearing House Rules.
- 9.1.5 Settlement of all Cleared Index Futures shall be made in cash on the Settlement Business Day following the Prompt Date. Settlement shall be made by reference to the Settlement Price of the Index, determined as provided in Trading Regulation 5.6, provided that only the difference between the Settlement Price of the Index and the Contract price shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract size.
- 9.1.6 In addition to their settlement on the Settlement Business Day following the Prompt Date, all Cleared Index Futures shall be subject to settlement to market in accordance with the Clearing House Rules.
- 9.1.7 Settlement of Index Options exercised in accordance with the Index Options Regulations shall be made in cash on the Settlement Business Day following the Prompt Date. The Granter shall pay to the Taker an amount in cash equal to the difference between the Settlement Price of the Index and the Strike Price multiplied by the Contract size.
- 9.1.8 Settlement of all Monthly Average Futures shall be made in cash on the relevant Prompt Date. Settlement shall be made by reference to the Monthly Average Settlement Price for the relevant tradeable month for the relevant underlying metal, provided that only the difference between the Monthly Average Settlement Price for the relevant tradeable month for the relevant underlying metal and the fixed price agreed by the buyer and seller in the relevant Contract shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract Size.
- 9.1.9 In addition to their settlement on the Prompt Date, all Cleared Monthly Average Futures shall be subject to daily marking to market in accordance with the Clearing House Rules.
- 9.1.10 Settlement of all Cleared Ferrous Futures shall be made in cash on the Settlement Business Day following the Prompt Date. Settlement shall be made by reference to the Ferrous Final Settlement Price, determined in accordance with the process specified in the Special Contract Rules for Ferrous Futures.
- 9.1.11 In addition to their settlement on the Settlement Business Day following the Prompt Date, all Cleared Ferrous Futures shall be subject to daily settlement to market in accordance with the Clearing House Rules.
- 9.1.12 Cleared Ferrous Futures shall settle in accordance with the Special Contract Rules for Ferrous Futures.
- 9.1.13 Cleared Premium Contracts shall settle in accordance with the Premium Contract Regulations.
- 9.1A **Cleared LMEprecious Futures – Settlement by Delivery**

- 9.1A.1 Settlement of all Cleared LMEprecious Futures shall be made by delivery of the relevant Lots of Precious Metal on the relevant Prompt Date in exchange for payment in US Dollars, calculated by reference to the LMEprecious Final Settlement Price determined for that Prompt Date and in accordance with the Clearing House Rules.
- 9.1A.2 In addition to their settlement on the Prompt Date, all Cleared LMEprecious Futures shall be subject to daily settlement to market in accordance with the Clearing House Rules.
- 9.1A.3 If a Clearing Member fails duly to deliver any amount of Precious Metal due to be delivered to the Clearing House:
- (a) the Clearing House may take such action as may be specified under the Clearing House Rules;
 - (b) such failure shall constitute an act of misconduct for the purposes of Regulation 14 of the Membership Regulations; and
 - (c) notwithstanding any application of the disciplinary process in Regulation 14 of the Membership Regulations, the Exchange shall co-ordinate with the Clearing House to determine the level of any fine or other penalty to be levied on the Clearing Member and the basis on which such fine or penalty may be imposed. For the avoidance of doubt, any failure by the Exchange to levy a fine or other penalty on the Clearing Member in respect of any failure to deliver Precious Metal shall not prevent the Clearing House from levying any fine or other penalty on the Clearing Member in accordance with the Clearing House Rules (and vice versa).
- 9.2 **Cleared Metal Contracts - Settlement of Differences:**
- Differences shall be established on the relevant Prompt Date, in respect of all Cleared Metal Contracts, between the contract price and the Settlement Price determined for that Prompt Date. The Clearing House shall account to Clearing Members for differences thus established by placing the same to their credit or debit as the case may require in accordance with the Clearing House Rules.
- 9.3 **Cleared Metal Contracts - Closing by Offset:**
- Bought and sold Cleared Metal Contracts of a Clearing Member for the same metal and Prompt Date and in the same currency shall, to the extent that they match each other, be closed on their Prompt Date by offsetting.
- 9.4 **Cleared Metal Contracts - Settlement by Delivery:**
- 9.4.1 The net Lots covered by Cleared Metal Contracts remaining following offset under Trading Regulation 9.3 shall be settled on their Prompt Date by payment subject to the Clearing House Rules.
- 9.4.2 The Clearing House shall raise invoices or credit notes for the contract weight of the net Lots covered by such Cleared Metal Contracts at the Settlement Price and in the currency of the relevant Cleared Metal Contract and shall deliver the same to the relevant Clearing Members. Such invoices and credit notes shall be for the contract weight without allowance for storage rent accrued and differences between contract weight and Warrant weight.

- 9.4.3 Payments and receipts in respect of the invoices and credit notes raised by the Clearing House under Trading Regulation 9.4.2 shall be effected through the payment system or, in the case of payments to sellers, in such other form as shall be specified by the Clearing House.
- 9.4.4 The net Lots covered by Cleared Metal Contracts following offset under Trading Regulation 9.3 which match as to metal and tonnage but not as to currency, shall be offset for the purposes of establishing the nett number of Warrants to be settled by delivery subject to the Clearing House Rules. Subject to Trading Regulation 17.8, such delivery of Warrants shall, from the date prescribed by the Exchange for the relevant metal, be effected pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures and the Clearing House Rules.
- 9.4.5 On the Business Day following the Prompt Date the Clearing House shall call on seller or buyer as requisite in order that allowances for accrued storage rent, and any difference between Warrant weight and contract weight be accounted for in respect of Warrants transferred to the buyer in accordance with the Clearing House Rules.
- 9.4.6 If a Clearing Member fails duly to deliver a Warrant due to be delivered to the Clearing House, the Clearing House may, without prejudice to its rights under the Clearing House Rules:
- 9.4.6.1 without prejudice to the accrued rights for damages of the Clearing House and the affected buying Clearing Member(s), direct the Warrant be delivered to and by the Clearing Member on the Business Day next following the Prompt Date, that the Contract terms be adjusted accordingly and the parties' payment obligations and entitlements thereunder be adjusted to give such rate of compensation to the buyer as the Exchange may from time to time direct; or
- 9.4.6.2 Invoice Back the metal due to be delivered in accordance with Trading Regulation 10.4.
- This Trading Regulation 9.4.6 shall apply subject to any directions of the Exchange made under Trading Regulation 17.1 or 17.2 below. The Exchange may prescribe such penalties for non-delivery of Warrants as it may from time to time deem fit in the Operating Procedures or by Notice.
- 9.4.7 The Exchange may prescribe dates in advance of the dates prescribed under Trading Regulation 9.4.4, following which Clearing Members may deliver only Warrants issued utilising LMEsword and bearing an LMEsword generated barcode.
- 9.5 **Client Contracts – General**
- The provisions of this Trading Regulation 9.5 apply to the settlement of Client Contracts as between the Member and its Client. Any Cleared Contract that arises between a Clearing Member and the Clearing House pursuant to the Clearing House Rules that corresponds to a Client Contract, shall be settled in accordance with (i) Trading Regulations 9.1 to 9.4 above and (ii) the provisions of the Clearing House Rules.
- 9.6 **Client Metal Contracts**
- 9.6.1 Client Metal Contracts shall settle by offset or delivery.

Client Metal Contracts - by Offset:

- 9.6.2 Offsetting bought and sold Client Metal Contracts with the same Prompt Date and currency shall be settled on contract (round) weights, buyer and seller paying or receiving as the case may be any difference between the Contract prices of the Contracts so offset.

Client Metal Contracts - by Delivery:

- 9.6.3 Delivery of Warrants and settlement in respect of unmatched Client Metal Contracts shall be effected in accordance with the terms of the Client Metal Contract between the parties and the Contract Regulations. Such terms must require Warrants to be delivered by no later than 09.00 hours on the Prompt Date when a Category 4 Member or non-Member is the seller and transferor, and no later than 13.30 hours (so far as enabled by the seller's best endeavours) when a Clearing Member is the seller and transferor of the Warrants. Delivery shall be effected either pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers or (until further notice) by delivery of the physical Warrant. The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the seller's option.

9.7 Daily Settling Client Contracts

- 9.7.1 This Regulation 9.7 of the Trading Regulations shall apply to:

- (a) Client Index Futures;
- (b) Client LMEmini Futures;
- (c) Client Ferrous Futures;
- (d) Client LMEprecious Futures

(each being a type of "**Daily Settling Client Contract**").

- 9.7.2 The Daily Settling Client Contracts listed in Regulation 9.7.1 above shall settle on the following basis:

- (a) Client Index Futures shall settle in cash on the Settlement Business Day following the Prompt Date in the same way as Cleared Index Futures as described in Trading Regulation 9.1.5.
- (b) Client LMEmini Futures shall settle in cash on the Prompt Date in the same way as Cleared LMEmini Futures as described in Trading Regulation 9.1.3.
- (c) Client Ferrous Futures shall settle in cash on the Settlement Business Day following the Prompt Date in the same way as Cleared Ferrous Futures as described in Trading Regulation 9.1.10.
- (d) Client LMEprecious Futures shall settle by the delivery of Precious Metal from the Seller to the Buyer on the Prompt Date.
- (e) Such Daily Settling Client Contracts shall also be subject to daily settlement to market or daily marking to market as agreed between the Member and its Client on the basis set out below.

- 9.7.3 As agreed between the Member and its Client, the Member shall effect the daily settlement to market of all open Daily Settling Client Contracts of each type. Regulations 9.7.4 to

9.7.6 below shall be subject to the application of Regulations 9.7.7 and 9.7.8, where applicable.

Calculation of Daily Settlement Amounts

9.7.4 In order to create a daily settlement amount, the Member shall, in respect of each open Daily Settling Client Contract of each type, effect between it and its Client a settlement contract, being a book-entry Contract on the same terms (except as to price) as the open Contract, save that where the Client is a buyer under the terms of the Contract, the Client shall be a seller under the terms of the settlement contract and vice versa, at the relevant price, being:

- (a) in respect of Client Index Futures, the Index Futures Closing Price;
- (b) in respect of LMEmini Futures, the LMEmini Futures Closing Price;
- (c) in respect of Ferrous Futures, the Ferrous Daily Settlement Price;
- (d) in respect of LMEprecious Futures, the LMEprecious Daily Settlement Price,

(each being the "**Relevant Daily Settlement Price**").

For the avoidance of doubt, the settlement contract shall not be registered in the Matching System.

9.7.5 The Member shall, upon completion of the procedure in Trading Regulation 9.7.4 above, calculate the daily settlement amounts and the Member and its Client shall (unless otherwise agreed) settle any daily settlement amounts arising.

Daily Settlement to Market and Marking to Market

9.7.6 Subject to the application of Regulation 9.7.7, where applicable, the Member shall, upon completion of the calculation of daily settlement amounts pursuant to Trading Regulation 9.7.5 above:

- (a) In respect of those open Contracts in a Client's name which have been settled pursuant to Trading Regulation 9.7.4 and which are subject to daily settlement to market, enter into and record in its books at the Relevant Daily Settlement Price referred to in Trading Regulation 9.7.4 above, book-entry Contracts in the Client's name as open Contracts on the same terms (except as to price) as the settled open Contracts, save that the Member shall not enter into and record in its books Contracts in the name of the Client if to do so would result in the Client being the purchaser under one type of Daily Settling Client Contract and the seller under another Daily Settling Client Contract of the same type, each such Daily Settling Client Contract having the same maturity month. For the avoidance of doubt, these book-entry Contracts shall not be registered in the Matching System.
- (b) In respect of those open Contracts in a Client's name which have been settled pursuant to Trading Regulation 9.7.4 above and which are subject to daily marking to market enter into and record in its books at the Relevant Daily Settlement Price referred to in Trading Regulation 9.7.4 above, new book-entry Contracts in the Client's name as open Contracts on the same terms (except as to price) as the settled open Contracts. For the avoidance of doubt, these book-entry Contracts shall not be registered in the Matching System.

Position Management where netting, aggregation or close out is applied to Client-Related Cleared Contracts

9.7.7 In the event that any Client-Related Cleared Contracts that are allocated to a client account of a Clearing Member at the Clearing House are subject to Position Netting at the Clearing House, and the corresponding Underlying Client Contracts are Daily Settling Client Contracts, such Underlying Client Contracts shall also be automatically and simultaneously subject to Position Netting under the Exchange Rules, on the following basis:

- (a) the Clearing Member and the Client (each acting as principal) shall be released from further obligations towards one another under such Underlying Client Contracts and their respective rights against one another under such Contracts shall be cancelled; and
- (b) simultaneously, new Client Contracts shall, by operation of this Regulation, come into full force and effect between the Clearing Member and the Client, such that the Clearing Member and the Client (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another under such new Client Contracts; and
- (c) such new Client Contracts shall represent back-to-back Contracts to each post-netting Cleared Contract that is in effect following the Position Netting at the Clearing House, such that:
 - (i) for each post-netting Cleared Contract, there shall be a corresponding new Client Contract, having:
 - (1) the same direction; and
 - (2) the same commercial terms, including in relation to the amount of underlying metal and prices; and
 - (ii) the Variation Margin applicable to such a new Client Contract shall be the the Variation Margin amounts applicable to the post-netting Cleared Contracts or such larger sum as may be agreed between the parties,

save that Position Netting at the Exchange shall not affect any terms or contractual rights or obligations between the Clearing Member and the Client that were not comprised in the terms of any Underlying Client Contract that was subject to Position Netting under the Exchange Rules; and

- (d) where Position Netting results in the close out by netting of Client-Related Cleared Contracts, the Underlying Client Contracts corresponding to such Client-Related Cleared Contracts shall also be automatically and simultaneously closed out by netting.

9.7.8 Each Clearing Member that, under the Clearing House Rules, maintains Client-Related Cleared Contracts allocated to any of its client accounts at the Clearing House on the basis of the application of Position Netting at the Clearing House must:

- (a) have ensured that, prior to the implementation of any Position Netting at the Clearing House, its terms of business or other contractual arrangements with the relevant Clients contain provisions that operate in a manner that is consistent with

Regulation 9.7.7 and this Regulation 9.7.8, and do not contain provisions which would conflict with or frustrate the Position Netting of any Underlying Client Contract in accordance with Regulation 9.7.7 and this Regulation 9.7.8;

- (b) ensure that any Client that is party to an Underlying Client Contract that is or may be subject to Position Netting under the Exchange Rules:
 - (i) is notified of the fact that such Position Netting may occur, and when such Position Netting will take effect; and
 - (ii) upon Position Netting under the Exchange Rules, is promptly notified of the effect of Position Netting, such that the Client is at all times on notice of the Client Contracts (including the post-netting Client Contracts) that are in force between the Clearing Member and the Client;
- (c) ensure that its books and records relating to the Client Contracts and Cleared Contracts to which it is a party are at all times reconciled and up to date, such that it is at all times possible to identify which Cleared Contract (including a post-netting Client Contract) represents the clearing of which Client Contract (including a post-netting Cleared Contract); and
- (d) promptly upon request by the Exchange or Clearing House provide a copy of such books and records described in (c) above, in such a format that would easily enable reconciliation of the Client Contracts with the corresponding Cleared Contracts (including the post-netting Cleared Contracts).

9.8 **LMEprecious Client Contracts - Delivery**

Delivery of Precious Metal and settlement in respect of Client LMEprecious Futures shall be effected in accordance with the terms of the Client LMEprecious Future between the parties and the Contract Regulations. Such terms must require Precious Metal to be delivered by no later than:

- (a) no later than 16:00 hours on the Prompt Date when an LMEprecious Non-Clearing Member or non-Member is the Seller and transferor of the Precious Metal, and
- (b) no later than 16:00 hours (so far as enabled by the Seller's best endeavours) when an LMEprecious Clearing Member is the Seller and transferor of the Precious Metal,

or such other time as the Clearing House may prescribe from time to time.

Delivery shall be effected by delivery of the unallocated Precious Metal to the Buyer's account at a Precious Metal Clearer or by such other means as the parties may agree. The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the Seller's option.

9.9 **Client Index Options**

In the Money Client Index Options shall be subject to automatic exercise and settlement in the same way as In the Money Cleared Index Options.

9.10 **Client Premium Contracts**

Client Premium Contract shall settle in accordance with the Premium Contract Regulations.

9.11 **Settlement Facility**

Members may designate an alternative settlement facility to the Clearing House for the settlement of a Contract provided that:

- (a) such links and arrangements exist between the designated settlement facility and any other settlement facility as are necessary to ensure the efficient and economic settlement of the Contract; and
- (b) the Exchange is satisfied that the smooth and orderly functioning of the financial markets will be maintained.

9.12 **Compression**

This Regulation 9 of the Trading Regulations shall be read and construed in accordance with Regulation 4.4 of the Contract Regulations.

9.13 **Client Clearing and Indirect Clearing Arrangements**

9.13.1 It shall be the responsibility of a Member, and not the Exchange, to ensure that any client clearing or indirect client clearing arrangement established by a Member is compliant with the Member's obligations under MiFID II, MiFIR and/or EMIR and/or any other applicable law or regulation.

9.13.2 Without prejudice to the specific requirements in Trading Regulations 2.6 and 3.9.1, a Member must not cause or facilitate any Agreed Trade to be made with or for a Client of such Member unless such Member is satisfied that such Client has established appropriate direct and/or indirect clearing arrangements to become counterparty to the cleared transaction resulting from the Execution of such Agreed Trade.

10. **DELIVERY - GENERAL**

10.1 Acceptance and delivery of documents including Warrants or Premium Warrants under the foregoing procedure shall be without prejudice to any question or dispute relating thereto being referred to arbitration. If any Clearing Member shall have any complaint whatsoever in respect of delivery or acceptance of delivery under a Cleared Contract with the Clearing House, he shall give written notice and particulars of his complaint to the Clearing House in conformity to the Clearing House Rules.

10.2 If there appears to the Clearing House to be a default by either party to a Cleared Contract with the Clearing House in respect of or arising out of a delivery, the Clearing House shall as soon as practicable take such steps as it deems appropriate to achieve an amicable settlement of the issue between the parties. If it appears to the Clearing House that such steps have not led and are not likely to lead to a settlement within a reasonable time, the Clearing House shall refer the dispute to the Directors.

10.3 If upon reference made to them by the Clearing House the Directors are of the opinion that the default is of minor significance, they may thereupon determine the issue upon such evidence before them as they may deem relevant and convey their determination to the

parties. All parties shall forthwith accept such determination and shall implement its terms without question, provided that such acceptance and implementation shall be without prejudice to the right of any party to refer the dispute or any related dispute to arbitration under the Rules.

- 10.4 Where the Clearing House determines to Invoice Back metal in accordance with Trading Regulation 9.4.6.2 or (in the case of a Premium Contract) Premium Contract Regulation 3.9(f) or otherwise in accordance with the Clearing House Rules, it shall Invoice Back the metal in question to the seller at the price fixed by the Exchange. The Exchange may fix such a price as an applicable daily rate generally for the purposes of the Invoicing Back of the metal in question or for the specific case, at their absolute discretion, and such prices or rates may take account of any compensation that the Exchange consider should be paid by either party to the other. This Trading Regulation 10.4 shall apply subject to any directions issued in accordance with Trading Regulation 17.1 or 17.2 below.
- 10.5 An Invoicing Back price fixed under these Trading Regulations shall be binding on the parties. No dispute as to the price may be referred to arbitration but the completion of Invoicing Back shall be without prejudice to the right of any party to refer any other issue to arbitration under the Rules.
- 10.6 References in the Rules to the delivery of Warrants or Premium Warrants shall include a delivery of Warrants or Premium Warrants by way of a transfer within LMEsword in accordance with the LMEsword Regulations and Operating Procedures.
- 10.7 Where, as a consequence of a failure by a Member to deliver Precious Metal in respect of any Cleared Contract that is an LMEprecious Future, the Clearing House determines that it shall postpone its own delivery obligation in respect of such Precious Metal under any Client-Related Cleared Contract that is an LMEprecious Future, the Prompt Date in respect of the Underlying Client Contract that corresponds to such Client-Related Cleared Contract shall be postponed to the same date as revised date for delivery by the Clearing House under the Client-Related Cleared Contract.

11. DEALINGS IN THE RING

- 11.1 Business in the Ring shall be by open outcry and shall be confined within the times laid down for dealings in individual metals and Contract-types and for kerb dealings. Each Category 1 Member must ensure they have a Dealer in each Ring. Dealings shall be for Prompt Dates in accordance with Trading Regulation 8.1 subject to the provisions of any applicable administrative procedures. Those present in the Exchange during Ring and kerb dealings shall at all times conduct themselves in an orderly manner.
- 11.2 The following rules of Ring procedure shall at all times be observed:-
- 11.2.1 Dealings must cease as soon as the bell commences to ring.
- 11.2.2 Offers and bids must be addressed to the Ring at large and not to individuals, and must be clearly audible to the Ring as a whole.
- 11.2.3 There must be no discrimination either in favour of or against any Dealer or the Ring Member for whom he is dealing.

- 11.2.4 Any bid or offer remains valid at the price unless or until there has been a change in price or the bid or offer has been expressly withdrawn. In accordance with this Trading Regulation:
- 11.2.4.1 a change in price occurs when the price that is offered trades and is then bid, or vice versa, or when the price is bid higher or offered lower in conformity with the requirements of Trading Regulation 11.2; and
- 11.2.4.2 if a Dealer who is bidding at a price wishes to offer at a lower price to his current bid, he must withdraw his current bid and immediately offer that same price before quoting a different price, unless a different price is quoted by another Dealer between the withdrawal by the Dealer and the new offer by that Dealer; and
- 11.2.4.3 if a Dealer who is offering at a price wishes to bid at a higher price to his current offer, he must withdraw his current offer and immediately bid that same price before quoting a different price, unless a different price is quoted by another Dealer between the withdrawal by the Dealer and the new bid by that Dealer; and
- 11.2.4.4 if a Dealer wishes to offer a price that is lower than the current bid price, he must sell all the Lots available at the bid price. He must then immediately offer that same price before quoting a different price, unless a different price is quoted by another Dealer between the trade at the bid price and the new offer by that Dealer; and
- 11.2.4.5 if a Dealer wishes to bid a price that is higher than the current offered price, he must buy all the Lots available at the offered price. He must then immediately bid that same price before quoting a different price unless a different price is quoted by another Dealer between the trade at the offered price and the new bid by that Dealer; and
- 11.2.4.6 any Dealer who is trading by open outcry will be deemed to have withdrawn his bid and/or offer should he leave the Ring.
- 11.2.5 Minimum price fluctuations shall be at such levels as the Exchange may from time to time prescribe.
- 11.2.6 Dealers should avoid using such terms as "I will sell only...." or "I will buy only...." if on acceptance they increase the number of Lots so specified, at the same price.
- 11.2.7 The Dealer who says "Yes" must be prepared to deal 50 Lots. Any unfilled balance up to this limit must be sold to or taken from other Dealers if immediately bid or offered. A response to "Yes" must be quantified by tonnage.
- 11.2.8 Bids or offers deemed by the Ring Disciplinary Committee to be frivolous are prohibited and may be deemed to be a prohibited practice pursuant to Trading Regulation 14.
- 11.2.9 The Dealer who is the first to bid or offer at a price must be given priority and is entitled to buy or sell all the Lots available at the price until his requirements are satisfied.
- 11.2.10 A Dealer who simultaneously offers to buy and to sell must be prepared to deal either way.
- 11.2.11 A Dealer must not:
- 11.2.11.1 bid at or more than the offered price nor offer at or below the bid price at the time of his offer or bid;

- 11.2.11.2 bid below the bid price nor offer above the offered price at the time of his offer or bid.
- 11.2.12 During each Ring and kerb all opening bids and/or offers for Cash and 3 months in the case of all Contracts must be all the digits of the full price that is quoted.
- 11.2.13 The term "0", when it is in the last digit of the full price, must not be used.
- 11.2.14 During all Ring and kerb trading Dealers must ensure that:-
 - 11.2.14.1 in the case of Copper - Grade A, High Grade Primary Aluminium, Special High Grade Zinc, Lead, North American Special Aluminium Alloy, Steel Billet and Aluminium Alloy the last two digits of the full price are quoted;
 - 11.2.14.2 in the case of Cobalt, Molybdenum, Primary Nickel, Tin and Index Futures the last three digits of the full price are quoted; and
 - 11.2.14.3 in the case of Premium Contracts, the last three digits of the full price is quoted.
- 11.2.15 Dealers must act with due skill, care and diligence at all times whilst dealing by open outcry.
- 11.2.16.1 The Dealer who discloses the tonnage or Lots he is prepared to buy or sell is obliged to trade the full tonnage or Lots unless expressly withdrawn; and
- 11.2.16.2 the Dealer who is bidding and/or offering at a price for Cash or three months for Copper, High Grade Primary Aluminium, Special High Grade Zinc, Lead, Nickel, North American Special Aluminium Alloy and Aluminium Alloy during the second Ring must be prepared to deal 20 lots unless the tonnage is stated. In the case of Tin the Dealer must be prepared to deal 5 lots unless the tonnage is stated. Any unfilled balance up to these limits must be sold or taken from other dealers who immediately respond to the bid or offer.
- 11.2.17 Dealers must ensure that trades are completed in a timely and orderly manner. This applies in particular (but without prejudice to its general application) to business transacted towards the close of any Ring.
- 11.2.18.1 Dealers must not bid or offer at a price which is unknown at the time the bid or offer is made; and
- 11.2.18.2 during the second Ring for each metal and, in respect of each metal, during the last five minutes of kerb trading before that metal ceases to trade, Dealers may not trade behind the Ring at an unknown price for any Prompt Date other than for Carries.
- 11.2.19 Dealers must remain seated at all times whilst dealing by open-outcry in the Ring.
- 11.2.20 It is the duty of sellers or lenders to check their deals not later than 10 minutes after the close of the respective Ring trading session for each metal. kerb deals are to be checked before leaving the Exchange. It is the duty of buyers or borrowers to co-operate.
- 11.2.21 During kerb trading no Dealer may stand behind the Ring in order to trade by open-outcry if there are no Dealers from the same Member seated in the Ring unless the express permission of an employee of the Exchange who is properly authorised by the Chief Executive is obtained. During the last five minutes of kerb trading for the close of each metal:

- 11.2.21.1 only the Dealer from a Member seated in the Ring may trade that metal; and
- 11.2.21.2 the Dealer who is bidding and/or offering at a price for a Carry between any two Prompt Dates must be prepared to deal 50 lots unless the tonnage for the Carry is stated. The Dealer who is bidding and/or offering at a price for Cash or three months for Copper, High Grade Primary Aluminium, Special High Grade Zinc, Lead, Nickel, North American Special Aluminium Alloy and Aluminium Alloy must be prepared to deal 20 lots unless the tonnage is stated. In the case of Tin the Dealer must be prepared to deal 5 lots unless the tonnage is stated. Any unfilled balance up to these limits must be sold to or taken from other Dealers who immediately respond to the bid or offer.
- 11.2.22 A dealer must not commit any other act of misconduct of a kind which two or more members of the Ring Disciplinary Committee deem to be a dealing offence.
- 11.2.23 Any breach of Trading Regulation 11.2 will be deemed to be a dealing offence.
- 11.3.1 The Chief Executive and in the event of a fire or similar emergency any two employees of the Executive authorised by the Chief Executive, shall have the power to suspend or interrupt Ring dealings during any session if in their discretion they consider that such action is in the best interests of the Exchange.
- 11.3.2 An employee of the Executive who is properly authorised by the Chief Executive may take other action relating to discipline on the premises of the Exchange with the approval of any two members of the Ring Disciplinary Committee if in his view it is necessary to prevent a breach of any rule and to ensure the proper running of the market. Similarly, such action may be taken by any member of the Ring Discipline Supervisory Panel or the Chief Executive without the requirement for approval by two members of the Ring Disciplinary Committee.
- 11.4.1 Breaches by Dealers or other persons of the provisions of the Trading Regulations may be categorised by the Ring Disciplinary Committee as minor offences, dealing offences or serious offences.
- 11.4.2 The Ring Disciplinary Committee may refer to the Exchange's video and audio surveillance system of the Ring in determining if any offence has been committed.
- 11.4.3 Where the Ring Disciplinary Committee considers that a Dealer or other person may have committed an offence:
 - 11.4.3.1 the Ring Disciplinary Committee shall notify such person in writing;
 - 11.4.3.2 not later than close of business on the Business Day following receipt of written notice in accordance with Trading Regulation 11.4.3.1, such person and/or their nominated representative shall, on request to the Ring Disciplinary Committee, be entitled to inspect at the Exchange during business hours any relevant video or audio surveillance footage which is available, and the Ring Discipline Committee shall comply with such request.
- 11.4.4 Where, following expiration of the inspection period referred to in Trading Regulation 11.4.3.2, the Ring Disciplinary Committee has determined that a Dealer or other person has committed an offence:
 - 11.4.4.1 the Ring Disciplinary Committee shall notify such person in writing;

11.4.4.2 not later than close of business on the Business Day following receipt of written notice in accordance with Trading Regulation 11.4.4.1, such person and/or their nominated representative shall, on request to the Ring Disciplinary Committee and if they have not already done so in accordance with Trading Regulation 11.4.3.2, be entitled to inspect at the Exchange during business hours any relevant video or audio surveillance footage which is available, and the Ring Disciplinary Committee shall comply with such request; and

11.4.4.3 Where no appeal is lodged by such person in accordance with 11.10.1, the Ring Disciplinary Committee shall notify in writing all Category 1 Members to the nature and circumstances of the offence and any penalty imposed.

11.5 Any member of the Ring Disciplinary Committee may impose a penalty for minor offences in accordance with the tables of fines and penalty points listed below:-

11.5.1 Conduct of an unprofessional nature:-

		Fine	Penalty Points
1st offence	up to	£500	20
2nd offence	up to	£1000	40
3rd offence	up to	£2000	80
4th offence	up to	£4000	160

Examples of such acts of misconduct are:-

- (a) Failure to observe the Exchange Dress Code;
- (b) Failure to observe the Exchange Food/Beverages Code;
- (c) Chewing whilst dealing by open-outcry;
- (d) The sale and/or display of non-LME products in the Dealing Area;
- (e) The use of foul and abusive language;
- (f) Reading newspapers or magazines etc. in the Dealing Area;
- (g) Unacceptable behaviour such as slovenly behaviour, overzealous behaviour and drunken behaviour;
- (h) Sitting down in the Dealing Area (other than when dealing in the Ring or using the seat provided in each member's booth);
- (i) Smoking on Exchange premises at any time;
- (j) The use of mobile telephones in the Dealing Area (the use of mobile telephones is prohibited at all times in the Dealing Area);
- (k) Excessive noise from behind the Ring whilst dealings are in progress or the Official Prices are being announced;

- (l) Any other act of misconduct of which the Exchange may, from time to time, notify to Members through Notices.

11.5.2 Conduct likely to interfere with trading activity or to cause disorder or offence or damage on Exchange premises:-

		Fine	Penalty Points
1st offence	up to	£1000	20
2nd offence	up to	£2000	40
3rd offence	up to	£4000	80
4th offence	up to	£8000	160

Examples of such acts of misconduct are:-

- (a) Failure to comply with the Exchange security procedures or misuse of LME Identity Badges;
- (b) Abuse of the Visiting Regulations;
- (c) The throwing of projectiles;
- (d) The harassment of Exchange staff;
- (e) Any other act of misconduct of which the Exchange may, from time to time, notify to Members through Notices.

11.6 Any two or more members of the Ring Disciplinary Committee may impose a penalty for dealing offences in accordance with the table of fines and penalty points listed below:

		Fine	Penalty Points
1st offence	up to	£5000	20
2nd offence	up to	£10000	40
3rd offence	up to	£20000	80
4th offence	up to	£50000	160

11.7.1 After a period of six calendar months has elapsed from the time of an offence the number of points accumulated for that offence for that individual will be cancelled.

11.7.2 Any person who accumulates 100 or more penalty points within a period of three calendar months or 180 or more penalty points within a period of six calendar months will be reported to two or more members of the Ring Discipline Supervisory Panel.

11.7.3 Any person who accumulates 60 or more penalty points within a period of three calendar months or 140 or more penalty points within a period of six calendar months shall automatically be suspended from trading in the Ring for two Business Days. In such case,

the Ring Disciplinary Committee shall inform the person of the fact of his suspension and the date it shall commence by notice in writing.

11.8.1 Where a serious offence is alleged to have been committed the Ring Disciplinary Committee shall be obliged to refer the matter to two or more members of the Ring Discipline Supervisory Panel.

11.8.2 Examples of such acts of misconduct are:-

- (a) Violent conduct or conduct likely to cause injury to another person on Exchange premises;
- (b) The unauthorised removal of or damage to the Exchange structure or equipment;
- (c) Disobedience in failing to comply with the lawful instruction of a properly authorised employee of the Exchange or a Member of the Ring Disciplinary Committee;
- (d) The wilful disregard of the Rules;
- (e) Aggravated harassment of Exchange staff, including physical contact with Exchange staff or threatening Exchange staff;
- (f) Preventing Exchange staff from carrying out their duties;
- (g) Any other act of misconduct of a kind which the Ring Disciplinary Committee deems to fall into this category.

11.8.3 Any member of the Ring Disciplinary Committee who believes in good faith in his absolute discretion that a serious offence has been committed by any person may request that such person immediately leave the Exchange premises for the remainder of the trading day, and such person shall comply with any such request.

11.9.1 Any two or more members of the Ring Discipline Supervisory Panel may impose a fine of up to £100,000 and suspension of up to twenty Business Days on a person referred to them and/or on the Member which employs him. The provisions of Regulation 11 of the Membership Regulations shall apply *mutatis mutandis* to the procedure of the Ring Discipline Supervisory Panel (save that for the avoidance of doubt, any appeal shall be in accordance with Trading Regulations 11.10.2 and 11.10.3 below, rather than Regulations 14.27 to 14.35 of the Membership Regulations).

11.9.2 Any such matter referred to two or more members of the Ring Discipline Supervisory Panel may, at their discretion, be referred to the Enforcement Committee for consideration for disciplinary action pursuant to Regulation 11 of the Membership Regulations.

11.9.3 Where two or more members of the Ring Discipline Supervisory Panel find that there has been an act of misconduct, notification of such findings and of any sanction shall be made (once the same have become conclusive and binding after any appeal in accordance with procedures in Regulation 11 of the Membership Regulations) by means of a notice sent by the Secretary to:

11.9.3.1 the person found to have committed the act of misconduct;

- 11.9.3.2 any other person to whom in the Ring Discipline Supervisory Panel's opinion in the circumstances such copy should be sent; and
- 11.9.3.3 all Members and appropriate regulatory or other authorities.
- 11.9.4 Where the Ring Discipline Supervisory Panel (or, as the case may be an Appeal Committee) find that any allegation of misconduct has not been substantiated, notification of such finding shall be made by means of a notice sent by the Secretary to the persons alleged to have committed the act of misconduct and the persons specified in 11.10.3.2 above and shall, if the Defendant so requests (but not otherwise), be sent to Members and appropriate regulatory or other authorities.
- 11.10.1 Any person who is subject to a finding by the Ring Disciplinary Committee and who is dissatisfied with that finding or with any penalty imposed may, by the close of the Business Day following the day of receiving notice thereof, lodge an appeal in writing with the Chairman of the Enforcement Committee, who shall refer the same to the Ring Discipline Supervisory Panel. Pending determination of any such appeal, the decision of and any sanction imposed by the Ring Disciplinary Committee shall be suspended. The Ring Discipline Supervisory Panel may at its discretion and in the event it determines the findings of the Ring Disciplinary Committee be upheld, review the penalty imposed and award the costs of the appeal to the unsuccessful appellant.
- 11.10.2 Any person who is subject to a finding by the Ring Discipline Supervisory Panel and who is dissatisfied with that finding or with any penalty imposed may, by the close of the Business Day following the day of receiving notice thereof, lodge an appeal in writing with the Chairman of the Enforcement Committee, who shall refer the same to a Disciplinary Committee constituted and acting in accordance with Regulation 11 of Part 2. Pending determination of any such appeal, the decision and any sanction imposed by the Ring Discipline Supervisory Panel shall be suspended.
- 11.10.3 In the event that the Ring Disciplinary Committee is dissatisfied with a finding or with any penalty imposed by the Ring Discipline Supervisory Panel it may, by the close of the Business Day following the day of receiving notice thereof, lodge an appeal in writing with the Chairman of the Enforcement Committee, who shall refer the same to a Disciplinary Committee constituted in accordance with Regulation 11 of Part 2. Pending determination of any such appeal, the decision and any sanction imposed by the Ring Discipline Supervisory Panel shall be suspended.
12. **DEALINGS ON LME SELECT**
- 12.1 Business for LME Select shall be in accordance with the Rules.
- 12.2 Only LME Select Participants may have direct access to LME Select and such LME Select Participants must have entered into relevant contractual agreement as stipulated by the Exchange from time to time.
- 12.3 LME Select Participants are required to maintain adequate internal procedures and controls to maintain the confidentiality and anonymity of LME Select trading activity, and to ensure that only internally authorised personnel are able to access data relating to the identity of trading counterparties.
- 12.4 LME Select Participants must advise the Exchange in writing if any Dealer leaves the employment of an LME Select Participant. Until such time as a Dealer's access to LME

Select has been revoked, the relevant LME Select Participant shall remain responsible for all activity undertaken by such Dealer.

- 12.5 The Exchange reserves the right, acting reasonably and in its absolute discretion, to suspend or revoke access to LME Select for any Dealer or LME Select Participant as it deems necessary.
- 12.6 LME Select Participants must ensure that appropriate and adequate training has been provided to all staff that has access to LME Select. All relevant staff should be regularly reviewed, and additional training provided if required or if the Exchange notifies the LME Select Participant that further training of a particular staff member is required.
- 12.7 LME Select Participants and Clients may not distribute, disseminate or share LME Select price, volume, trade and/or any other data, unless they have entered into the appropriate licence agreement with the Exchange to do so.
- 12.8 The following rules of trading procedure shall apply at all times when the central order book is open for order matching:-
 - 12.8.1 bids or offers deemed by the Executive to be frivolous are prohibited and may be deemed to be a prohibited practice pursuant to Trading Regulation 14;
 - 12.8.2 orders will be matched on a price/time priority basis or such other method as otherwise advised or defined by a Notice issued by the Exchange;
 - 12.8.3 an order entered into the central order book will lose priority if the tonnage against any bid or offer is increased or the price is changed;
 - 12.8.4 an order entered into the central order book will not lose priority if the tonnage against any bid or offer is reduced and the price remains unchanged;
 - 12.8.5 orders entered into LME Select must be in multiples of Lots and with minimum price fluctuations as shall be prescribed by the Exchange from time to time;
 - 12.8.6 dealers must act with due skill care and diligence at all times whilst dealing on LME Select; and
 - 12.8.7 permitted orders shall be in accordance with those prescribed by the Exchange from time to time.

Order routing services (Direct Electronic Access)

- 12.9 LME Select Participants may offer order-routing facilities (also known as direct electronic access under MiFID II) to a Client, but in such cases the LME Select Participant retains responsibility for, and remains liable for, all trading activity conducted by such Client, including all orders submitted and trades executed using the order-routing facility.
- 12.10 LME Select Participants must have in place appropriate pre-trade risk controls and procedures for all orders submitted to LME Select. LME Select Participants offering order-routing facilities to Clients must ensure that all orders submitted by Clients are subject to appropriate pre-trade risk controls and procedures that have been implemented by the LME Select Participant concerned. LME Select Participants may not rely upon any pre-trade risk controls or procedures that Clients may have implemented themselves to satisfy this Regulation.

- 12.11 LME Select Participants offering order-routing facilities to Clients must:
- (a) comply with the relevant requirements under MiFID II regarding the provision of Direct Electronic Access services;
 - (b) ensure that Clients using their order-routing services comply with MiFID II and all relevant Rules; and
 - (c) meet all of the requirements prescribed by the Exchange for providing order-routing services, including conditions established by Notice, as amended by the Exchange from time to time.
- 12.12 Any LME Select Participant offering order-routing facilities to its Clients must monitor such Clients' use of such facilities and any transactions executed through such facilities in order to identify infringements of the requirements in MiFID II and/or the Rules. In the event that an LME Select Participant identifies any such infringement, it must notify the Exchange.
- 12.13 The Exchange will monitor trading activity carried on via order-routing facilities and may, in the event of (i) an infringement of MiFID II, the Rules, or the requirements prescribed by the Exchange for order-routing services or (ii) any other situation where the Exchange may deem it necessary, acting reasonably and at its absolute discretion:
- (a) stop orders or trading by a person using order-routing services; and/or
 - (b) suspend or terminate the provision of order-routing services by the relevant LME Select Participant.
- 12.14 Trading Regulations 12.10, 12.11 and 12.12 shall apply with effect from 3 January 2018.

LME Select API Client Trades

- 12.15 Trading Regulation 2.7 shall apply in the event that:
- (a) a Member makes available to a Client the order-routing facility of the LME Select API; and
 - (b) due to any use by a Client of the order-routing facility of the LME Select API, one or more Cleared Contracts come into effect between the Clearing House and a Clearing Member.

Identification of Clearing House Accounts

- 12.16 LME Select Participants must, when submitting orders into LME Select, correctly identify the appropriate account of the Clearing Member for the resulting Agreed Trade at the Clearing House.
- 12.17 Any failure by:
- (a) an LME Select Participant to comply with Trading Regulation 12.16 above; or
 - (b) a Clearing Member to comply with its obligation to correct an incorrectly allocated Cleared Contract in accordance with the Administrative Procedures,

shall be an act of misconduct for the purposes of Regulation 14 of the Membership Regulations, and may result in disciplinary action against the Member by the Exchange.

Transparent Reporting of Orders to LME Select

12.18 Where any LME Select Participant:

- (a)** submits its own orders into LME Select; or
 - (b)** offers Direct Electronic Access services to enable Clients to submit orders into LME Select,
- such LME Select Participant must ensure that:
- (i)** all such orders are submitted into LME Select without delay; and
 - (ii)** no such order is withheld from submission into LME Select for the purpose of offsetting such order against any other order or orders that would ordinarily be submitted into LME Select, including but not limited to offsetting one Client order against another Client order.

Use of LME Information through LME Select API

12.19 The Exchange hereby consents, subject to Regulation 12.20 and 12.21 below, to allow a Member to:

- (a)** transmit LME Information to Member API Clients;
- (b)** permit Member API Clients to transmit LME Information to their Member API Member API Sub-Clients;
- (c)** use LME Information for Non-Display Usage by such Member; and
- (d)** transmit LME Information to Member API Clients for use by the Member API Clients and/or Member API Sub-Clients for Non-Display Usage by such Member API Client and/or Member API Sub-Client.

12.20 It is prohibited for any Member, Member API Client or Member API Sub-Client to:

- (a)** store, manipulate or use for Non-Display Usage any LME Information for commercial purposes; and
 - (b)** to transmit LME Information to, or otherwise permit access to LME Information by, a Non-LME Multi-Dealer Trading System (without the express prior consent of the Exchange),
- and the Member shall be:
- (i)** responsible for procuring compliance by any Member API Client or Member API Sub-Client with such prohibitions; and
 - (ii)** liable to the Exchange for any breach of such prohibitions by any Member API Client or Member API Sub-Client as if such breach had been committed by the Member itself;

12.21 The consent given pursuant to Regulation 12.19 above is given subject to the following conditions (and the Member shall comply, and be responsible for procuring compliance, with such requirements):

(a) no Member may transmit LME Information to any Member API Client or permit any Member API Client to transmit LME Information to any Member API Sub-Client unless the following conditions are satisfied:

(i) Member API Clients to which LME Information is transmitted by a Member must have entered into a formal client engagement agreement with the Member, reflecting the requirements, conditions and limitations set out in Regulations 12.19 to 12.21 (including, for the avoidance of doubt, the requirement to comply with Regulation 12.21(a)(ii) below); and

(ii) Member API Sub-Clients to which LME Information is transmitted must have entered into a formal client engagement agreement with a Member API Client reflecting the requirements, conditions and limitations set out in Regulation 12.21 (including, without limitation, the prohibitions specified in Regulation 12.20 above);

(b) without limitation to (a) above, the Member shall procure that each Member API Client that has access to LME Information via the LME Select API shall have entered into an agreement with the Member (to be produced to the Exchange on request) whereby the Member API Client:

(i) agrees:

(1) to treat such LME Information as confidential information of the Exchange; and

(2) that it shall not distribute LME Information to any other person (except as expressly permitted under these Regulations 12.19 to 12.21 or as required by applicable law or regulation);

(ii) agrees to comply with the Financial OTC Booking Fee Policy as:

(1) an Affiliate of the Member (where such Member API Client is an Affiliate of the Member); or

(2) as a Licensee, as such term is defined in the Financial OTC Booking Fee Policy (where such Member API Client is not an Affiliate of the Member);

(iii) agrees and confirms that, where the Member API Client intends to transmit LME Information to any Member API Sub-Client, it has in place agreements with such Member API Sub-Client (a "Member API Sub-Client Agreement"):

(1) under which the Member API Sub-Client agrees to treat such LME Information as confidential information of the Exchange; and

(2) that prohibits such Member API Sub-Client from re-distributing LME Information to any other person (except as required by applicable law or regulation);

- (iv) agrees to include in every Member API Sub-Client Agreement, an agreement by the Member API Sub-Client to comply with the Financial OTC Booking Fee Policy as:

 - (1) an Affiliate of the Member (where such Member API Sub-Client is an Affiliate of the Member); or
 - (2) as a Licensee, as such term is defined in the Financial OTC Booking Fee Policy (where such Member API Sub-Client is not an Affiliate of the Member);
- (v) acknowledges that only Category 1 Members and Category 4 Members may issue a Client Contract that is an LME Base Contract;
- (vi) acknowledges that only LMEprecious General Clearing Members and LMEprecious Non-Clearing Members may issue a Client Contract that is an LMEprecious Contract;
- (vii) confirms that, if the Member API Client trades with Member API Sub-Clients, those Member API Sub-Clients have been made to understand that they do not receive Client Contracts;
- (c) the Member shall pay to the Exchange such fees in respect of the access permitted pursuant to Regulation 12.19 as the Exchange shall specify by Notice (as may be amended or updated by the Exchange from time to time);
- (d) the Member shall send to the Exchange such reports, in respect of the access and use of LME Information by the Member and any Member API Clients and/or Member API Sub-Clients, as the Exchange may specify by Notice, in accordance with such requirements as may be specified in such Notice;
- (e) the Member shall comply with the requirements of the Exchange in relation to the identification of Member API Clients and Member API Sub-Clients as notified by the Exchange to the Member from time-to-time;
- (f) (without prejudice to the prohibitions specified in Regulation 12.19, and the Member's liability for any breach by a Member API Client or Member API Sub-Client of any such prohibition) the Member shall use its reasonable endeavours to ensure that each Member API Client and Member API Sub-Client who has access to LME Information does not copy, distribute or transmit it without the prior consent of the Exchange or except as explicitly permitted by these Regulations 12.19 – 12.21, and the Member shall cease to make available LME Information to any Member API Client whom it knows or has reasonable cause to suspect is copying, distributing, transmitting or permitting to be made available LME Information without the consent of the Exchange or except as explicitly permitted by this Regulations 12.19– 12.21;
- (g) the Member shall retain all documents, books and records relevant to the making available of LME Information to Member API Clients as contemplated by these Regulations 12.19 – 12.21 (including a list of the names and address of each Member API Client to whom LME Information is available and the number of Terminals, Users and Applications of that Member API Client, a list of identities of end users and access identifications and such other information as may be required

by the LME from time to time) during the currency of the Member's Membership and for a period of six (6) years following the termination of the Member's Membership;

(h) for the purposes of ensuring compliance by the Member with the terms of these Regulations 12.19 – 12.21, the Member shall permit the Exchange and its representatives to have access on reasonable notice to such of the Member's documents, books and records (including those referred to in paragraph (g)) and personnel as it may reasonably require for audit purposes. This is without prejudice to any other rights of the Exchange, contained elsewhere in the Rules, to inspect documents, books and records of Members;

(i) the Member undertakes that it will at all times be in compliance with all local, legal and regulatory requirements regarding the arrangements that it has with each Member API Client that the Member permits to transmit LME Information to Member API Sub-Clients;

(j) subject to paragraph (k) below, the consent granted under Regulation 12.19 shall be automatically withdrawn upon termination of the Member's Membership; and

(k) the Exchange may withdraw its consent under Regulation 12.19, in whole or in part (including in respect of individual Member API Clients and/or Member API Sub-Clients), on 7 days' written notice to the Member.

13. **TRADE INVALIDATION AND CANCELLATION**

13.1 The Exchange may, in certain circumstances, invalidate transactions in accordance with the relevant procedures established by Notice.

13.2 Where an LME Select Participant has made an error in the execution of a transaction undertaken on LME Select, such LME Select Participant may request that the Exchange contact the counterparty(ies) to determine whether such counterparty(ies) would agree to the transaction being cancelled. In the event that the counterparty(ies) do not agree to the request, then the transaction will not be cancelled.

13.3 Notwithstanding Trading Regulation 13.2, the Exchange may in its absolute discretion review any transaction undertaken on LME Select and invalidate or adjust the price of any trade in accordance with any policy that the Exchange issues from time to time on erroneous trades.

14. **PROHIBITED PRACTICES**

14.1 No person shall manipulate or attempt to manipulate or otherwise abuse or attempt to abuse the market or create or attempt to create an artificial market.

14.2 No person shall enter into or attempt to enter into a transaction or series of transactions designed to create an artificial market whereby prices and turnover do not truly reflect the business transacted.

14.3 No person shall undertake or attempt to undertake wash or bogus transactions.

14.4 No person shall demonstrate or attempt to demonstrate that a trade has taken place when it has not in fact occurred nor shall any person mislead or attempt to mislead Exchange staff as to the nature of any transaction.

- 14.5 No person shall, either intentionally or unintentionally, create or attempt to create a disorderly market.
- 14.6 No person shall trade, place orders to trade or encourage any other person to trade in the same direction (purchase or sale) as a Client order with a view to realising a profit or avoiding a loss, pursuant to any price movement brought about by such Client order.
- 14.7 No person shall mislead or attempt to mislead Exchange staff as to the nature of any orders or transactions.
- 14.8 No person shall manipulate or attempt to manipulate any prices or indices set or published by the Exchange.
- 14.9 No person shall undertake, attempt to undertake, procure that another person undertakes or attempts to procure that another person undertakes any behaviour that is contrary to applicable law or regulation preventing market abuse.
15. **WHEN THE CLEARING HOUSE MAY FIX PRICES**
- 15.1 If the Quotations Committee fails at any time to determine or announce to the Clearing House a Closing Price or a Settlement Price in accordance with the Trading Regulations, the Clearing House may fix a Closing Price or Settlement Price as the case may require, of such amount as it may in its absolute discretion determine, and may apply the same in accordance with the Trading Regulations and the Clearing House Rules as if it had been determined by the Quotations Committee.
- 15.2 If the Exchange fails to fix an Invoicing Back price under Trading Regulation 10.4 or Trading Regulation 17.7, then the Closing Price (or, where bid and offered prices are fixed as the Closing Price, the mean of the two) or Settlement Price last fixed under these Trading Regulations (whichever was fixed the later) shall be the Invoicing Back price and such Invoicing Back price shall be deemed to have been fixed by the Exchange.
- 15.3 A Closing Price, or a Settlement Price or an Invoicing Back price fixed under Trading Regulation 15.1 or 15.2 above shall be binding on the parties to a Contract. No dispute as to such price may be referred to arbitration but, in the case of an Invoicing Back price, the completion of Invoicing Back shall be without prejudice to the right of either party to refer an issue between them to arbitration under the Rules.
16. **WHO MAY TRADE IN THE RING OR ON LME SELECT**
- 16.1 Every Category 1 Member shall nominate one or more Dealers to trade in the Ring on its behalf, and shall at all times be bound by the actions of such Dealer.
- 16.2 Names and particulars of proposed Dealers shall be submitted in writing to the Exchange which shall have the right to approve or refuse every such application after such consultation with the Ring Committee as it thinks fit.
- 16.3 A list of Dealers together with the names of the Category 1 Members whom they represent shall be posted in the Exchange together with names of any Dealers authorised since compilation of such list.
- 16.4.1 There shall be two categories of Dealer, viz Authorised Dealers and Probationary Dealers. Unless the express permission is obtained from the Executive no Probationary Dealer may trade in the Ring save under the supervision of an Authorised Dealer from the same

Member as the Probationary Dealer who has been authorised for a period of not less than one year.

- 16.4.2 A Probationary Dealer cannot apply for full authorisation until he has dealt in the ring for a period of not less than six months.
- 16.4.3 If a Probationary Dealer has not gained full authorisation to deal after a period of eighteen months he will be re-registered as a Registered Clerk subject to the discretion of the Ring Committee.
- 16.5 Qualification requirements for Authorised and Probationary Dealers shall be as prescribed by the Exchange after consultation with the Ring Committee and shall be available on application to the Secretary.
- 16.6 The names of proposed Authorised and Probationary Dealers shall be posted in the Exchange not less than 10 Business Days before each application for authorisation is due for consideration by the Exchange, and during this period any Category 1 Member having any objection to the nominee may communicate the same to the Exchange stating the reasons therefor.
- 16.7 Any withdrawal of, or withdrawal of authority from, a nominated Dealer of a Category 1 Member shall likewise be communicated immediately to the Exchange, which shall forthwith advise all other Category 1 Members.
- 16.8 No more than one Authorised Dealer representing a Category 1 Member may trade in the Ring at any one time during official Ring trading sessions.
- 16.9 No person other than a Dealer or other representative of a Category 1 Member shall be admitted to the Ring or the area adjacent thereto for the purposes of or incidental to trading during Ring or kerb trading sessions unless expressly authorised by, or under the authority of, the Chief Executive.
- 16.10 Every LME Select Participant shall nominate one or more Dealers to trade on LME Select on its behalf, and at all times shall be bound by the actions of such Dealers.
- 16.11 The Exchange will grant each Dealer access to LME Select provided such Dealer has met all the requirements for LME Select access that are set out in the Rules.
- 16.12 Applications for Dealer authorisation to trade on LME Select shall be submitted by the relevant LME Select Participant, in writing, to the LME who shall have the right to approve or refuse every such application after such due diligence as it deems appropriate.
- 16.13 Any withdrawal of, or withdrawal of authority from, a nominated Dealer shall likewise be communicated immediately to the Exchange.

17. **EMERGENCIES**

- 17.1 In the event of the Special Committee or the Clearing House having cause to suspect the existence or to anticipate the development or likely development of a corner or undesirable situation or undesirable or improper trading practice which in their opinion has affected or is likely to affect the market, the Special Committee after consultation with the Clearing House may take such steps as in their absolute discretion they deem necessary to contain or rectify the situation and they may give directions to Members accordingly. Such directions to a Member may include, but are not limited to:-

- (a) trading out Client Contract positions with one or more particular Clients;
 - (b) trading out Cleared Contract positions or positions otherwise related to Cleared Contracts; and
 - (c) reducing its net trading position.
- 17.2 Without prejudice to the generality of this Trading Regulation, such steps may include the suspension or curtailment of trading for such period or for such Prompt Dates in such metals or Contracts as may be specified or the direction that trading be limited to the liquidation of open Contracts and deferral of settlement of some or all Contracts with Prompt Dates in the current month or in the two succeeding months thereafter, subject to such compensation (if any) as the Special Committee may determine being paid to sellers or buyers.
- 17.3 Any decision of the Special Committee pursuant to this Trading Regulation shall be effective on the posting of an appropriate Notice in the Exchange and it shall thereafter be incumbent upon the Exchange to ensure that all steps are taken to ensure that normal trading is resumed with the least delay.
- 17.4 Any Member contravening or failing to comply with any direction or instruction issued under the provisions of Trading Regulations 17.1 to 17.3 above shall be liable to the same sanctions as if a breach of the Rules had been committed by him.
- 17.5 The Exchange may at its absolute discretion suspend or remove a Contract from trading, including where the Exchange has determined that the Contract no longer complies with the Rules or for any other reason.
- 17.6 Upon the occurrence of any event outside the Exchange which is outside the control of the Exchange, including the commencement of a state of war, revolution, political or economic disturbance or the enactment of legislation or the commencement, suspension or determination of any international agreement, such as may in the opinion of the Directors prevent free trading in any Contract or so distort the same or the price of any metal (including any Precious Metal), Monthly Average Future, Premium Contract, Warrant, Ferrous Future or Ferrous Index or the level of the Index as no longer to be truly representative of conditions in the international market in any metal, the Directors shall have the authority to order a complete cessation of trading in such metal, LMEmini Contract, Monthly Average Future, Premium Contract, Warrant, Ferrous Future, LMEprecious Future or Index Contract until such time as they in their absolute discretion deem it appropriate to resume, or to take any of the steps set out in Trading Regulations 17.1 to 17.3 above as they deem necessary at the time. The Directors shall not take such action as aforesaid without first consulting the Clearing House.
- 17.7 In the event that a cessation or suspension or limitation of trading in any metal, LMEmini Contract, Monthly Average Future, Premium Contract, Warrant, Ferrous Future, LMEprecious Future or Index Contract imposed by the Directors in accordance with Trading Regulations 17.1 to 17.3 or 17.5 above be such as to prevent delivery of the said metal (including any Precious Metal) or settlement of the said LMEmini Contract, Monthly Average Future, Premium Contract, Warrant, Ferrous Future, LMEprecious Future or Index Contract or to prevent the closing of an open position, any open Contracts so affected shall be closed by Invoicing Back to the seller at special settlement prices to be

determined by the Directors on the date of announcement of cessation or suspension or limitation of trading.

17.8 Where for any reason the Directors determine that the use of LMEsword for delivery of Warrants is not practicable or appropriate in part or in whole, the Directors shall by Notice specify such other means of performing delivery of Warrants as they deem appropriate having first consulted with the Clearing House.

17.9 Notwithstanding anything set out in Trading Regulations 17.1 to 17.7 above:

- (a) neither the Directors nor the Special Committee shall be required to exercise their power to suspend or remove from trading any Contract which no longer complies with the Rules, where in their judgment such step would be likely to cause significant damage to the interests of investors or the orderly functioning of the financial markets; and
- (b) the Directors shall suspend or remove from trading a Contract when required to do so by the FCA.

17.10 The Exchange may notify the FCA of:

- (a) any Notice of the suspension or removal from trading of a Contract which no longer complies with the Rules or which is suspended or removed from trading; and
- (b) any lifting of a suspension or readmission to trading of a Contract that was previously suspended or removed from trading by the Exchange.

17.11 In the event that a Regulator intervenes to prohibit or restrict:

- (a) the marketing, distribution or sale of a specific financial instrument or a type of financial instrument with specific features; or
- (b) a type of financial activity or practice,

the Exchange may be required to halt trading activity, whether on a temporary or indefinite basis, in any Contract that is within the scope of the prohibition or restriction. Nothing set out in these Trading Regulations shall restrict the Exchange from complying with any such requirement.

18. **LENDING RULES**

18.1 Members shall comply with the Lending Rules and shall co-operate with the Exchange to ensure that each of their Clients shall comply with the Lending Rules.

18.2 Where the Exchange has reasonable cause to suspect that a Client has failed or is likely to fail to comply with the Lending Rules, the Exchange may give directions to one or more Members with whom that Client has Client Contracts to take action designed to make the same number of Lots available for borrowing in the market as would have been the case if the Client were prepared to abide by the Lending Rules. Such directions to a Member may include but are not limited to:-

- (a) lending or offering to lend, at no more than a level premium, the number of Cleared Contract positions equal to or less than the Client's long position holding

of 90% or more as calculated by the Exchange in accordance with the Lending Rules; and/or

- (b) lending or offering to lend, at no more than a premium of 0.25% of the previous day's Cash price, the number of Cleared Contract positions equal to or less than the Client's long position holding of 80% or more but less than 90% as calculated by the Exchange in accordance with the Lending Rules; and/or
- (c) lending or offering to lend, at no more than a premium of 0.50% of the previous day's Cash price, the number of Cleared Contract positions equal to or less than the Client's long position holding of 50% or more but less than 80% as calculated by the Exchange in accordance with the Lending Rules; and/or
- (d) trading out of sufficient Client Contract positions with that Client to reduce that Member's (or, if two or more Members are directed, those Members') net exposure to that Client in line with the action taken in compliance with the directions under (a) to (c) above.

18.3 Compliance with the Lending Rules is subject to the power of the Special Committee to take steps or give directions under Trading Regulations 17.1 to 17.3 above. Without prejudice to the generality of Trading Regulations 17.1 to 17.3 above, such steps or directions may include suspending, amending or supplementing the Lending Rules for such period or in respect of such metals as the Special Committee in its absolute discretion deems necessary.

19. **LIABILITY**

Neither the Company nor any of its directors or other officers nor any of its employees nor any member of any committee shall, except in the case of fraud or wilful default, be under any liability whatsoever in contract, in tort (including but not limited to negligence), or under any other theory of law to any Member or other person in respect of the matters set out in Trading Regulations 19.1 and 19.2 below:

19.1 Any act or omission taken or omitted to be taken pursuant to duties, powers and/or authorities contained in the Articles or the Rules including in relation to the following:-

- (a) the input of prices into the price reporting service or the setting and dissemination of Closing Prices, Settlement Prices or other prices pursuant to the Rules;
- (b) the creation, calculation, publication or variation of the Index from time to time, including any variation to Weighting or of its Constituent Metals;
- (c) the approval or listing of any warehouse or the maintenance of any such listing;
- (d) the listing or delisting of any producer or brand of metal or the maintenance of any such listing;
- (e) the collection of information and publication of reports in relation to levels of metal stocks represented by Warrants;
- (f) the initiation or enforcement of disciplinary or emergency procedures;
- (g) any other events not set out in (a) to (f) above.

19.2 Any failure, malfunction, delay or other defect in or affecting any computer system, including LME Select, screens, equipment, telephones or other communications media or facilities used by the Exchange, its Members or others, whether at the Exchange or otherwise.

20. **POSITION LIMITS**

20.1 Members shall comply with and shall co-operate with the Exchange to ensure that each of their Clients shall comply with the Position Limits and any directions issued by the Exchange in accordance with the requirements for such Position Limits as the Exchange may specify in Administrative Procedures or as the Exchange may otherwise notify Members from time to time.

20.2 Compliance with the Position Limits is subject to the power of the Special Committee to take steps or give directions under Trading Regulations 17.1 to 17.3 above. Without prejudice to the generality of Trading Regulations 17.1 to 17.3 above, such steps or directions may include suspending, amending or supplementing the Position Limits for such period or in respect of such metals as the Special Committee in its absolute discretion deems necessary.

20.3 With effect from 3 January 2018, Members shall provide a daily position report to the Exchange in accordance with the format required by the Exchange and other requirements as specified in the relevant Notice from time to time.

20.4 In accordance with their powers of position management under MiFID II, a Regulator may:

- (a) request information from a Member or a Client of the Member regarding the size or purpose of a position or exposure under a Contract;
- (b) require the Member or Client to reduce the size of, or eliminate, its position or exposure under that Contract; and/or
- (c) limit the ability of a Member or Client to enter into commodity derivatives,

and any Member shall comply with any such requests, requirements, or limitations. To the extent that a Member is informed of any exercise of position management powers by a Regulator in relation to its Client, it shall procure that its Client complies with any such requests, requirements, or limitations.

20.5 If a Member becomes aware that it or its Client is the subject of a notice issued by ESMA in the exercise of its position management powers, the Member must alert the Exchange immediately. The Member shall co-operate with the Exchange to take such action as may be appropriate on the basis of the notice issued by ESMA, and which may require the Member to reduce the size of, or eliminate, a trading position.

21. **CONFORMANCE TESTING, ALGORITHMIC TRADING AND MARKET MAKING**

21.1 Prior to any deployment or substantial update of (a) LME Select or (b) a Member's trading system, trading algorithm, or trading strategy, each Member must carry out conformance testing, including the appropriate testing of algorithms, in accordance with the conditions established by Notice from time to time.

21.2 Members must flag orders generated by Algorithmic Trading to the Exchange, identifying:

- (a) the different algorithms used for the creation of orders; and
- (b) the persons initiating those orders,

such flagging of orders being made in accordance with the relevant requirements established by Notice.

21.3 Where any Member, or any Client of a Member engages in Algorithmic Trading, to pursue a Market Making Strategy:

- (a) the Member shall provide, and shall ensure that any such Client provides, market making continuously during the opening hours of the Exchange, with the result of providing liquidity on a regular and predictable basis;
- (b) the Member shall, and shall procure that any such Client shall, enter into a market making agreement with the Exchange where required to do so by Regulation 21.4 regarding its obligations in (a) in relation to the Contracts in which it or, where appropriate, its Client, pursues a Market Making Strategy;
- (c) the Member must have in place, and ensure that any such Client has in place, the systems and controls required to ensure it performs its obligations under the market making agreement specified in (b); and
- (d) the Member shall comply with any additional requirements that the Exchange may specify by Administrative Procedure.

21.4 A Member shall, and shall procure that a Client shall, enter into a market making agreement with the Exchange:

- (a) if it or such Client, during half of the trading days over a one-month period, in execution of such Market Making Strategy:
 - (1) posts Firm Quotes that are simultaneous two-way quotes of comparable size and competitive prices; and
 - (2) Deals On Own Account in at least one Contract on the Exchange for at least 50 per cent of the daily trading hours of continuous trading at the Exchange, or
- (b) where otherwise required to do so pursuant to MiFID II or any law or regulations made pursuant thereto.

21.5 For the purposes of Regulation 21.4:

- (a) Firm Quotes shall be deemed to be simultaneous two-way quotes if they are posted in such a way that both the bid and the ask-price are present in the order book at the same time;
- (b) two Firm Quotes shall be deemed of comparable size when their sizes do not diverge by more than 50 per cent from each other; and
- (c) Firm Quotes shall be deemed to have competitive prices where they are posted within the maximum bid-ask range for the relevant Contract, as specified by the Exchange from time to time by Notice.

- 21.6 A Member shall not be required to comply with Regulation 21.3(a) if it or, where appropriate, its Client, is unable to provide liquidity on a regular and predictable basis due to the exceptional circumstances listed in Article 3 of Commission Delegated Regulation (EU) 2017/578.
- 21.7 Where a Member considers that it or, where appropriate, its Client, is unable to comply with its obligation to provide liquidity on a regular and predictable basis due to the exceptional circumstances specified in Article 3(d) of Commission Delegated Regulation (EU) 2017/578 (circumstances preventing prudent risk management practices), it must provide to the Exchange, upon request, evidence satisfactory to the Exchange of such circumstances and how the condition in Article 3(d) is satisfied.
- 21.8 In order to assist Members to identify such exceptional circumstances, the Exchange will endeavour to determine in its absolute discretion and make public the occurrence of exceptional circumstances falling within Article 3(a), (b), (c), or (e) of Commission Delegated Regulation (EU) 2017/578. In the event of such an occurrence, the Exchange may issue a Notice to Members. The Exchange shall not extend the declaration of such exceptional circumstance beyond the close of the Opening Hours on for the relevant Execution Venue on the Business Day on which the exceptional circumstance(s) occurred unless, in the determination of the Exchange, this is necessary in the circumstances set out in Article 3(b), (c) or (e) of Commission Delegated Regulation (EU) 2017/578.
- 21.9 Following the ending of any such exceptional circumstances, the Exchange may announce the resumption of normal trading in accordance with its standard procedures.
- 21.10 This Trading Regulation 21 shall apply with effect from 3 January 2018.

22. ORDER CANCELLATION AND CONTROLS

- 22.1 The Exchange may temporarily halt or constrain trading in accordance with the relevant procedures established by Notice if there is a significant price movement during a short period in a financial instrument on the Exchange or a related trading venue (as such term is defined in Article 4(1)(24) of the MiFID II Directive). Where the Exchange considers it appropriate, the Exchange may cancel, vary or correct any Agreed Trade or Contract.

23. TRANSACTION REPORTING

- 23.1 The Exchange is required to report to the FCA details of transactions in financial instruments traded on its platform which are executed through its systems by a firm that is not subject to MiFID II. Members shall confirm to the Exchange if they are writing Client Contracts for Clients that are not firms subject to MiFID II and provide details of all Agreed Trades and Contracts in respect of such Clients at the time of submission of the details of the Agreed Trade into the Matching System in accordance with the timescales set out in Trading Regulation 3.5.
- 23.2 Any Member that is not a firm subject to MiFID II shall:
- (a) provide the Exchange with a validated, issued and duly renewed ISO 17442 legal entity identifier code; and
 - (b) obtain from each of its Clients that is not a firm subject to MiFID II a validated, issued and duly renewed ISO 17442 legal entity identifier code, which the Member shall provide to the Exchange.

- 23.3 It shall be the responsibility of such a Member to ensure that the reference data related to its legal entity identifier is renewed in accordance with the terms of any of the accredited local operating units of the Global Legal Entity Identifier System, and also to ensure that each of its Clients renews such data.

This Trading Regulation 23 shall apply with effect from 3 January 2018.

PART 4
CONTRACT REGULATIONS

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PART 4: CONTRACT REGULATIONS

1. RELATIONSHIP WITH RULES AND REGULATIONS

- 1.1 These Contract Regulations shall apply to Contracts made subject to the Rules of the Exchange, whether between a Clearing Member and the Clearing House or between a Clearing Member and a Member who is not a Clearing Member or between a Member and any other person.
- 1.2 Contracts shall in addition be subject to the Trading Regulations and, in case of discrepancy, the Trading Regulations shall prevail over these Contract Regulations. Contracts for Traded Options shall, in addition, be governed by the Traded Options Regulations. Contracts for Monthly Average Futures shall, in addition, be governed by the Monthly Average Future Regulations. Premium Contracts shall, in addition, be governed by the Premium Contract Regulations. LMEprecious Futures shall, in addition, be governed by the LMEprecious Regulations.
- 1.3 Any provision of, or any provision incorporated into, any Contract (other than a provision incorporated by virtue of the Clearing House Rules) which purports to exclude or is otherwise in conflict with the Rules shall be void.
- 1.4 All Agreed Trades must be entered into the Matching System in order to provide evidence to the Clearing House of the Contracts formed pursuant to the Execution of such Agreed Trades. Any dispute as to failure to enter or the reason for non-entry of such Agreed Trades may be referred to arbitration in accordance with the Arbitration Regulations.
- 1.5 A Member may not enter into a contract expressed to be "subject to the Rules and Regulations of the Exchange" or similar expression unless it is a Contract. Written confirmation of a Client Contract must state clearly and in bold capitals the phrase **"THIS IS AN LME REGISTERED CLIENT CONTRACT"**. Written confirmation of an over-the-counter contract in respect of LME-deliverable metal must state clearly and in bold capitals **"THIS IS NOT AN LME REGISTERED CLIENT CONTRACT"**.
- 1.6 Upon Execution of an Agreed Trade, Cleared Contracts shall come into effect in accordance with the Clearing House Rules between the Clearing House and each Clearing Member that was a party to, or responsible for clearing, the Agreed Trade.
- 1.7 Upon Execution of an Agreed Trade between a Client and a Member, one or more Client Contracts shall automatically and immediately come into effect:
 - (a) between the Clearing Member responsible for clearing the Agreed Trade and its Client that is party to the Agreed Trade; and
 - (b) where the Agreed Trade is between a Category 4 Member or LMEprecious Non-Clearing Member and its own Client, between such Member and its Client.
- 1.8 All Cleared Contracts shall be performed and settled in accordance with the Trading Regulations and the Clearing House Rules. Accordingly, in this Part 4, all references to any category of Contract shall, where that Contract has been registered at the Clearing House, be construed to include any Cleared Contract that has arisen pursuant to the Clearing House Rules, such that:

- (a) references to any type of "Cleared Contract" shall include the Cleared Contracts that have arisen pursuant to the Execution of an Agreed Trade under the Clearing House Rules;
- (b) references to any type of "Client Contract" shall:
 - (i) include the Client Contract to the extent that such remains in force between the parties thereto; and
 - (ii) not include the Cleared Contracts that correspond to such Client Contract, the settlement and performance of which shall be in accordance with the provisions applying to Cleared Contracts.

2. **STATUS OF PARTIES**

- 2.1 All Contracts shall be between the parties acting as principals. Any percentage charged by one party to the other on the price shall, by whatever name called, be regarded as part of the price.
- 2.2 Any such percentage charged by a Member may be shared with any agent or other person introducing the business.

3. **MARGIN CLIENT CONTRACTS**

- 3.1 In the case of any Client Contract between a Clearing Member and a Member who is not a Clearing Member or between a Member and a non-Member, the Clearing Member or, as the case may be, the Member shall have the right at any time or times to require the other party to pay Variation Margin to him in cash and/or to deposit with him security in such other form as he may require in order to secure fulfilment by the other party of his obligations under the Contract. If the other party fails to perform this obligation, the Clearing Member or, as the case may be, the Member may immediately appropriate any Variation Margin held and/or realise any security lodged in addition to any other rights he may have under the Contract.
- 3.2 Variation Margin shall be due on demand and shall be without prejudice to payment of any other sum or provision of other security that may have been agreed between the parties.

4. **SETTLEMENT**

- 4.1 Settlement Basis for Different Types of Contracts
 - (a) Except as provided in the Traded Options Regulations and the Default Regulations, Metal Contracts shall be settled by offset or delivery on their Prompt Dates.
 - (b) Index Futures shall be cash settled on the Settlement Business Day following their Prompt Dates and also daily settled in accordance with the Trading Regulations and, in the case of Cleared Index Futures, the Clearing House Rules.
 - (c) Index Options shall be cash settled on the Settlement Business Day following their Prompt Date. LMEmini Futures shall be cash settled on their Prompt Date and also daily settled in accordance with the Trading Regulations and the Clearing House Rules.

- (d) Monthly Average Futures shall be cash settled on their prompt date and also daily marked to market in accordance with the Trading Regulations and the Clearing House Rules.
 - (e) Ferrous Futures shall be cash settled on the Settlement Business Day following their Prompt Dates and also daily settled in accordance with the Trading Regulations and, in the case of Cleared Ferrous Futures, the Clearing House Rules.
 - (f) Premium Contracts shall be settled in accordance with the Premium Contract Regulations and the Clearing House Rules.
 - (g) LMEprecious Futures shall be settled by delivery on their Prompt Dates and also daily settled in accordance with Trading Regulation 9 and, in the case of Cleared LMEprecious Futures, the Clearing House Rules.
- 4.2 Settlement of Cleared Contracts shall be in accordance with the Trading Regulations and the Clearing House Rules.
- 4.3.1 Offsetting Client Metal Contracts for the same number of Lots of the same metal and in the same currency and with the same Prompt Date shall be settled in accordance with the Trading Regulations on the Prompt Date, buyer and seller paying or receiving (as the case may be) any difference between the Contract prices in the currency of the Contracts. Non-offsetting Client Metal Contracts shall be performed by delivery.
- 4.3.2 Premium Contracts shall be subject to offsetting in accordance with the Premium Contract Regulations.
- 4.4 The application of Regulations 8.7 and 9 of the Trading Regulations and Regulations 4.1, 4.2 and 4.3 above shall not be construed so as to frustrate the application of Regulation 14 of the Contract Regulations and:
- (i) a Contract may be subject to Compression notwithstanding that it would otherwise not be settled until the time specified in Regulations 8.7 and 9 of the Trading Regulations and Regulations 4.1, 4.2 or 4.3 above; and
 - (ii) any reference to the settlement of a Contract shall be construed to mean the settlement of any Post-Compression Client Contract that arises upon Compression of such Contract.

5. **DELIVERY**

- 5.1 Delivery due under Cleared Metal Contracts shall be effected in accordance with the Trading Regulations.
- 5.2 Delivery due under a Client Metal Contract shall be effected on the Prompt Date by delivery of Warrants. Warrants shall be delivered either by way of a transfer pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers or (until further notice) by delivery of a physical Warrant. The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the seller's option.

- 5.3 Subject to the Special Contract Rules pertaining to the relevant metal, Warrants shall be for one Lot each.
- 5.4 In relation to Client Metal Contracts, Warrants shall be invoiced and paid for at the Contract weight and at the Settlement Price pertaining to the Prompt Date, buyer and seller paying and receiving (as the case may be) any difference between Settlement Price and Contract price in the currency of the Contract. If the currency of the Contract is not the Major Currency for the relevant metal the Settlement Price may be translated into the currency of the Contract at such rate as the parties may determine.
- 5.5 In relation to Client Metal Contracts weight differences (between Contract weight and actual Warrant weight) shall be settled at the Settlement Price in the Major Currency of the relevant metal. Warehouse rental accruals (where relevant) shall be allowed on the invoice and shall be accounted for in the Major Currency of the relevant metal.
- 5.6 Delivery of Warrants pursuant to Client Metal Contracts shall be effected no later than 09.00 hours where the buyer is a Clearing Member and no later than 13.30 hours where the seller is a Clearing Member (so far as enabled by the Clearing Member's best endeavours). In all other cases delivery under Client Metal Contracts shall be effected at such time on or before the Prompt Date as the parties may agree.
- 5.7 Warrant weights in all cases shall be accepted as between buyer and seller.
- 5.8 Delivery due under a Premium Contract shall be effected in accordance with the Premium Contract Regulations.
- 5.9 Delivery due under Cleared LMEprecious Futures shall be effected in accordance with the Trading Regulations and the Clearing House Rules.
- 5.10 Delivery due under Client LMEprecious Futures shall be effected on the Prompt Date by the delivery of unallocated Precious Metal corresponding to the number of Lots represented by the Contracts to be settled. The manner of delivery shall be as agreed by the parties or, in the absence of agreement at the seller's option. Precious Metal shall be paid for at the Contract weight and at the LMEprecious Final Settlement Price pertaining to the Prompt Date.
- 5.11 Delivery of unallocated Precious Metal pursuant to Client LMEprecious Futures shall be effected no later than 16:00 hours where the buyer is an LMEprecious General Clearing Member and no later than 16:00 hours where the seller is an LMEprecious General Clearing Member (so far as enabled by the LMEprecious General Clearing Member's best endeavours). In all other cases delivery under Client LMEprecious Futures shall be effected at such time on or before the Prompt Date as the parties may agree.
6. **SPECIAL CONTRACT RULES FOR METAL, LMEMINI CONTRACTS, FERROUS FUTURES AND FOR THE CONSTRUCTION OF THE INDEX**
- 6.1 Quality and other matters dealt with in the Special Contract Rules for the relevant metal shall be as prescribed therein at the time of delivery.
- 6.2 With effect from 1 February 1992, the Exchange may make additions to, deletions from or modifications to the Special Contract Rules for any metal, such additions, deletions or

modifications to take effect from such date as the Exchange may prescribe which shall be not less than three months after announcement thereof.

- 6.3 The terms of Index Futures, including details of the Constituent Metals and the method of calculating the Index, shall be as described in the Special Contract Rules for the Construction of the Index.
- 6.4 The terms of the Index Options shall be as prescribed in the Index Options Regulations or as otherwise specified by the Exchange.
- 6.5 The composition and calculation of the Index as provided for in the Special Contract Rules for the Construction of the Index shall be as described therein at the time of settlement of an Index Contract.
- 6.6 The Exchange may amend the Special Contract Rules for the Construction of the Index, or any other Rules relevant to the calculation of the Index or settlement of an Index Contract, such amendment to take effect from such date as the Exchange may prescribe.
- 6.7 The terms of LMEmini Futures shall be as prescribed in the Special Contract Rules for LMEmini Contracts or as otherwise specified by the Exchange.
- 6.8 The Exchange may amend the Special Contract Rules for the LMEmini Contracts, or any other Rules relevant to the trading and/or settlement of an LMEmini Contract, such amendment to take effect from such date as the Exchange may prescribe.
- 6.9 The terms of Ferrous Futures shall be as prescribed in the Special Contract Rules for Ferrous Futures or as otherwise specified by the Exchange.
- 6.10 The Exchange may amend the Special Contract Rules for Ferrous Futures, or any other Rules relevant to the trading and/or settlement of a Ferrous Future Contract, such amendment to take effect from such date as the Exchange may prescribe.
- 6.11 The provisions of Regulations 6.1, 6.2, 6.5, and 6.6 to 6.10 above are without prejudice to the powers of the Directors to make and alter Rules generally.

7. WARRANTS

Warrants must be issued by a warehouse listed by the Exchange and have the characteristics prescribed by the Special Contract Rules for the relevant metal.

8. DELIVERY POINTS

- 8.1 With effect from 19 April 1989, the Exchange may introduce any new Delivery Point with effect from at least three months after announcement of approval of such Delivery Point.
- 8.2.1 Warrants issued by any listed warehouse shall constitute a good delivery with effect from such time as the Exchange may decide after announcement by the Exchange of approval and listing of the said warehouse.
- 8.2.2 Warrants shall not constitute good delivery where they are marked as "not valid" in the LMEsword System as provided for in the LMEsword Regulations and Operating Procedures. The Exchange shall in addition give notice to Members on any Warrant being

marked "not valid" (or ceasing to be marked "not valid") by publishing a Notice to all Members to that effect.

9. **DEFAULT**

9.1 The Default Regulations forming Part 9 of the Rules shall apply to all Contracts.

9.2 Upon the happening of an Event of Default in relation to any person (the "**defaulting party**"), including a non-member, who is not

(a) a Category 1, 2 or 4 Member; or

(b) an LMEprecious General Clearing Member or an LMEprecious Non-Clearing Member,

any Category 1, 2 or 4 Member, LMEprecious General Clearing Member or LMEprecious Non-Clearing Member who has open with the defaulting party any Client Contract shall have the right at any time thereafter to close-out the same by selling out or buying in against the defaulting party at the prevailing market price. In the event that this right is invoked, the obligations arising under the Client Contract may, if so provided for in any agreement between the Member and the defaulting party, be terminated upon entering into the closing Contract, except for any settlement payment due from one party to the other in respect of the closed out Contracts.

10. **DISPUTES**

10.1 Subject as provided in Regulation 10.2, any dispute as to the existence, completion or validity of or arising out of any Contract shall be referred to arbitration in accordance with the Rules.

10.2 Any dispute arising from or in relation to any Cleared Contract shall, unless resolved between the Clearing House and the Clearing Member concerned, be referred to arbitration under the Rules. In that event the provisions of the Clearing House Rules shall apply to such arbitration as if incorporated into Part 8 of the Rules.

10.3 Any dispute arising from or in relation to any Contingent Agreement to Trade shall, unless resolved between the parties, be referred to arbitration under the Rules.

11. **GENERAL**

11.1 Time shall be of the essence of every Contract, but failure by any party to exercise or enforce any rights shall not be deemed to be a waiver thereof.

11.2 Contracts shall be governed by and construed in accordance with English law.

11.3 The provisions of (1) the "Uniform Law on the Formation of Contracts for the International Sale of Goods" and the Convention relating thereto, (2) the "Uniform Law on the International Sale of Goods 1964" and the Convention relating thereto, and (3) the "United Nations Convention on Contracts for the International Sale of Goods of 1980" shall not apply to any Contract.

11.4 Entry into any Contract shall constitute a waiver by both parties thereto of any immunity from suit or arbitral process or execution of any judgement or award on the ground of sovereignty, nationality, domicile, residence or otherwise.

12. **TRANSITIONAL PROVISION FOR NON-SEGREGATED CLIENT CONTRACTS**

12.1 This provision shall apply to any Client Contract entered into, prior to the date on which this Regulation 12 came into force in its current form (the "EMIR Amendment Date"), as a "Non-Segregated Client Contract", and/or which was treated, in accordance with the Rules in force prior to the EMIR Amendment Date as a "Non-Segregated Client Contract".

12.2 From the EMIR Amendment Date, no "Non-Segregated Client Contract" shall be a Contract for the purpose of, or governed by, these Rules.

12.3 In order for any Non-Segregated Client Contract to be treated as a Contract pursuant to these Rules:

- (a) a Counterparty to that Non-Segregated Client Contract must have ensured that a Clearing Member shall have entered such contract into the Matching System as a Client Contract (other than a Non-Segregated Client Contract) on or before EMIR Amendment Date, in accordance with Regulation 3.5 of the Trading Regulations, and including all information required by the Clearing House to allocate such Contract (or the Cleared Contracts arising upon registration of such Client Contract) to either an "omnibus" segregated client account or an "individual client" segregated client account of the Clearing Member; and
- (b) the contract must have been accepted by, and registered by, the Clearing House, in accordance with the Clearing House Rules, no later than the EMIR Amendment Date.

12.4 The performance and settlement of any Non-Segregated Client Contract that has ceased to be a Contract under these Rules, in accordance with Regulation 12.2 shall be a matter for the Counterparties thereto and the Exchange shall have no powers, obligations or other responsibilities in respect of such Non-Segregated Client Contracts.

13. **PORTING OF UNDERLYING CLIENT CONTRACTS IN THE ABSENCE OF DEFAULT**

Where and to the extent that the Clearing House Rules permit the transfer of Client-Related Cleared Contracts either:

- (a) between Clearing Members; or
- (b) between accounts maintained by a Clearing Member in respect of different Clients,

and such transfers are permitted in circumstances where the Clearing Member that is the party to such Client-Related Cleared Contracts is not a Defaulter, then Regulation 7 of the Default Rules shall apply in respect of the corresponding Underlying Client Contracts and any associated transfer of Warrants, notwithstanding that no party to any such Underlying Client Contract may be a Defaulter.

14. **COMPRESSION**

14.1 This Regulation 14 shall apply in respect of:

- (a) any Clearing Member that has opted, under the Clearing House Rules, to apply Compression to any Client Related Cleared Contracts allocated to any of its client accounts at the Clearing House; and
- (b) any Client that is a counterparty to any Client Contract with any such Clearing Member; and
- (c) any Client Contract that is an Underlying Client Contract in respect of any Client-Related Cleared Contract that is:
 - (i) allocated to a client account of the Clearing Member at the Clearing House; and
 - (ii) subject to Compression at the Clearing House.

14.2 For the avoidance of doubt, this Regulation 14 shall not apply to any Compression at the Clearing House of any Cleared Contract that is allocated to a house account of a Clearing Member at the Clearing House.

14.3 In the event that any Client-Related Cleared Contracts that are allocated to a client account of a Clearing Member at the Clearing House are subject to Compression at the Clearing House, the Underlying Client Contracts shall also be automatically and simultaneously subject to Compression under the Exchange Rules, on the following basis:

- (a) the Clearing Member and the Client (each acting as principal) shall be released from further obligations towards one another under such Underlying Client Contracts and their respective rights against one another under such Contracts shall be cancelled; and
- (b) simultaneously, new Post-Compression Client Contracts shall, by operation of this Regulation, come into full force and effect between the Clearing Member and the Client, such that the Clearing Member and the Client (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another under the Post-Compression Client Contracts; and
- (c) such Post-Compression Client Contracts shall represent back-to-back Contracts to each Post-Compression Cleared Contract that is in effect following the Compression at the Clearing House, such that:
 - (i) for each Post-Compression Cleared Contract, there shall be a corresponding Post-Compression Client Contract, having:
 - (1) the same direction; and
 - (2) the same commercial terms, including in relation to the amount of underlying metal and prices; and

- (ii) the Variation Margin applicable to a Post-Compression Client Contract shall be the net of the Variation Margin amounts applicable to the Underlying Client Contracts immediately prior to Compression under the Exchange Rules,

save that Compression at the Exchange shall not affect any terms or contractual rights or obligations between the Clearing Member and the Client that were not comprised in the terms of any Underlying Client Contract that was subject to Compression under the Exchange Rules.

14.4 Each Clearing Member that opts, under the Clearing House Rules, to apply Compression to any Client Related Cleared Contracts allocated to any of its client accounts at the Clearing House must:

- (a) have ensured that, prior to the implementation of any Compression at the Clearing House, its terms of business or other contractual arrangements with the relevant Clients contain provisions that operate in a manner that is consistent with this Regulation 14, and do not contain provisions which would conflict with or frustrate the Compression of any Underlying Client Contract in accordance with this Regulation 14;
- (b) ensure that any Client that is party to an Underlying Client Contract that is or may be subject to Compression under the Exchange Rules:
 - (i) is notified of the fact that such Compression may occur, and when such Compression will take effect; and
 - (ii) upon Compression under the Exchange Rules, is promptly notified of the effect of Compression, such that the Client is at all times on notice of the Client Contracts (including the Post-Compression Client Contracts) that are in force between the Clearing Member and the Client;
- (c) ensure that its books and records relating to the Client Contracts and Cleared Contracts to which it is a party are at all times reconciled and up to date, such that it is at all times possible to identify which Cleared Contract (including a Post-Compression Client Contract) represents the clearing of which Client Contract (including a Post-Compression Cleared Contract); and
- (d) promptly upon request by the Exchange or Clearing House provide a copy of such books and records described in (c) above, in such a format that would easily enable Compression Client Contracts) with the corresponding Cleared Contracts (including the Post-Compression Cleared Contracts).

PART 5
TRADED OPTIONS REGULATIONS

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PART 5A: METAL OPTIONS REGULATIONS

1. RELATIONSHIP WITH TRADING REGULATIONS

- 1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Metal Options Regulations or unless the context otherwise requires, apply to Metal Options.
- 1.2 The Clearing House Rules shall apply to Cleared Contracts that arise pursuant to the registration of Cleared Metal Options or Client Option Contracts with the Clearing House.
- 1.3 References in this Part 5A to Metal Options or any "Contracts" relating to such Metal Options shall be construed to include any Cleared Contract that has arisen pursuant to the registration of the Metal Option at the Clearing House (provided that Cleared Contracts that arise pursuant to the registration of Metal Options that are Client Contracts shall be treated in the same way as Cleared Contracts that are pursuant to the registration of Cleared Metal Options).

2. PERMITTED OPTIONS

- 2.1 Metal Options shall be available in respect of such metals and denominated in such currencies as may from time to time be prescribed by the Exchange. The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be posted in the Exchange.
- 2.2 Trading may be conducted, in respect of any Metal Option authorised by the Traded Options Committee, until the close of the business on the Last Trading Day for such Metal Option. A new month for the metal concerned will become available for trading at the opening of business on the Business Day following the Last Declaration Day.
- 2.3 The minimum permitted spread between buyers' and sellers' premiums bid or offered in respect of Cleared Metal Options, and the minimum fluctuation in such premiums, shall be at such levels as the Exchange may from time to time prescribe according to the currency in which the Metal Option is denominated.
- 2.4 All Metal Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

3. DECLARATION

- 3.1 Subject where relevant to Regulation 8 of the Trading Regulations, Prompt Dates for futures Contracts resulting from declarations under Metal Options shall be the third Wednesday in the relevant month or, if that day is not a Business Day, the next succeeding day which is a Business Day.
- 3.2 Declaration of a Cleared Metal Option may only be made on the Clearing House by a Clearing Member Taker if it forms part of that Member's open registered position as at the close of business on the preceding Business Day. Declaration shall be made in such manner as may be prescribed or accepted by the Clearing House no earlier than 07.30 hours and no later than 11.15 hours on any Business Day up to and including the Last Declaration Day for the relevant Metal Option.

- 3.3 Upon receipt of declaration of a Cleared Metal Option or Options by a Clearing Member Taker or Takers, the Clearing House shall declare a like Cleared Metal Option or Options on any Clearing Member Granter or Granters selected by it who had corresponding open registered positions as at the close of business on the preceding Business Day. The Clearing House shall use its best endeavours to notify the relevant Granter no later than 11.30 hours on the day upon which the Cleared Metal Option is declared on the Clearing House, provided however that Granters shall be obliged to accept later declarations if made in accordance with the Clearing House Rules.
- 3.4.1 Takers of Client Metal Options from Clearing Member Granters shall declare Metal Options on their Clearing Member Granters in such manner as has been agreed between them, no later than 11.10 hours on any Business Day up to and including the Last Declaration Day for the relevant Metal Option.
- 3.4.2 Trading-Only Member Takers or non-Member Takers of Client Metal Options from Trading-Only Member Granters shall declare Metal Options on such Trading-Only Member Granters in such manner as has been agreed between them no later than 11.10 hours on any Business Day up to and including the Last Declaration Day for the relevant Metal Option.
- 3.5.1 Clearing Member Takers of Client Metal Options shall declare the same on their Granters no later than 11.40 hours on any Business Day up to and including the Last Declaration Day, in such manner as has been agreed between them, provided that if the Clearing House declares on the Clearing Member later than 11.30 hours pursuant to Regulation 3.3 the Granter shall be obliged to accept a correspondingly later declaration from the Clearing Member Taker.
- 3.5.2 Trading-Only Member Takers of Client Metal Options from non-Members shall declare the same on their Granters in such manner as has been agreed between them no later than 11.40 hours on any Business Day up to and including the Last Declaration Day for the relevant option.
- 3.6 Any Metal Option described in Regulations 3.2 to 3.5 above not declared as above prescribed shall be deemed to have been abandoned.

4. EFFECT OF DECLARATION

- 4.1 On the declaration of a Metal Option a futures Contract shall arise between Granter and Taker of the declared Metal Option, the price of such futures Contract being the Strike Price in the Metal Options Contract.
- 4.2 Metal Futures Contracts which arise on declaration of a Metal Option shall be settled in accordance with the Trading Regulations.
- 4.3 Offsetting Cleared Metal Option Contracts of a Clearing Member for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically by the Clearing House in accordance with the Clearing House Rules, and all rights and obligations attaching to or arising from those Cleared Metal Option Contracts will terminate. The provision of this Regulation 4.3 shall be applied separately to each relevant account of the relevant Clearing Member at the Clearing House (which may, for the avoidance of doubt, include a "house" or "proprietary" account and a "client" account that is either segregated on an "omnibus" basis or an "individual client" basis).

- 4.4.1 On the declaration of a Client Metal Option where either the Granter or the Taker is a Clearing Member, the Clearing Member must record a Cross in relation to the futures Contract resulting from the said declaration.
- 4.4.2 On the declaration of a Client Metal Option where neither party is a Clearing Member then each Trading-Only Member must arrange for a Clearing Member to record a Cross in relation to that declaration.
- 4.5 Offsetting Client Metal Option Contracts for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically unless otherwise agreed between the Granter and the Taker as the Taker otherwise requests at or before the time when the offsetting Metal Option is granted.
- 5. **PREMIUMS**
- 5.1 The amount of the premium payable on opening every Metal Option Contract shall be determined between Granter and Taker
- 5.2.1 Payment of the premium by the Taker of a Cleared Metal Option to the Granter shall be effected through the payment system, in accordance with the Clearing House Rules, prior to 12.00 hours on the next Business Day following the day on which the Metal Option is traded.
- 5.2.2 Payment of the premium by the Taker of a Client Metal Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the Metal Option is traded.
- 5.3 The Taker of a Cleared Metal Option may apply the value of such Metal Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open Exchange Options granted by the said Taker and/or open Cleared Contracts of the said Taker, subject to, and in accordance with the Clearing House Rules.
- 5.4 The Taker of a Cleared Metal Option or Client Metal Option shall not be permitted to receive cash payment in respect of any positive value of such Metal Option nor apply any credit arising therefrom to the purchase of another Option Contract.

PART 5B: TRADED AVERAGE PRICE OPTIONS REGULATIONS

6. RELATIONSHIP WITH TRADING REGULATIONS

- 6.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Traded Average Price Options Regulations or unless the context otherwise requires, apply to Traded Average Price Option Contracts.
- 6.2 The Clearing House Rules shall apply to Cleared Contracts that arise pursuant to the registration of Exchange Traded Average Price Options or Client Traded Average Price Options with the Clearing House.
- 6.3 References in this Part 5B to Traded Average Price Options or any "Contracts" relating to such Traded Average Price Options shall be construed to include any Cleared Contract that has arisen pursuant to the registration of the Traded Average Price Option at the Clearing House (provided that Cleared Contracts that arise pursuant to the registration of Client Traded Average Price Options shall be treated in the same way as Cleared Contracts that arise pursuant to the registration of Exchange Traded Average Price Options).

7. PERMITTED TRADED AVERAGE PRICE OPTIONS

- 7.1 Traded Average Price Option Contracts shall be available in respect of such metals and denominated in such currencies as may from time to time be prescribed by the Exchange. The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be posted in the Exchange.
- 7.2 Trading may be conducted, in respect of any Traded Average Price Option authorised by the Exchange in consultation with the Traded Options Committee, until the close of business on the Last Trading Day for such Traded Average Price Option. A new month for the metal concerned will become available for trading at the opening of business on the Business Day following the Declaration Day.
- 7.3 The minimum permitted spread between buyers' and sellers' premiums bid or offered in respect of Exchange Traded Average Price Options, and the minimum fluctuation in such premiums, shall be at such levels as the Exchange may from time to time prescribe according to the currency in which the Traded Average Price Option is denominated.
- 7.4 All Traded Average Price Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

8. DECLARATION

- 8.1 Subject where relevant to Regulation 8 of the Trading Regulations, Prompt Dates for futures Contracts resulting from declarations under Traded Average Price Option Contracts shall be the second Business Day following the Declaration Day for the relevant tradeable month.
- 8.2 The declaration of an Exchange Traded Average Price Option shall be deemed to have been made on the Clearing House by a Clearing Member Taker at 15.00 hours on the Declaration Day for the relevant Traded Average Price Option if it is In The Money and

forms part of that Member's open registered position as at the close of business on the preceding Business Day. The declaration shall be accepted and made by the Clearing House no later than 15.00 hours on the Declaration Day for the relevant Traded Average Price Option and it shall use its best endeavours to notify the relevant Granter no later than 15.00 hours on the Declaration Day provided however that Granters shall be obliged to accept later declarations if made in accordance with the Clearing House Rules.

8.3 The declaration of a Client Traded Average Price Option shall be deemed to have been made on the Granter by the Taker at 15.00 hours on the Declaration Day for the relevant Traded Average Price Option if it is In The Money and notification of the said declaration shall be made in such manner as has been agreed between them.

8.4 Any Traded Average Price Option described in Regulations 8.2 and 8.3 above not declared as above prescribed shall be deemed to have been abandoned.

9. **EFFECT OF DECLARATION**

9.1 On the declaration of a Traded Average Price Option two futures Contracts each for the full tonnage of the Contract shall arise between Granter and Taker of the declared Traded Average Price Option:-

9.1.1 in the case of a declared Average Price Call Option, the Taker will buy from the Granter at the Strike Price in the Traded Average Price Options Contract and sell to the Granter at the Monthly Average Settlement Price for the relevant month;

9.1.2 in the case of a declared Average Price Put Option, the Taker will sell to the Granter at the Strike Price in the Traded Average Price Options Contract and buy from the Granter at the Monthly Average Settlement Price for the relevant month.

9.2 Futures Contracts which arise on declaration of a Traded Average Price Option shall be settled in accordance with the Trading Regulations.

9.3 Offsetting Exchange Traded Average Price Option Contracts of a Clearing Member for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically by the Clearing House in accordance with the Clearing House Rules, and all rights and obligations attaching to or arising from those Exchange Traded Average Price Options Contracts will terminate. The provision of this Regulation 9.3 shall be applied separately to the each relevant account of the relevant Clearing Member at the Clearing House (which may, for the avoidance of doubt, include a "house" or "proprietary" account and a "client" account that is either segregated on an "omnibus" basis or on an "individual client" basis).

9.4.1 On the declaration of a Client Traded Average Price Option where either the Granter or the Taker is a Clearing Member, the Clearing Member must record Crosses in relation to the futures Contracts resulting from the said declarations.

9.4.2 On the declaration of a Client Traded Average Price Option where neither party is a Clearing Member then each relevant Trading-Only Member must arrange for a Clearing Member to record Crosses in relation to that declaration.

9.5 Offsetting Client Average Price Contracts for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically unless otherwise agreed between the Granter and the Taker as the Taker otherwise requests at or before the time when the offsetting Traded Average Price Option is granted.

10. **PREMIUMS**

- 10.1 The amount of the premium payable on opening every Traded Average Price Option Contract shall be determined between the Granter and Taker.
- 10.2.1 Payment of the premium by the Taker of an Exchange Traded Average Price Option to the Granter shall be effected through the payment system, in accordance with the Clearing House Rules, prior to 12.00 hours on the next Business Day following the day on which the Traded Average Price Option is traded.
- 10.2.2 Payment of the premium by the Taker of a Client Traded Average Price Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the Traded Average Price Option is traded.
- 10.3 The Taker of an Exchange Traded Average Price Option may apply the value of such Traded Average Price Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open Exchange Traded Average Price Options granted by the said Taker and/or open Cleared Contracts of the said Taker, subject to, and in accordance with the Clearing House Rules.
- 10.4 The Taker of an Exchange Traded Average Price Option or Client Traded Average Price Option shall not be permitted to receive cash payment in respect of any positive value of such Traded Average Price Option nor apply any credit arising therefrom to the purchase of another Traded Average Price Option.
- 10.5 For the avoidance of doubt, this Regulation 10 has no relevance to any premium (including any Premium Contract Price) under a Premium contract.

PART 5C: INDEX OPTIONS REGULATIONS

11. RELATIONSHIP WITH TRADING REGULATIONS

- 11.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Index Options Regulations or unless the context otherwise requires, apply to Index Options.
- 11.2 The Clearing House Rules shall apply to Cleared Contracts that arise pursuant to the registration of Cleared Index Options with the Clearing House.
- 11.3 References in this Part 5C to "Index Options" or any "Contracts" relating to such Index Options shall be construed to include any Cleared Contract that has arisen pursuant to the registration of the Index Option at the Clearing House (provided that Cleared Contracts that arise pursuant to the registration of Client Index Options shall be treated in the same way as Cleared Contracts that arise pursuant to the registration of Cleared Index Options).

12. PERMITTED OPTIONS

- 12.1 Index Options shall be available in respect of such contract sizes as may from time to time be prescribed by the Exchange but shall be traded in US dollars only. The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price and any other specifications shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be posted in the Exchange.
- 12.2 Trading may be conducted, in respect of any Index Option authorised by the Traded Options Committee, until 16.35 hours on the Last Trading Day for such Index Option. A new month for the Index Option concerned will become available for trading at the opening of business on the Business Day following the Prompt Date.
- 12.3 The minimum permitted spread between buyers' and sellers' premiums bid or offered in respect of Cleared Index Options, and the minimum fluctuation in such premiums, shall be at such levels as the Exchange may from time to time prescribe.
- 12.4 All Index Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

13. AUTOMATIC EXERCISE

- 13.1 A Cleared Index Option shall be automatically exercised on its Granter at about 19.15 hours on the Prompt Date for the relevant Index Option if at that time it is In the Money and forms part of a Member's open registered position with the Clearing House.
- 13.2 A Client Index Option shall automatically exercise on its Granter at about 19.15 hours on the Index Exercise Date for the relevant Index Option if at that time it is In The Money.
- 13.3 Notification of automatic exercise of a Client Index Option shall be made in such manner as has been agreed between Granter and Taker.
- 13.4 Any Index Option not exercised as prescribed shall be deemed after its Prompt Date to have been abandoned.

14. **EFFECT OF AUTOMATIC EXERCISE**

14.1 On the automatic exercise of an Index Option on the Prompt Date it shall settle in cash as described in the Trading Regulations.

15. **PREMIUMS**

15.1 The amount of the premium payable on opening every Index Option shall be determined between Granter and Taker.

15.2.1 Payment of the premium by the Taker of a Cleared Index Option to the Granter shall be effected through the payment system, in accordance with Clearing House Rules, prior to 12.00 hours on the next Business Day following the day on which the Index Option is traded.

15.2.2 Payment of the premium by the Taker of a Client Index Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the Index Option is traded.

15.3 The Taker of a Cleared Index Option may apply the value of such Index Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open Exchange Options granted by the said Taker and/or open Cleared Contracts of the said Taker, subject to, and in accordance with the Clearing House Rules.

15.4 The Taker of a Cleared Index Option or Client Index Option shall not be permitted to receive cash payment in respect of any positive value of such Option nor apply any credit arising therefrom to the purchase of another Index Option.

15.5 For the avoidance of doubt, this Regulation 15 has no relevance to any premium (including any Premium Contract Price) under a Premium Contract.

PART 6
SPECIAL CONTRACT RULES FOR METALS

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PART 6

SPECIAL CONTRACT RULES FOR HIGH GRADE PRIMARY ALUMINIUM

1. QUALITY

- (a) The aluminium delivered under this contract must be:
 - (i) Primary aluminium with impurities no greater than in the registered designation P1020A in the North American and International Registration Record entitled "International Designations and Chemical Composition Limits for Unalloyed Aluminum" (revised March 2007), or
 - (ii) Primary aluminium that conforms to the registered designation A199.70 in the GB/T 1196-2008 Standard entitled "Unalloyed aluminium ingots for remelting", or
 - (iii) For warrants created up to and including 31 December 2009 primary aluminium of minimum 99.70% purity with maximum permissible iron content 0.20% and maximum permissible silicon content 0.10%.
- (b) In the shape of ingots each weighing not less than 9 kilos and not more than 26 kilos and T-bars or sows weighing not more than 788 kilos.
- (c) Of brands listed in the LME approved list.

2. SIZE OF LOT

25 tonnes (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 25 tonnes (2% either more or less).

3.2 The aluminium in each Warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject, in the case of ingots, to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 2.0 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
- (e) the weight;

- (f) the number of bundles of ingots or the number of T-bars or sows making up each lot.

3.4 Each Warrant must bear the following clause;

WARNING: the buyer is advised that this metal may contain crevices and hidden recesses holding entrapped moisture. The metal should be handled and processed with this possibility in mind. Entrapped moisture may cause an explosion if the metal is introduced into a melting furnace without proper drying.

3.5 Each Warrant must bear an LMEsword generated barcode.

4. **ADDITIONAL REQUIREMENTS FOR ALUMINIUM WARRANTS**

4.1 The listed brand name and/or brand identifiable logo must be indelibly marked on each ingot within a bundle or on each T-bar or sow.

4.2 In the case of ingots, the production cast reference must be indelibly marked on each ingot within the bundle or on the surface of the bundle or on a durable bundle label. In the case of T-bars and sows, the production cast reference must be marked on each T-bar or sow either indelibly or by a durable bundle label.

4.3 Each delivery of aluminium for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production cast reference and shall determine the aluminium content within a minimum purity as defined in Special Contract Rule 1 (a). The producer's certificate of analysis must demonstrate compliance with one of the relevant Standards and grades listed in Special Contract Rule 1 (i), (ii) and (iii) by illustrating the detected level of impurity for each element.

Note that Warrants created after 31 December 2009 can only comply with Special Contract Rule 1 (i) or (ii). A Bulk analysis certificate or a copy thereof is acceptable.

4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.

4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.

4.6 All documentation for placing aluminium on Warrant must include the English language.

4.7 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strapping standards.

5. **MAJOR CURRENCY**

US dollars

6. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are: -

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.

SPECIAL CONTRACT RULES FOR ALUMINIUM ALLOY

1. QUALITY

The aluminium alloy delivered under this contract must be:

(a) Aluminium alloy conforming to one of the specifications listed below:

- (1) **A380.1** produced in conformity with The Aluminum Association Inc. specification (2015);
- (2) **226** produced in conformity with LME 226 as described below:

Elements	Composition, % (m/m)
Cu	2.0 – 3.5
Si	8.0 –11.0
Mg	0.1 – 0.5
Zn	1.2 max
Fe	1.0 max
Mn	0.1 – 0.4
Ni	0.3 max
Sn	0.1 max
Ti	0.15 max
Pb	0.2 max
Others	0.05 max each
Al	Remainder
The sum of 'others' 0.15% max	

- (3) **AD12.1** produced in conformity with JIS H2118-2006, Class 12: (Note: this specification to be read in conjunction with the provision that there be an allowance as follows: Others, total 0.50% max, Al remainder).

(b) In the shape of ingot, small sows (four way entry sows), large sows (low profile sows) and T-bars.

(c) Of brands listed in the LME-approved list of aluminium alloy brands.

2. SIZE OF LOT

20 tonnes (2% either more or less).

3. **WARRANTS**

- 3.1 Warrants shall be for 20 tonnes each (2% either more or less).
- 3.2 The aluminium alloy in each Warrant shall consist of one brand which is listed as being good delivery and of one shape and dimension.
- 3.3 Each lot shall contain aluminium alloy derived from no more than five production batches, and, in the case of ingots, each bundle shall contain aluminium alloy from only one production batch.
- 3.4 Each Warrant shall state:
- (a) the name of the brand;
 - (b) the country of origin;
 - (c) the shape;
 - (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
 - (e) the weight;
 - (f) the number of bundles of ingots, small sows, large sows or T-bars making up each lot;
 - (g) each Warrant must bear the following clause;

WARNING: the buyer is advised that this metal may contain crevices and hidden recesses holding entrapped moisture. The metal should be handled and processed with this possibility in mind. Entrapped moisture may cause an explosion if the metal is introduced into a melting furnace without proper drying.

- 3.5 Each Warrant must bear an LMEsword generated barcode.

4. **ADDITIONAL REQUIREMENTS FOR ALUMINIUM ALLOY WARRANTS**

- 4.1 The listed brand name must be indelibly marked on each ingot, sow and T-bar.
- 4.2 The production cast reference and alloy grade reference must be indelibly marked on each ingot within the bundle or on the top surface of the bundle or on a durable bundle label and on each sow and T-bar.
- 4.3 Each delivery of aluminium alloy for placing on Warrant shall be accompanied by a producer certificate of analysis for each production cast batch and stating the brand name.
- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.

- 4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All ingots and sows shall be produced by a single pouring process. “Multi-pour” or “capping” the surface with additional metal after the ingot or sow is formed is not permitted.
- 4.7 All ingots, T-bars and sows delivered under the contract shall be flat in order to permit safe stacking and handling using forklifts.
- 4.8 Metal surfaces shall be smooth and free of open shrinkage, porosity, layers and seams.
- 4.9 The metal must be free of the visible presence of foreign substances.
- 4.10 The edges and surfaces of metal shall be free of sharp edges, spurs and flashings that might present safety hazards in handling.
- 4.11 All documentation for placing aluminium alloy on Warrant must include the English language.
- 4.12 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strapping standards.

5. **SHAPES, WEIGHTS AND DIMENSIONS**

(a) Ingots

Ingots shall weigh not less than 4 kilos and not more than 25 kilos. Each ingot in each bundle and lot shall be of the same weight and dimensions but not exceed 800mm in length; the only exception to be the cast feet for the purpose of bundle stability.

Bundles shall weigh not less than 500 kilos and not more than 1000 kilos of equal weight and dimension in each lot suitable for stacking. One makeweight bundle in any one lot is permissible. Bundles must be securely strapped for safe handling and transport without bundle distortion and breakage.

(b) Small sows (four-way entry sows)

Small sows shall weigh not less than 408 kilos and not more than 590 kilos. Each small sow in each lot shall be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top	Length and width shall be the same, between 837mm - 990mm.
Bottom	Length and width shall be the same, between 406mm - 559mm.
Height	Between 304mm – 432mm.
Shape	The tapering of all four sides should include an indentation to allow for the safe and easy handling by forklift trucks.

(c) Large sows (low profile sows)

Large sows shall weigh not less than 300 kilos and not more than 726 kilos. Each large sow in each lot shall be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top	Length shall be between 1015mm – 1320mm. Width shall be between 812mm – 1142mm.
Bottom	Length shall be between 900mm – 1320mm. Width shall be between 406mm – 520mm.
Height	Between 200mm – 305mm.
Shape	The tapering of the long sides should include an indentation to allow for the safe and easy handling by forklift trucks.

(d) T-bars

T-bars shall weigh not less than 408 kilos and not more than 726 kilos. Each T-bar in each lot shall be of the same weight and dimensions.

Top	Length shall be between 837mm – 1320mm. Width shall be between 760mm – 1015mm.
Bottom	Length shall be between 837mm – 1320mm. Width shall be between 406mm – 634mm.
Height	Overall between 254mm – 432mm. To shoulder minimum 76mm.
Shape	The indentation of the shoulder on the long sides should be a minimum of 101mm (4 inches) on each side and allow for the safe and easy handling by forklift trucks.

6. **MAJOR CURRENCY**

US dollars

7. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.

SPECIAL CONTRACT RULES FOR COPPER - GRADE A

1. QUALITY

- (a) The copper delivered under this contract must be electrolytic copper in the form of cathodes - Grade A.
- (b) All copper delivered must be of brands listed in the LME-approved list of Copper - Grade A brands and must conform to the chemical composition of one of the following Standards:
 - (i) BS EN 1978:1998 (cathode grade designation Cu-CATH-1)
 - (ii) GB/T 467-2010 (high purity Copper Cathode (Cu-CATH-1))
 - (iii) ASTM B115-10 (cathode Grade 1)

2. SHAPES AND WEIGHTS

Each parcel of 25 tonnes of full plate cathodes shall lie at one warehouse and be of one brand, shape and size. Each parcel of copper cathodes placed on Warrant shall be delivered securely strapped in bundles not exceeding 4 tonnes. Each parcel of copper cathodes placed on Warrant shall be securely strapped for handling and transport in bundles to permit safe handling without bundle distortion and breakage.

3. SIZE OF LOT

25 tonnes

4. WARRANTS

- 4.1 Warrants shall be for 25 tonnes each (2% either more or less).
- 4.2 Each Warrant must state the total weight of the parcel, the brand, the country of origin and the number of bundles making up each parcel.
- 4.3 Each Warrant must be identified as Copper - Grade A.
- 4.4 Each Warrant must bear an LMEsword generated barcode.

5. MAJOR CURRENCY

US dollars

6. TESTING OF WARRANTED METAL

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LME approved Sampler and Assayer to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the Exchange's cost.

The conditions referred to above are: -

- (a) that there are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and
- (b) that there is a risk of disruption to the LME's market.

SPECIAL RULES GOVERNING THE PLACING OF COPPER - GRADE A ON WARRANT

1. Each parcel of copper cathodes placed on Warrant shall when delivered to the warehouse company, have the brand name indelibly marked on clips attached to the producer's bundle strapping or the brand name indelibly marked continuously on the producer's bundle strapping. Where it is necessary to break a bundle in order to obtain a warrant weight, this will be permitted provided that at least 80% of the bundles in the Warrant have the original producer clips or producers strapping showing the brand name. The remaining bundles in the Warrant must have an indelible label produced by the warehouse company attached to the strapping showing the brand name.

SPECIAL CONTRACT RULES FOR LEAD

1. QUALITY

The lead delivered under this contract must be:

- (a) Refined lead of a minimum 99.970% purity conforming to one of the following Standards and specific grades:
 - (i) BS EN 12659:1999 Standard entitled "Lead and Lead Alloys – Lead". Permitted grades: Material Numbers PB970R, PB985R and PB990R.
 - (ii) GB/T 469/2013 Standard entitled "Lead Ingots". Permitted Grades: 99.970%, 99.985%, 99.990% and 99.994%.
 - (iii) ASTM B29-03 (2014) Standard entitled "Standard Specification for Refined Lead". Permitted grades: 99.97% and 99.995%.
- (b) In the shape of ingots weighing not more than 55kgs.
- (c) Of brands listed in the LME approved list.

2. SIZE OF LOT

25 tonnes (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 25 tonnes (2% either more or less).

3.2 The lead in each Warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 1.5 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
- (e) the weight;
- (f) the number of bundles making up each lot.

3.4 Each Warrant must bear an LMEsword generated barcode.

4. **ADDITIONAL REQUIREMENTS FOR LEAD WARRANTS**

- 4.1 The listed brand name must be indelibly marked on each ingot within a bundle.
- 4.2 The production cast reference must be indelibly marked on each ingot within the bundle or on the top surface of the bundle or on a durable label.
- 4.3 Each delivery of lead for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production cast reference and shall determine the lead content within the minimum purity as defined in Special Contract Rule 1 (a). The producer's certificate of analysis must demonstrate compliance with one of the relevant Standards and grades listed in Special Contract Rule 1 (i), (ii) and (iii) by illustrating the detected level of impurity for each element. A Bulk analysis certificate or a copy thereof is acceptable.
- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.
- 4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All documentation for placing lead on Warrant must include the English language.
- 4.7 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

5. **MAJOR CURRENCY**

US dollars

6. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and
- (b) There is a risk of disruption to the LME's market.

SPECIAL CONTRACT RULES FOR PRIMARY NICKEL

1. QUALITY

The nickel delivered under this contract must be:

- (a) Primary Nickel that conforms to either the ASTM specification B39-79 (2013) – min 99.80% purity or the GB/T specification 6516-2010 – Ni9990 grade;
- (b) In the shape of cathodes (full plate or cut), briquettes or pellets; and
- (c) Of brands listed in the LME approved list.

2. SIZE OF LOT

6 tonnes (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 6 tonnes (2% more or less).

3.2 The nickel in each Warrant shall consist of one brand which is listed as being good delivery and of one shape and size.

3.3 Each Warrant shall state:-

- (a) the name of the brand;
- (b) the country of origin;
- (c) the shape;
- (d) the date(s) and identification reference of the certificates of analysis lodged with the Warehouse¹;
- (e) the total gross and net weights; and
- (f) the number of steel drums or bags or bundles making up each lot.

3.4 Each Warrant for drummed and bagged nickel shall bear the following legend:

'WARNING The buyer is advised that steel drums or bags (as applicable) may contain water and nickel should be handled and processed with this possibility in mind. Water contained in steel drums or bags (as applicable) may cause an explosion if the nickel is introduced into a melting-furnace without proper procedures being followed'.

3.5 Each Warrant for full plate cathode nickel shall bear the following legend:

'WARNING The buyer is advised that full plate nickel cathode edges may pose a handling risk and proper procedures for handling should be following'.

3.6 Each Warrant shall bear an LMEsword generated barcode.

¹ For full plate nickel cathodes placed on Warrant on or before 10 January 2011, a certificate of conformity in lieu of a certificate of analysis is permissible.

4. SHAPES AND WEIGHTS

4.1 Nickel delivered under this contract shall be packed according to shape as follows:

- (a) Cut cathodes of either 100mm x 100mm (4" x 4"), 50mm x 50mm (2" x 2") or 25mm x 25mm (1" x 1"), shall be packed in sound steel drums of uniform size and even net weight (+/- 2% more or less) of 200kgs or 250kgs or 400kgs or 500kgs each with the production batch reference, gross and net weights and brand name indelibly marked on each individual steel drum. Part filled drums are not permitted.
- (b) Briquettes and pellets shall be packed in steel drums, sizes as 4.1 (a) above, or in 2000kgs (+/- 2% more or less) bags and marked in the same manner as cut cathodes in 4.1 (a) above. Part filled bags are not permitted.
- (c) Full plate cathodes up to 1000mm x 1300mm maximum with a thickness range of 2mm to 17mm, shall be packed in bundles not exceeding 2000kgs, strapped in two dimensions with corrosion resistant material to permit safe handling and transport without bundle distortion and breakage on steel or wooden skids (pallets not permitted) with a minimum ground clearance of 75mm with the production batch reference and gross and net weights indelibly marked on the top cathode of each bundle. The brand name must be marked indelibly either a) on clips attached to the bundle strapping, or b) on the producer strapping, or c) on each cathode within each bundle.

5. REQUIREMENTS FOR NICKEL WARRANTS

5.1 Nickel may be placed on Warrant provided that:

- (a) Drummed nickel is in original sound producer steel drums with producer listed markings and with ring sealing and tamper proof producer seals intact.
- (b) For drummed nickel received in original but unsound producer steel drums with broken/damaged producer seals or damaged while stored in the warehouse from an unintended incident, the Warehouse must, without exception, open every such drum and inspect the contents for conformance with the producer listed product and weight before re-packing in sound steel drums of capacity of 200kgs or 250kgs or 400kgs or 500kgs using the sizing of drums initially supplied and with ring sealing system and with unique Warehouse tamper proof numbered seals. All replacement steel drums must be marked with the original producer batch reference, listed brand and Warehouse established gross and net weights.
- (c) Bagged nickel is in original sound producer bags with producer listed markings and with tamper proof seals intact.
- (d) For bagged nickel received in original but unsound producer bags with broken/damaged producer seals or damaged while stored in the warehouse from an unintended incident, the Warehouse must, without exception, open every such bag and inspect the contents for conformance with the producer listed product and weight before re-packing in replacement bags supplied by the producer or in new bags in compliance with ISO 21898:2004 (or National equivalent) with unique Warehouse tamper proof numbered seals. All replacement bags must be marked

with the original producer batch reference, listed brand and Warehouse established gross and net weight.

- (e) For both drummed and bagged nickel producer approved third party packaging is permitted provided sealing methods are as per 5.1 (a) and 5.1 (c) above, using unique tamper proof numbered seals. (f) For full plate bundled nickel received in original sound producer bundles with producer listed markings no opening of bundles is permitted except as follows:

- a. Where it is necessary to break bundles in order to ensure nickel is placed on acceptable skids.
- b. Where packaging is damaged such that it may cause a hazard in subsequent handling and storage.
- c. Where to create a Warrant lot it is necessary to break one or more bundles from a single shipment quantity. Note that only two bundles in a lot may be constructed by a Warehouse, all other bundles must be original producer bundles. The Warehouse must indelibly mark each replacement strap with the brand name.

- 5.2 Straps replaced by a Warehouse must be of corrosion resistant material to permit safe handling and transport without bundle distortion and breakage and in compliance with LME strap Standards. The Warehouse must mark the top cathode of any new/reconstructed bundles with the producer production batch reference together with the gross and net weights.

6. **ADDITIONAL REQUIREMENTS FOR NICKEL WARRANTS**

- 6.1 All drummed nickel must be securely stored in warehouses on pallets.
- 6.2 The Warehouse must keep a record of all seals by number and date cross reference to each Warrant.
- 6.3 Drummed or bagged nickel previously on Warrant which has been supplied to another Warehouse may be placed back on Warrant provided that any drum or bag opened by the previous Warehouse is re-opened and their seal(s) replaced by the new Warehouse unique tamper proof seal(s). This rule does not apply to original sound producer drums or bags with producer listed markings and with tamper proof producer seals intact and to producer third party packaging where listed by the LME or for such packaging supported by an LME Listed Sampler and Assayer (LSA) certificate of analysis and having LSAs seals.
- 6.4 Drummed or bagged nickel previously on Warrant which has been returned to the same Warehouse may be placed back on Warrant without the need to open any packaging provided that all seals at the time of original warranting remain intact.
- 6.5 All markings on packaging and information on supporting documentation required for placing nickel on Warrant must include the English language.
- 6.6 (a) Each delivery of nickel for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production batch reference and

demonstrating quality is as per 1 (a) above. ¹The producer's certificate of analysis must report all individual elements of the ASTM specification B39-79 (2013) and/or GB/T specification 6516-2010 – Ni9990 grade. If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LSA who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates of analysis. In all cases, it must be possible to cross-reference the production batch reference on the drums/bags/bundles to identical numbers on the certificate of analysis and the LSA seal numbers in the case of drums and bags. LSA sampling of nickel in drums and bags must be carried out on the premises of the Warehouse issuing the Warrants.

- (a) On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.

7. **MAJOR CURRENCY**

US dollars

8. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are: -

- (a) that there are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and
- (b) that there is a risk of disruption to the LME's market.

¹ For full plate cathodes placed on Warrant on or before 10 January 2011, a certificate of conformity in lieu of a certificate of analysis is permissible.

SPECIAL CONTRACT RULES FOR NORTH AMERICAN SPECIAL ALUMINIUM ALLOY

1. QUALITY

The aluminium alloy delivered under this contract must be:

- (a) Aluminium alloy conforming to the "LME NA380.1" specification (an LME modification of The Aluminum Association Inc. A380.1 specification (1989)), produced in conformity with the following specification:

<u>Element</u>	<u>Minimum</u>	<u>Maximum</u>
Copper	3.00	3.50
Silicon	8.50	9.50
Iron	0.80	1.00
Magnesium	-	0.10
Zinc	-	3.00
Manganese	-	0.45
Nickel	-	0.50
Tin	-	0.10
Lead	-	0.10
Titanium	-	0.10
Chrome (chromium)	-	0.10
Others – each	-	0.10
Others – total	-	0.50
Sludge = Fe + 2Mn + 3Cr		1.80

Production must be filtered.

- (b) In the shape of ingots, small sows (four way entry sows), large sows (low profile sows) and T-bars.
- (c) Of brands listed in the LME-approved.

2. SIZE OF LOT

20 tonnes (2% either more or less).

3. WARRANTS

- 3.1 Warrants must be for 20 tonnes (2% either more or less).

- 3.2 The aluminium alloy in each Warrant must consist of one brand which is listed as being good delivery and of one shape and dimension.
- 3.3 Each lot must contain aluminium alloy derived from no more than five production batches, and, in the case of ingots, each bundle must contain aluminium alloy from only one production batch.
- 3.4 Each Warrant must state:
- (a) the name of the brand;
 - (b) the country of origin;
 - (c) the shape;
 - (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
 - (e) the weight;
 - (f) the number of bundles of ingots, small sows, large sows or T-bars making up each lot.
- 3.5 Each Warrant must bear the following clause:
- WARNING:** The buyer is advised that this metal may contain crevices and hidden recesses holding entrapped moisture. The metal should be handled and processed with this possibility in mind. Entrapped moisture may cause an explosion if the metal is introduced into a melting-furnace without proper drying.

- 3.6 Each Warrant must bear an LMEsword generated barcode.

4. **ADDITIONAL REQUIREMENTS FOR NASAAC WARRANTS**

- 4.1 The LME listed brand name must be indelibly marked on each ingot, sow and T-bar.
- 4.2 For ingots, the production cast reference and alloy grade reference must be indelibly marked on each ingot within a bundle or on the top surface of a bundle or on a durable label attached to the bundle. For sows and T-bars the production cast reference and alloy grade reference must be indelibly marked either directly on the surface or on a durable label attached to the metal.
- 4.3 Each delivery of aluminium alloy for placing on Warrant must be accompanied by a producer certificate of analysis stating the brand name and production cast reference.
- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.

- 4.5 On request the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All ingots and sows must be produced by a single pouring process. “Multi-pour” or “capping” the surface with additional metal after the ingot or sow is formed is not permitted.
- 4.7 All ingots, sows and T-bars delivered under this contract must be flat in order to permit safe stacking and handling using forklifts.
- 4.8 Metal surfaces must be smooth and free of open shrinkage, porosity, layers and seams.
- 4.9 The metal must be free of the visible presence of foreign substances.
- 4.10 The edges and surfaces of metal must be free of sharp edges, spurs and flashings that might present safety hazards in handling.
- 4.11 All documentation for placing aluminium alloy on Warrant must include the English language.
- 4.12 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

5. **SHAPES, WEIGHTS AND DIMENSIONS**

(a) Ingots

Ingots must weigh not less than 4 kilos (9lbs) and not more than 17.3 kilos (38lbs). Each ingot in each bundle and lot must be of the same weight and dimensions but not exceed 800mm (35 inches) in length; the only exception to be the cast feet for the purpose of bundle stability.

Bundles must weigh not less than 500 kilos (1100lbs) and not more than 1000 kilos (2200lbs) of equal weight and dimension in each lot suitable for stacking. One makeweight bundle in any one lot will be permissible. Bundles must be securely strapped for safe handling and transport without bundle distortion and breakage.

(b) Small sows (four-way entry sows)

Small sows must weigh not less than 408 kilos (900lbs) and not more than 590 kilos (1300lbs). Each small sow in each lot must be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top	Length and width must be the same, between 837mm – 990mm (33 – 39 inches).
Bottom	Length and width must be the same, between 406mm – 559mm (16 – 22 inches).
Height	Between 304mm – 432mm (12 – 17 inches).

Shape The tapering of all four sides must include an indentation to allow for the safe and easy handling by forklift trucks.

(c) Large sows (low profile sows)

Large sows must weigh not less than 500 kilos (1100lbs) and not more than 726 kilos (1600lbs). Each large sow in each lot must be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top Length must be between 1015mm – 1320mm (40 – 52 inches).
Width must be between 812mm – 1142mm (32 – 45 inches).

Bottom Length must be between 1015mm – 1320mm (40 – 52 inches).
Width must be between 406mm – 533mm (16 – 21 inches).

Height Between 216mm – 305mm (8.5 – 12 inches).

Shape The tapering of the long sides should include an indentation to allow for the safe and easy handling by forklift trucks.

(d) T-bars

T-bars shall weight not less than 408 kilos (900lbs) and not more than 726 kilos (1600lbs). Each T-bar in each lot shall be one of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top Length must be between 837mm – 1320mm (33 – 52 inches).
Width must be between 760mm – 1015mm (30 – 40 inches).

Bottom Length must be between 837mm – 1320mm (33 - 52 inches).
Width must be between 406mm – 634mm (16 – 25 inches).

Height Overall between 254mm – 432mm (10 – 17 inches).
To shoulder minimum 76mm (3 inches).

6. **MAJOR CURRENCY**

US dollars

7. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.

SPECIAL CONTRACT RULES FOR TIN

1. QUALITY

The tin delivered under this contract must be:

- (a) Refined tin of minimum 99.85% purity conforming to BS EN 610:1996.
- (b) In the shape of ingots each weighing not less than 12 kilos and not more than 30 kilos.
- (c) Of brands listed in the LME approved list.

2. SIZE OF LOT

5 tonnes (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 5 tonnes (2% either more or less).

3.2 The tin in each Warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 1.2 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
- (e) the weight;
- (f) the number of bundles making up each lot.

3.4 Each Warrant must be made up of not more than two cast batches.

3.5 Each Warrant must bear an LMEsword generated barcode.

4. ADDITIONAL REQUIREMENTS FOR TIN WARRANTS

4.1 The listed brand name must be indelibly marked on each ingot within a bundle.

4.2 The production cast reference must be indelibly marked on each ingot within the bundle.

4.3 Each delivery of tin for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production cast reference and shall determine the tin content within the minimum purity as described in Special Contract Rule 1 (a) by

illustrating the detected level of impurity for each element of the contract Standard. A bulk analysis certificate for no more than 30 tonnes or a copy thereof is acceptable.

- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.
- 4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All documentation for placing tin on Warrant must include the English language.
- 4.7 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

5. **MAJOR CURRENCY**

US dollars

6. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the Exchange's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.

SPECIAL CONTRACT RULES FOR SPECIAL HIGH GRADE ZINC

1. QUALITY

The zinc delivered under this contract must be:

- (a) Refined zinc of minimum 99.995% purity conforming to one of the following Standards and specific grades:
 - (i) BS EN 1179:2003 Standard entitled "Zinc and Zinc Alloys – Primary Zinc", 99.995% grade
 - (ii) ISO 752:2004 entitled "Zinc ingots", ZN-1 grade
 - (iii) ASTM B6-12 entitled "Standard Specification for Zinc", LME grade
 - (iv) GB/T 470-2008 entitled "Zinc ingots", Zn99.995 grade
- (b) In the shape of ingots weighing not more than 30 kilos.
- (c) Of brands in the LME approved list.

2. SIZE OF LOT

25 tonnes (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 25 tonnes (2% either more or less).

3.2 The zinc in each warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 1.5 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
- (e) the weight;
- (f) the number of bundles making up each lot.

3.4 Each Warrant must bear an LMEsword generated barcode

4. ADDITIONAL REQUIREMENTS FOR ZINC WARRANTS

4.1 The listed brand name must be indelibly marked on each ingot within a bundle.

- 4.2 The production cast reference must be indelibly marked on each ingot within a bundle or on the top surface of the bundle or on a durable label.²
- 4.3 Each delivery of zinc for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production cast reference and shall determine the zinc content within the minimum purity as defined in Special Contract Rule 1 (a). The producer's certificate of analysis must demonstrate compliance with one of the relevant Standards and grades listed in Special Contract Rule 1 (i), (ii), (iii) and (iv) by illustrating the detected level of impurity for each element. A Bulk analysis certificate or a copy thereof is acceptable.
- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.
- 4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All documentation for placing zinc on Warrant must include the English language.
- 4.7 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

5. **MAJOR CURRENCY**

US dollars

6. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.

² For Zinc placed on Warrant on or before 1 August 2007 it is not necessary for the production cast reference to be shown on the metal

SPECIAL CONTRACT RULES FOR STEEL BILLET

1. QUALITY

The steel billet deliverable under this contract shall be:

(a) steel billet conforming to one of the specifications listed below:

LME Grade	C	Si	Mn	S	P	Cu	Ni	Cr	N	CEV*	LME Grade
1	0.08-0.13	0.10-0.30	0.30-0.60	0.050	0.040	0.40	0.20	0.20	0.012	-	1
2	0.10-0.15	0.15-0.30	0.50-0.80	0.045	0.045	0.40	0.20	0.20	0.009**	-	2
3	0.14-0.22	0.05-0.15	0.40-0.65	0.05	0.04	0.40	0.30	0.30	0.012	-	3
4	0.14-0.22	0.15-0.30	0.40-0.65	0.05	0.04	0.40	0.30	0.30	0.012	-	4
5	0.15-0.22	0.15-0.30	0.60-1.00	0.05	0.05	0.50	0.20	0.20	0.012	0.50	5
6	0.17-0.25	0.40-0.80	1.20-1.60	0.045	0.045	0.50	0.20	0.20	-	0.52	6
7	0.28-0.37	0.05-0.15	0.50-0.80	0.05	0.04	0.40	0.30	0.30	0.012	-	7
8	0.28-0.37	0.15-0.30	0.50-0.80	0.05	0.04	0.40	0.30	0.30	0.012	-	8
9	0.36-0.42	0.15-0.30	1.00-1.40	0.05	0.05	0.50	0.20	0.20	-	-	9

All limits are max unless otherwise indicated.

* $CEV = \%C + \%Mn/6 + (\%Cr + \%Mo + \%V)/5 + (\%Cu + \%Ni)/15$

** %N max may increase by 0.001% for every 0.005% reduction in %P

An allowable tolerance of analysis taken on products made from the above casting grades is permitted as follows:-

C, +0.02%; Cr, +0.05%; Cu, +0.05%; Mn, +/- 0.10%; N, +0.002%; Ni, +0.05%; S, 0.005%; Si, +/- 0.02%; P, 0.005%; CEV + 0.02%.

(b) of brands listed in the LME-approved list of steel billet brands.

2. DIMENSIONS

Steel delivered must be in the form of billets and conform to one of the following dimensions:-

Length	Metric	Imperial
100 S or 100 L	100 x 100mm	4" x 4"
120 S or 120 L	120 x 120mm	4¾" x 4¾"
125 S or 125 L	125 x 125mm	5" x 5"
130 S or 130 L	130 x 130mm	5¼" x 5¼"
140 S or 140 L	140 x 140mm	5½" x 5½"
150 S or 150 L	150 x 150mm	6" x 6"

All metric section dimensions are subject to a +/- 3mm tolerance.

All imperial section dimensions are subject to +/- one-eighth of an inch tolerance.

All metric S lengths are to be nominally 5,800 – 6000mm in 100mm increments. Each nominal length is subject to a +/- 100mm tolerance.

All imperial S lengths are 19' 8" with a tolerance of +/- 4".

All metric L lengths are to be nominally 11,700mm – 12,000mm in 100mm increments. Each nominal length is subject to a +/- 100mm tolerance.

All imperial L lengths are 39' 4" with a tolerance of +/- 4".

3. SIZE OF LOT

65 tonnes

4. WARRANTS

4.1 Warrants shall be for 65 tonnes each (3.5% either more or less).

4.2 Each parcel particularised in each warrant shall lie at one facility, be of one brand and shall consist of billets of one dimension and one specification.

4.3 Each Warrant must bear an LMEsword generated barcode.

5. MAJOR CURRENCY

US dollars

6. TESTING OF WARRANTED METAL

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LME approved Sampler and Assayer to undertake such tests as are necessary to form a reasonable opinion

on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the Exchange's cost.

The conditions referred to above are: -

- (a) that there are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and
- (b) that there is a risk of disruption to the LME's market.

SPECIAL RULES GOVERNING THE PLACING OF STEEL BILLET ON WARRANT

1. Each Delivery of billet for placing on warrant shall be accompanied by a Certificate of Origin and a producer's Mill Test Certificate or certificate of Analysis, both of which must be lodged with the warehouseman. The Mill Test Certificate/Certificate of Analysis must be within the quality specification set out in Special Contract Rule 1 and must show the full chemical analysis per heat number. Additionally the Mill Test Certificate/Certificate of Analysis must be on the applicable producers headed paper stating the plant and/or brand name. Bulk certificates or a copy thereof is acceptable.
2. Each warrant shall state the total weight of the parcel particularised thereon, its country of origin, brand, no of billets making up each parcel and the date(s) and reference number(s) of the Mill Test Certificate/Certificate of Analysis lodged with the warehouseman. The warehouse company is required to keep a record of the date and reference number of the Certificate of Origin.
3. The Warehouse Company is required to inform the LME of the name of the party that requests the warrant to be issued.
4. On request, the warehouseman is obliged to submit to the holder of the Warrant the Certificates of Origin, plus Analysis or Mill Test Certificate, or copies thereof if the 65 tonne parcel forms part of a larger delivery covered by bulk certificates.
5. All documentation required for placing material on warrant must be in English.

SPECIAL CONTRACT RULES FOR COBALT

1. QUALITY

The cobalt delivered under this contract must be:-

- (a) Of a minimum 99.80% purity. -Other elements are as specified by producers of each brand in the LME-approved list.
- (b) In the form of cathodes (broken or cut, cut cathodes must be of uniform sizes greater than 50mm and offcuts are not permitted), rounds, briquettes or coarse grain powder (must be <0.01% of a respirable size fraction).
- (c) Of brands listed in the LME approved list.

2. SIZE OF LOT

1 tonne (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 1 tonne (2% either more or less).

3.2 The cobalt in each Warrant shall consist of one brand which is listed as being good delivery, of one shape and size and from not more than two production batches.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificates of analysis lodged with the Warehouse;
- (e) the gross and net weights; and
- (f) the number of steel drums making up each lot.

3.4 Each Warrant shall bear the following legend:

'WARNING The buyer is advised that drums may contain water and cobalt should be handled and processed with this possibility in mind. Water contained in drums may cause an explosion if the cobalt is introduced into a melting-furnace without proper procedures being followed'.

3.5 Each Warrant shall bear an LMEsword generated barcode.

4. DRUMMING REQUIREMENTS

4.1 All cobalt delivered under this contract shall be packed in sound steel drums of uniform size and weight of 200kgs, 250kgs or 500kgs (+/-2%). Part filled steel drums are not permitted.

- 4.2 Each drum shall be indelibly marked with production batch reference, gross and net weights and brand name.
- 4.3 Only drums that are original sound producer or producer approved third party steel drums with the producer or approved third party ring closing system and with tamper proof seals intact may be put on Warrant.
- 4.4 Warehouses are not permitted to place on Warrant cobalt supplied in unsound producer or producer approved third party steel drums with broken seals.

5. **ADDITIONAL REQUIREMENTS FOR ALL COBALT WARRANTS**

- 5.1 All cobalt Warrants require supporting documentation a producer certificate(s) of analysis and a packing list cross referenced to the certificate(s) of analysis and individual producer drum seal numbers in English. Bulk certificates of analysis are permitted. The certificate of analysis must state the brand name.
- 5.2 If a producer's certificate of analysis is not available a certificate of analysis for all shapes must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates of analysis. In all cases, it must be possible to cross-reference the production batch reference on the drums to identical numbers on the certificate of analysis and the LSA seal numbers. LSA sampling of cobalt must be carried out on the premises of the Warehouse issuing the Warrants.
- 5.3 On request the Warehouse is obliged to submit to the holder of the Warrant the certificate(s) of analysis and packing list or copies thereof if the Warrant lot forms part of a larger batch.

6. **MAJOR CURRENCY**

US dollars

7. **TESTING OF WARRANTED METAL**

- 7.1 If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at rule 7.2(a) and (b) below are satisfied, he or they may instruct an LME Listed Sampler and Assayer (LSA) to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The LME will bear the costs of such tests.
- 7.2 The conditions referred to above are that:-
- (a) there are reasonable grounds to suspect that cobalt on Warrant does not comply with these rules; and
 - (b) there is a risk of disruption to the LME's market

SPECIAL CONTRACT RULES FOR ROASTED MOLYBDENUM CONCENTRATE

1. QUALITY

The roasted molybdenum concentrate ("RMC") delivered under this contract shall be:

- (a) between 57 and 63% molybdenum purity with maximum permissible impurities of Cu 0.50%; P 0.05%; Pb 0.05%; S 0.10%; C 0.10%; Moisture 0.1%.
- (b) in the form of powder packed in drums, of which only 5% of the powder can comprise particles in excess of 4mm and 0% in excess of 10mm.
- (c) of brands listed in the LME approved list.

2. SIZE OF LOT

6 tonnes molybdenum (+/-5%) contained in RMC.

3. WARRANTS

3.1 Warrants shall be for 10 tonnes of RMC.

3.2 The RMC in each Warrant shall be of one production batch and brand and shall lie in one warehouse.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country of origin;
- (c) the date and reference number of the certificate of analysis lodged with the warehouseman;
- (d) the gross and net weights of RMC together with the net weight contained of molybdenum; and
- (e) the number of steel drums making up each Warrant.

3.4 Each Warrant shall bear the following legend:

'WARNING The buyer is advised that drums may contain water and RMC should be handled and processed with this possibility in mind. Water contained in drums may cause an explosion if the RMC is introduced into a melting-furnace without proper procedures being followed.'

3.5 Each Warrant shall bear an LMEsword -generated barcode.

4. WEIGHTS

4.1 All RMC delivered under this contract shall be packed in sound steel drums of uniform size and of exact net weight of 200 or 250 kilos. Part filled steel drums are not permitted.

4.2 Each steel drum shall have the gross and net weights, brand name, origin and batch reference clearly and indelibly marked or stamped on the outside of the drum.

5. **DRUMMED RMC REQUIREMENTS**

5.1 RMC contained in drums may be placed on Warrant provided that:

- (a) the steel drums are original sound producer drums with a ring closing system and tamper proof producer seals intact;
- (b) the Warehouse opens every steel drum in a Warrant quantity of a single producer batch in the presence of an LME Listed Sampler and Assayer (LSA) for the purpose of taking samples and establishing an independent Certificate of Analysis specific to each Warrant lot. The Warehouse shall be responsible for resealing all steel drums using their own unique tamper proof numbered seals using a ring closing system and identifying the warehouse of storage after sampling is complete and still in the presence of the LSA. All costs incurred will be for account of the party instructing the warehouse to place the material on warrant; and
- (c) all markings on steel drums conform to those of the listed brand.

5.2 Warehouses are not permitted to place on Warrant any RMC supplied in unsound producer steel drums or steel drums with broken seals.

6. **CERTIFICATES OF ANALYSIS**

6.1 A Certificate of Analysis shall be issued for each Warrant lot by an LSA in accordance with the following:

- (a) LSAs will sample and analyse each lot for LME warranting in accordance with LME specified procedures ensuring that any one lot comes from a single producer batch; and
- (b) LSA Certificates of Analysis shall be cross-referenced to the listed producer brand, batch number and Warehouse seal numbers.

6.2 Any party cancelling Warrants should note that the LSA Certificate of Analysis is subject to a variation tolerance of Mo content of +/- 0.5%. If any additional sampling and analysis is required this must be done in accordance with LME procedures within 15 working days after cancelling the Warrant at the warehouse of storage in the presence of the LSA who issued the original Certificate of Analysis. Any disputes about analysis shall be settled in accordance with LME procedures. All costs for any analysis taken at time of cancellation of warrants are for the account of the party cancelling Warrants

7. **ADDITIONAL REQUIREMENTS FOR ALL RMC WARRANTS**

7.1 Note that in order to create RMC warrants a producer weight certificate and analysis certificate covering all elements of the Contract specification in 1(a) above is to be supplied with all deliveries to a warehouse.

7.2 All RMC Warrants require as supporting documentation a certificate of origin and a LSA certificate of analysis in English.

7.3 On request the Warehouse is obliged to submit to the holder of the Warrant the certificate of origin and analysis or a copy thereof.

7.4 The Warehouse Company is required to inform the LME of the name of the party that requests the warrant to be issued.

8. **MAJOR CURRENCY**

US dollars

9. **TESTING OF WARRANTED METAL**

9.1 If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at rule 9.2(a) and (b) below are satisfied, he or they may instruct an LME Listed Sampler and Assayer to undertake such tests as are necessary to form a reasonable opinion of whether or not metal on Warrant conforms with these Rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The LME will bear the costs of such tests.

9.2 The conditions referred to above are that:-

- (a) there are reasonable grounds to suspect that RMC on Warrant does not comply with these rules, and
- (b) there is a risk of disruption to the LME's market.

PART 6A

SPECIAL CONTRACT RULES FOR THE CONSTRUCTION OF THE INDEX

1. INDEX CONSTRUCTION

The Index is an Index on the six designated LME primary metals contracts denominated in US dollars.

2. INDEX WEIGHTING

Weightings of the six metals are derived from global production volume and trade liquidity averaged over the preceding five-year period. Weightings of the Constituent Metals of the Index as of 1 January 2000 are set out in the table below:

Constituent Metal	Approx. No. of Lots	Tonnage	Volume Weighting
Primary Aluminium	25	625	41.8
Copper	20	500	33.4
Lead	5	125	8.4
Nickel	5	30	2.0
Tin	3	15	1.0
Zinc	8	200	13.4
Total	66	1,495	100.0

Any resetting of the weighting of the Index shall be the responsibility of the Weighting Committee.

3. INDEX VALUE

The Index value is calculated as the sum of the prices for the three qualifying months multiplied by the corresponding weights, multiplied by a constant:

$$\text{Index} = (\text{WAI} \times (\text{Al 1 mth} + \text{Al 2 mth} + \text{Al 3 mth}) + ([\text{other metals as Al}]) \times \text{K}$$

where:

WAI = % weight of primary aluminium ("Al")

Al 1 mth = first month third Wednesday primary aluminium future price

Al 2 mth = second month third Wednesday primary aluminium future price

Al 3 mth = third month third Wednesday primary aluminium future price

K = the reference constant which creates the initial Index value at 4 January 1999 of 1,000.
The constant is changed at each reweighting point to rebalance the Index at that time.

Note that primary aluminium, designated "Al", has been used as the first Constituent Metal.

4. **THE INDEX FUTURES CONTRACT SPECIFICATION**

4.1 **Contract Size**

\$10 per Index point.

4.2 **Prompt Date**

Second Wednesday of maturity month, subject to the Trading Regulations.

4.3 **Index point Value Basis**

Average of the third Wednesday prices for the first three qualifying trading months of the Constituent metals.

4.4 **Maturity Months**

Monthly for twelve months.

4.5 **Last Trading Day and Time**

17.00 hours on Prompt Date.

4.6 **Settlement Basis**

Cash Settlement based on the difference between Settlement Price of the Index on the Prompt Date and the value of the Index in the Contract, multiplied by the Contract size.

4.7 **Cash Settlement**

Settlement Business Day following the Prompt Date. (See Regulation 9, Settlement of Contracts, in Part 3, Trading Regulations.)

4.8 **Quotation**

Index points.

4.9 **Minimum Price Move**

0.1 Index point.

5. **INDEX OPTIONS CONTRACT SPECIFICATION**

5.1 **Contract Size**

\$10 per Index point.

5.2 **Prompt Date and Time**

Automatic exercise for In The Money Index Options as at 19.15 hours on the second Wednesday of relevant maturity month, subject to the Trading Regulations.

- 5.3 **Last Trading Day and Time**
16.35 hours on the Prompt Date.
- 5.4 **Settlement Basis**
Cash settlement based on the difference between Settlement Price of the Index and the Strike Price, multiplied by the Contracts size.
- 5.5 **Cash Settlement**
The Settlement Business Day following the Prompt Date.
- 5.6 **Maturity Months**
Monthly for the front three months.
- 5.7 **Option Premium Date**
Paid on first Business Day following trade.
- 5.8 **Minimum Price Movement (tick size)**
0.01 Index points.
- 5.9 **Strike Price Gradation**
10 Index points.

PART 6B

SPECIAL CONTRACT RULES FOR LMEmini CONTRACTS

1. THE LMEmini FUTURES CONTRACT SPECIFICATION

1.1 Lot Size

The Lot size for each LMEmini Future is as follows:

Constituent Metal	Lot size (tonnes)
Primary Aluminium	5
Copper Grade A	5
Special High Grade Zinc	5

1.2 Prompt Date

Third Wednesday of each maturity month, subject to the Trading Regulations.

1.3 Maturity Months

Monthly for twelve months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, eleven months.

1.4 Trading Platform

LMEmini Contracts may not be traded in the Ring.

1.5 Last Trading Time

The last trading time for all LMEmini Contracts shall be 12.30 hours London time on the Business Day which is two Business Days before the Prompt Date.

1.6 Settlement Basis

Cash settlement by reference to the Settlement Price determined for the Prompt Date for the relevant underlying metal.

1.7 Cash Settlement

On the Prompt Date.

1.8 Currency

US Dollars.

1.9 Minimum Price Movement

\$0.25; \$0.01 for a carry.

PART 6C

SPECIAL CONTRACT RULES FOR FERROUS FUTURES

1. THE FERROUS FUTURES CONTRACT SPECIFICATION

1.1 Lot Size

The Lot size for each Ferrous Future is as follows:

Constituent Metal	Lot size (tonnes)	Code
LME Steel Scrap	10	SC
LME Steel Rebar	10	SR

1.2 Prompt Date

The last Business Day of each month.

1.3 Maturity Months

The maturity months for Ferrous Futures Contracts shall be as follows:

Contract	Maturity Months
LME Steel Scrap	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.
LME Steel Rebar	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.

1.4 Trading Platform

Ferrous Futures may be traded on the telephone and LME Select but not in the Ring.

1.5 Trading Hours

Ferrous Futures may be traded on the following platforms at the following times:

Platform	Trading Hours
LME Select	Between 01:00 and 19:00 London time on a Business Day
Telephone	24 hours a day during a Business Day

1.6 Last Trading Time

The last trading time for Ferrous Futures Contracts shall be as follows:

Contract	Last Trading Time
LME Steel Scrap	13:30 hours London time on the Last Trading Day
LME Steel Rebar	16:30 hours London time on the Last Trading Day

1.7 Settlement Basis

Cash Settlement based on the difference between the Ferrous Final Settlement Price on the Prompt Date and the value of the Contract, multiplied by the Lot size.

1.8 Cash Settlement

Settlement Business Day following the Prompt Date. (See Regulation 9, Settlement of Contracts, in Part 3, Trading Regulations.)

1.9 Notification of Procedures for determining the Ferrous Final Settlement Price

The Exchange shall specify, by way of Administrative Procedure issued to the Members, the procedures that it shall apply in order to determine the Ferrous Final Settlement Price.

1.10 Specification of the Ferrous Index

- (a) The Ferrous Index shall be used by the Exchange to determine the Ferrous Final Settlement Price, in accordance with the procedures specified pursuant to Regulation 1.9 above.
- (b) The Exchange shall specify, by way of Notice issued to the Members, the relevant index or indices that shall constitute the Ferrous Index for Ferrous Futures that are LME Steel Scrap Contracts.
- (c) The Exchange shall specify, by way of Notice issued to the Members, the relevant index or indices that shall constitute the Ferrous Index for Ferrous Futures that are LME Steel Rebar Contracts.

1.11 Errors in the Ferrous Index

- (a) If, not later than 30 minutes after the Ferrous Final Settlement Price has been published by the Exchange, any Member of the Exchange notifies the Exchange of, or it otherwise comes to the attention of the Exchange that there is an alleged or apparent error in the Ferrous index, then the Exchange shall promptly request the index provider investigate such alleged or apparent error. If in the index provider's opinion an error has been made, the index provider shall correct any Ferrous Index value affected thereby and the Exchange shall as soon as reasonably practicable publish a correction to the Ferrous Final Settlement Price, as required.
- (b) No correction to the Ferrous Index shall be made other than may be allowed for in Regulation 1.11(a)
- (c) Neither the Exchange nor its officers, employees, agents or representatives shall have any liability whatsoever in respect of any decision as to whether or not to correct the Ferrous Index, or as to whether or not to re-determine the Ferrous Final Settlement Price.

1.12 **Currency**
US Dollars.

PART 7: REQUIREMENTS FOR THE LISTING OF BRANDS

1. Where applicable, an application for listing a brand must be submitted on behalf of the producer through a Member Company, Categories 1 to 5.
2. Guidance Notes for listing of brands of each metal are available on the LME website or from the Executive of the Exchange. Applicants should not proceed with an application prior to reading the applicable guidance notes.

The general procedures outlined in the Guidance Notes include the following requirements:-

- 2.1 Except in the case of molybdenum and steel, that the producer supplies a written undertaking that the brand to be listed will conform to the quality of the applicable Special Contract Rules for Metals and that such quality will be maintained in accordance with the lots supplied for testing purposes (see 2.2 below). Also, that a producer will undertake to investigate any complaints as to the quality of the brand without time limit.
- 2.2 That testing of commercial quantities of the metal be undertaken by Exchange approved fabricators who will provide the Exchange with information as to metal quality, suitability and compliance with the applicable Special Contract Rules for Metals.
- 2.3 That a fee is paid to the Exchange for the listing of a brand.
3. Subsequent to listing any alteration or addition to the details given at the time of listing by the producer are to be notified to the Exchange. A brand may be suspended from listing or delisted at the discretion of the Directors if any such changes are not notified to the Exchange promptly or if there are changes in the information given at the time of listing which the Directors consider to be material or if the producer fails to comply with any undertaking given to the Exchange.
4. Brands may be listed, suspended or delisted at the discretion of the Directors, who are entitled to make such investigations into the producer as they may deem appropriate at any time before, during or after the application for listing. No listing shall become valid until particulars of the brand concerned have been posted on the Exchange for 28 days.
5. Any complaint as to the quality of any listed brand should be made to the Complaints Officer of the Exchange. Should the Chief Executive think it appropriate, he may report to the Directors who may suspend deliveries until quality is proven to the satisfaction of the Directors. If after investigation by the Complaints Officer the Directors are not satisfied with the quality of the listed brand, then the brand may be delisted at the discretion of the Directors.
6. The Directors may, at their discretion, waive or amend any of the listing requirements. Producers must comply with this Part of the Rules and Regulations, the listing requirements, as well as with any variations to those and with any applicable Administrative Procedures issued by the Exchange.
7. Neither the Company nor any of its Directors or other officers shall be under any liability whatsoever either in contract or in tort to any Member or other person in respect of any act or omission in relation to the listing of any brand of metal or the maintenance, suspension or termination of any such listing.

PART 8
ARBITRATION REGULATIONS

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These Arbitration Regulations form part of the Rules and Regulations of the Exchange. They may also be used as a stand-alone document. Contractual arrangements may include a reference to arbitration in accordance with these Arbitration Regulations. For the avoidance of doubt, such a reference does not of itself mean those contractual arrangements are subject to the remaining Rules and Regulations of the Exchange, nor that any resulting contract is an LME Contract.

PART 8: ARBITRATION REGULATIONS

1. DEFINITIONS AND INTERPRETATIONS

1.1 In these Arbitration Regulations, the following words and expressions shall, unless the context otherwise requires, bear the meanings set opposite them:-

"Administrative Procedure"	a notice posted in the Exchange containing a procedure for implementing the Rules or any part thereof;
"Arbitration Regulations"	the regulations set out in Part 8 of the Rules;
"Chief Executive"	includes the Deputy Chief Executive and any other person for the time being appointed to perform the duties of Chief Executive of the Company;
"Claimant"	the person commencing an arbitration by serving a Notice to Arbitrate;
"Close of Pleadings"	the end of a period of 28 days after the time for submission of the points of reply, unless otherwise ordered by the Tribunal;
"the Company"	The London Metal Exchange;
"Counter Notice"	a notice served by the Respondent pursuant to Regulation 2.5 of Part 8 of the Rules;
"Deposit"	such sum as may be specified by Administrative Procedure from time to time;
"the Directors"	the Board of Directors of the Company;
"Head of Market Operations"	the Head of Market Operations and any other person within the Market Operations division of the Exchange for the time being appointed to perform the duties of the Head of Market Operations;
"Member"	a member of the Exchange;
"Notice to Arbitrate"	a Notice served by the Claimant pursuant to Regulation 2.1 of Part 8 of the Rules;
"Panel"	the Arbitration Panel of the Company;
"Panel Committee"	a committee appointed by the Directors to oversee the conduct of arbitrations pursuant to the Arbitration Regulations, and in particular to perform the functions and powers referred to in the Arbitration Regulations;
"Registration Fee"	such sum as may be specified by Administrative Procedure from time to time;
"Respondent"	the person receiving a Notice to Arbitrate served by the Claimant;

"Rules"	means these rules and regulations as the same may be amended in accordance with the Articles;
"Secretary"	any person appointed to perform the duties of Secretary of the Company, and for the purpose only of Part 8 of the Rules, any person to whom the functions and powers of the Secretary referred to therein may be delegated from time to time;
"Tribunal"	the tribunal of one, two or three arbitrators appointed in accordance with Regulation 3 of Part 8 of the Rules;
"Working Day"	any weekday, Monday to Friday inclusive, which is not a public holiday in England and Wales.

1.2 Reference to a period of days shall mean consecutive days, calculated with reference to London Time, whether or not they are Working Days. Where an act is required to be done within a specified period of days after a specified event, the first day of the period shall be the day after the specified event occurs. The period shall end at 5.00pm (London Time) on the last day of the period.

1.3 (a) Words importing the singular shall, where the context permits, include the plural and *vice versa*. Words importing gender shall include each gender. Words importing persons shall, where the context permits or requires, include partnerships and corporations.

(b) Where reference is made to a Regulation in any Part of the Rules it shall be deemed to be a reference to a Regulation in that Part unless the context otherwise requires.

1.4 The headings in these Arbitration Rules are inserted for convenience only and are to be ignored for the purposes of construction.

2. COMMENCEMENT

2.1 A Claimant shall commence an arbitration pursuant to these Arbitration Regulations by serving a Notice to Arbitrate on the Respondent, and by sending a copy of the Notice to Arbitrate to the Secretary accompanied by the Registration Fee and Deposit. The Deposit shall be paid by cash or cheque drawn on a London clearing bank made payable to The London Metal Exchange.

2.2 Subject to Regulation 6.3, the Notice to Arbitrate shall contain at least the following information:-

- (a) the address for service of the Claimant;
- (b) a brief statement of the nature and circumstances of the dispute including a brief description of any contract, sufficient to enable the Respondent to identify it, to which the dispute relates;
- (c) a brief statement of the relief claimed;
- (d) the Claimant's proposal with regard to the number of arbitrators to form the Tribunal;

- (e) the Claimant's nomination of one arbitrator from the Panel; and
 - (f) the person and address of the Respondent to which the Notice to Arbitrate has been sent.
- 2.3 The Secretary shall acknowledge receipt of the Deposit and Registration Fee, indicating the date on which payment was made, and shall copy such acknowledgement to the Respondent. The Notice to Arbitrate shall not be valid, and time shall not start to run for the purpose of any other provisions of these Arbitration Regulations until the Deposit and Registration Fee have been paid and all the above information has been supplied to the Respondent and to the Secretary.
- 2.4 The date of receipt by the Respondent of a valid Notice to Arbitrate shall be deemed to be the date on which the arbitration has commenced.
- 2.5 Within 21 days of receipt of the Notice to Arbitrate, the Respondent shall send to the Claimant, with a copy to the Secretary, a Counter Notice which shall contain:-
- (a) the address for service of the Respondent;
 - (b) confirmation that the Respondent agrees to the number of arbitrators proposed by the Claimant, or the Respondent's counter proposal;
 - (c) if relevant, the Respondent's nomination of one arbitrator from the Panel.
- 2.6 If the Respondent fails to serve the Counter Notice then, on application by the Claimant in writing to the Secretary, the Secretary shall proceed with the appointment of the Tribunal as set out in Regulation 3.
3. **APPOINTMENT OF TRIBUNAL**
- 3.1 Subject to Regulation 3.5, two arbitrators shall form the Tribunal unless the parties to the dispute agree that either one or three arbitrators should form the Tribunal.
- 3.2 Within 7 days of receipt of the Counter Notice, or of the Claimant's application referred to in Regulation 2.6, the Secretary shall:-
- (a) if the Tribunal is to consist of a single arbitrator
 - (1) appoint the arbitrator agreed by the parties; or
 - (2) if the parties do not agree on the identity of the arbitrator, appoint an arbitrator who may, but need not, be an arbitrator nominated by one of the parties;
 - (b) unless the Tribunal is to consist of a single arbitrator, appoint
 - (1) the arbitrator nominated by the Claimant; and
 - (2) the arbitrator nominated by the Respondent or, in default, an arbitrator;
 - (c) send to each arbitrator a copy of the Notice to Arbitrate and the Counter Notice, if any, and any accompanying documents;
 - (d) notify the parties of steps taken pursuant to Regulations 3.2(a), 3.2(b) and 3.2(c).

- 3.3 If the Tribunal is to consist of three arbitrators, the two arbitrators appointed pursuant to Regulation 3.2(b) shall, within 7 days of their appointment, nominate the third (in accordance with the criteria in Regulation 3.6) and notify the Secretary of their choice or inform the Secretary that they are unable to agree. The Secretary shall within 7 days thereafter:-
- (a) appoint the third arbitrator if necessary having made the choice of third arbitrator himself (in accordance with the criteria in Regulation 3.6);
 - (b) send the third arbitrator a copy of the documents referred to in Regulation 3.2(c);
 - (c) notify the parties and other arbitrators of steps taken pursuant to Regulations 3.3(a) and 3.3(b).
- 3.4 For the purpose of these Arbitration Regulations, the Tribunal shall be taken to have been appointed on the date the Secretary sends notification to the parties pursuant to Regulation 3.2(d) or 3.3(c) as the case may be.
- 3.5 If the Tribunal consists of two arbitrators then, upon request to the Secretary by
- (a) either party at any time prior to 14 days after Close of Pleadings, or
 - (b) either of the arbitrators at any time before an award is made,
- the Secretary shall, in consultation with the existing arbitrators and providing, in the event the request is made by a party, at least one arbitrator is of the view that a third arbitrator should be appointed, appoint a third arbitrator (in accordance with the criteria in Regulation 3.6).
- 3.6 The third arbitrator, who shall be the chairman of the Tribunal, shall be a lawyer unless the other arbitrators are both lawyers, in which case the chairman shall be a non-lawyer.
- 3.7 Any arbitrator chosen and appointed by the Secretary shall be chosen from the Panel.
- 3.8 In every case in which the Secretary appoints an arbitrator he shall, before doing so, ascertain the arbitrator's ability and willingness to act. If any arbitrator is unable or unwilling to act, the Secretary shall, subject to Regulation 3.13, appoint a replacement.
- 3.9 The arbitrators may only nominate arbitrators who are members of the Panel.
- 3.10 All arbitrators, whether or not nominated by the parties, shall be and remain at all times wholly independent and impartial and shall not act as advocates for either party.
- 3.11 If at any time after his appointment any arbitrator is unable or unwilling to act for any reason, then within 7 days of receipt of a written request from the arbitrator himself, any of the other members of the Tribunal, or either party, the Secretary shall, subject to Regulation 3.13, appoint a replacement.
- 3.12 Either party may challenge the appointment of an arbitrator within 28 days of the appointment of that arbitrator or, if later, within 28 days of becoming aware of the facts and circumstances on which the challenge is based, on grounds of non-independence, partiality, unfitness or inability to act by sending a written statement of its reasons for the challenge to the Secretary. Unless the other party agrees to the challenge or the arbitrator withdraws within 7 days, the Secretary shall refer the matter to the Panel Committee who shall determine whether the challenge should be sustained and, if so and subject to Regulation 3.13, the Secretary shall appoint a replacement within a further 7 days.

3.13 If the arbitrator to be replaced pursuant to Regulations 3.7, 3.11 or 3.12 is one who either party was originally entitled to nominate, that party shall be entitled to nominate the replacement (in accordance with the criteria in Regulation 3.6). If the arbitrator to be replaced was the third arbitrator, the other two shall be entitled to nominate the replacement. The Secretary, before appointing the replacement, shall consult with the parties or arbitrators accordingly. The Secretary shall appoint the arbitrator so nominated or, in default of any such nomination within a time specified by the Secretary, choose and appoint the replacement arbitrator (if applicable, in accordance with the criteria in Regulation 3.6).

3.14 The Secretary shall have power, on the application of either party or on his own motion, and on notice to both parties, to extend or abridge any of the time limits specified in this Regulation 3 or in Regulation 2.

4. **PROCEDURE**

In the absence of any express provision in these Arbitration Regulations the Tribunal shall have the widest discretion permitted by law to determine the procedure to be adopted, and to ensure the just, expeditious, economical and final determination of the dispute.

5. **NOTICES AND COMMUNICATIONS**

5.1 Unless otherwise ordered by the Tribunal, all notices required by these Arbitration Regulations shall be in writing. Notices and all other documents shall be sent by first class post where available, or airmail, fax, telex, electronic message or delivered by hand.

5.2 Documents sent between the parties shall be sent to the other party's address for service or, if none has yet been specified, to the address of the other party specified in the contract containing the agreement to refer the dispute to arbitration, failing which to the principal place of business of the other party.

5.3 In every case in which either party sends any document to the Secretary or the Tribunal that party shall where relevant provide sufficient copies for each member of the Tribunal, and shall also at the same time send a copy to the other party.

5.4 Subject to satisfactory evidence being produced by the sender and unless the intended recipient proves otherwise:-

- (a) documents sent by post shall be deemed to have been received;
 - (1) if posted within the United Kingdom to an address in the United Kingdom, 2 Working Days after posting;
 - (2) in all other cases, 5 Working Days after posting;
- (b) faxes or telexes or electronic messages shall be deemed to have been received at the time transmission ceases;
- (c) by hand deliveries shall be deemed to have been received at the time of delivery to the address stated on their face.

In the event that the sender utilises more than one of the methods above then documents shall be deemed to have been received by the faster method used.

References in these Arbitration Regulations to receipt of documents shall be construed accordingly. In the event of a dispute prior to the appointment of the Tribunal the

Secretary shall in his absolute discretion determine if and/or when receipt is deemed to have occurred.

- 5.5 Unless these Arbitration Regulations otherwise state, or unless otherwise directed by the Secretary (if no Tribunal has been appointed) or by the Tribunal, all notices and other documents received on a day which is not a Working Day, or after 5.00 pm on any Working Day, shall be deemed to have been received on the next following Working Day. Time of receipt shall be determined with reference to local time in the place where the notice or other document is received.

6. **SUBMISSION AND DOCUMENTS**

- 6.1 Unless otherwise ordered by the Tribunal, the procedure following appointment of the Tribunal shall be as set out in the rest of this Regulation.
- 6.2 Within 21 days after the appointment of the Tribunal, the Claimant shall send to the Tribunal and to the Respondent written points of claim which set out any facts or contentions of law on which it relies, and the relief claimed.
- 6.3 The Claimant may serve the points of claim on the Respondent at the same time as the Notice to Arbitrate. If so, the information required by Regulations 2.2(b) and 2.2(c) need not be contained in the Notice to Arbitrate, and no further copies of the points of claim need be served pursuant to Regulation 6.2.
- 6.4 Within 21 days of receipt of the points of claim, or of the appointment of the Tribunal if later, the Respondent shall send to the Tribunal and to the Claimant written points of defence stating in sufficient detail which of the facts and contentions of law in the points of claim it admits or not, or denies, on what grounds, and on what other facts and contentions of law it relies. Any counterclaims shall be submitted with the points of defence in the same manner as claims are set out in the points of claim.
- 6.5 Within 21 days of receipt of the points of defence, the Claimant may send to the Tribunal and to the Respondent written points of reply which, where there are counterclaims, shall include points of defence to counterclaims.
- 6.6 If the points of reply contain points of defence to counterclaims, the Respondent may, within 21 days of receipt, send to the Tribunal and to the Claimant written points of reply regarding counterclaims.
- 6.7 No further submissions shall be served without an order from the Tribunal.
- 6.8 All submissions referred to in this Regulation shall be accompanied by legible copies, or if they are especially voluminous, lists of all essential documents on which the party concerned relies, and where appropriate, by any relevant samples.
- 6.9 Any document not in English shall be accompanied by a translation into English and a note explaining who prepared the translation and his qualifications, if any, to do so. Translations may but do not need to be notarised. The authority to be accorded to any translation is a matter for the Tribunal.
- 6.10 Within 7 days after Close of Pleadings the Tribunal shall give directions for the subsequent procedure of the arbitration and may convene a hearing for this purpose.
- 6.11 Unless the parties agree to the contrary in writing, the parties, the Tribunal, the Secretary and the Panel Committee shall keep the award (and all other submissions, other documents

and information introduced into the proceedings not otherwise in the public domain) confidential in perpetuity save to the extent that disclosure may be required by legal duty or to protect a legal right.

7. HEARINGS AND SEAT OF ARBITRATION

- 7.1 Each party has the right to be heard before the Tribunal, unless the parties have agreed on a documents-only arbitration.
- 7.2 The Tribunal shall fix the date, time and place of any meetings and hearings in the arbitration, and shall give the parties reasonable notice thereof. Unless otherwise agreed as provided in Regulation 7.3, all meetings and hearings shall take place at a venue in England and Wales.
- 7.3 The Tribunal may, with the consent of each of the parties to the arbitration, authorise one or more meetings or hearings to be held at a venue outside England and Wales.
- 7.4 The Tribunal may in its discretion direct hearings to be conducted without the physical presence of each participant in the same place but on the basis that each participant is linked, for the duration of his participation, through a telecommunication or video link system permitting each participant clearly to hear and speak to every other participant and, if the Tribunal so directs, to see every other participant.
- 7.5 The Tribunal may in advance of hearings submit to the parties a list of questions which it wishes them to treat with special attention.
- 7.6 The language of the arbitration shall be English, provided that interpreters shall be permitted by the Tribunal for participants and witnesses for whom English is not their main language.
- 7.7 The seat of the arbitration shall be England and Wales.

8. PARTY REPRESENTATIVES

- 8.1 Neither party shall be represented at any hearing by a legal practitioner without the consent of the Tribunal, such consent to be requested not later than Close of Pleadings. If such consent be granted by the Tribunal to one party the other party shall automatically have an equivalent right.
- 8.2 Nothing in Regulation 8.1 shall preclude either party from otherwise seeking legal advice.
- 8.3 Subject to Regulation 8.1, either party may be represented at any hearing by any representative, subject to such proof of authority as the Tribunal may require.

9. WITNESSES

- 9.1 Before any hearing, the Tribunal may require either party to give notice of the identity and qualification of witnesses it wishes to call and may require the parties to exchange statements of evidence to be given by the witnesses a specified time in advance of the hearing.
- 9.2 The Tribunal may allow, refuse, or limit the appearance of witnesses, whether witnesses of fact or expert witnesses.

- 9.3 Any witness who gives oral evidence may be questioned by each of the parties or their representative, under the control of the Tribunal. The Tribunal may put questions at any stage of the examination of the witnesses.
- 9.4 The Tribunal may allow the evidence of a witness to be presented in written form either as a signed statement or by a duly sworn affidavit. Subject to Regulation 9.2 either party may request that such a witness should attend for oral examination at a hearing. If he fails to attend, the Tribunal may place such weight on the written evidence as it thinks fit, or exclude it altogether.
10. **POWERS OF TRIBUNAL**
- 10.1 Without prejudice to any powers which may be given to the Tribunal elsewhere by law or in these Arbitration Regulations, the Tribunal shall have power either on its own motion or on the application of either party:-
- (a) to order either party to take specified steps within a specified time;
 - (b) to extend or abridge any time limits specified in these Arbitration Regulations, or in any order;
 - (c) to continue with the reference in default of appearance or of any other act by either party in like manner as a judge of the High Court might continue with proceedings in that court where a party fails to comply with an order of that court or a requirement of rules of the court, including, for the avoidance of doubt and without limitation, power to strike out all or any part of any submission and to make any award consequent upon any such striking out, in the event a party fails
 - (1) within the time specified in these Arbitration Regulations or in any order or
 - (2) if no time is specified, within a reasonable timeto do any act required by these Arbitration Regulations or to comply with any order;
 - (d) at any time to permit either party to amend any submissions;
 - (e) to stay arbitration proceedings in favour of proceedings in the High Court or other forum and, in an appropriate case, to make it a condition of the stay that one of the parties commence proceedings in the High Court or such other forum forthwith;
 - (f) to order either party to produce and to supply copies of, any documents in that party's possession, custody or power, which, in the event of dispute, the Tribunal determines to be relevant;
 - (g) to order either party to answer interrogatories;
 - (h) to require the parties to provide a written statement of their respective cases in relation to particular issues, to provide a written answer and to give reasons for any disagreement;
 - (i) to order the inspection, preservation, storage, interim custody, sale or other disposal of any property or thing relevant to the arbitration under the control of either party;

- (j) to make orders authorising any samples to be taken, or any observation to be made, or experiment to be tried which may, in the Tribunal's discretion, be necessary or expedient for the purposes of obtaining full information or evidence;
- (k) to appoint one or more investigators or experts to report to the Tribunal on specified issues;
- (l) to order either party, "the payer", to make an interim payment to the other party, "the payee", of such amount as the Tribunal shall in its discretion think just, not exceeding a reasonable proportion of the monetary award which in the opinion of the Tribunal is likely to be recovered by the payee after taking into account any set-off or counterclaim on which the payer may be entitled to rely;
- (m) to order either party to provide security for all or part of any amount in dispute in the arbitration;
- (n) to make an interim order that either party shall pay to the other party or to the Tribunal or to the Company a proportion of any costs of an administrative nature necessarily incurred by that party or by the Tribunal or by the Company or by an investigator or expert in respect of the progress or conduct of the arbitration, with the intent that such costs should, so far as reasonably possible, be borne equally by the parties pending the final award of the Tribunal;
- (o) to order either party to provide security for the legal or other costs of the other party in any manner the Tribunal thinks fit;
- (p) to order specific performance of any contract;
- (q) to open up, revise and review any certificate, opinion or decision of any person whose certificate, opinion or decision is subject to reference to arbitration;
- (r) to order the rectification of any agreement subject to any rule of law which would restrict this power;
- (s) to delegate the power to make procedural rulings to the chairman of the Tribunal, including the power to determine in the event of dispute, whether a ruling is procedural.

10.2 The Tribunal shall have the power to rule on its own jurisdiction, including any objections with respect to the existence or validity of the arbitration agreement, or of the existence or validity of the contract of which the arbitration clause forms part. For this purpose, an arbitration clause which forms part of a contract and which provides for arbitration under these Arbitration Regulations shall be treated as an agreement independent of the other terms of the contract. A decision by the Tribunal that the contract is null and void shall not entail *ipso jure* the invalidity of the arbitration clause.

10.3 A plea that the Tribunal does not have jurisdiction shall be raised not later than in the points of defence. A plea that the Tribunal is exceeding the scope of its authority shall be raised promptly after the Tribunal has indicated its intention to decide on the matter alleged to be beyond the scope of its authority. In either case the Tribunal may nevertheless admit a late plea under this Regulation 10.3 if it considers the delay justified.

11. **CONSOLIDATION**

- 11.1 On the appointment of a Tribunal, and whenever requested to do so by either party, the Panel Committee shall review pending arbitrations and, if it appears to the Panel Committee that
- (a) some common question of law or fact arises in two or more of them, or
 - (b) the rights to relief claimed therein are in respect of or arise out of the same transaction or series of transactions, or
 - (c) for some other reason it is desirable to make a direction under this Regulation, the Panel Committee shall so inform the parties to all relevant arbitrations and may, upon the application of one or more of the parties to any of the arbitrations, and after consultation with the Tribunals and the parties, direct those arbitrations to be consolidated on such terms as it considers just or may direct them to be heard at the same time or one immediately after another or may order any of them to be stayed until after the determination of any of them.
- 11.2 For the purposes of Regulation 11.1, the Panel Committee may require any party to any relevant arbitration to provide it with copies of all that party's submissions and other documents connected with the arbitration which appear to the Panel Committee to be relevant.
- 11.3 If two or more arbitrations are to be consolidated pursuant to Regulation 11.1 above, and all parties to the consolidated arbitration are in agreement as to the choice of arbitrators the same shall be appointed by the Secretary but if all parties cannot agree within 21 days after the date of the direction under Regulation 11.1 the Panel Committee shall have power to choose and appoint three arbitrators as the Tribunal for the consolidated arbitration and to choose and appoint any replacement arbitrators which may thereafter be necessary.
- 11.4 The Tribunal in any consolidated arbitration shall have power at any time, on the application of any party to the consolidated arbitration or on its own motion, and on such terms as it considers just to order that the arbitration as between any two or more parties proceed separately, but under the same Tribunal, from the arbitration as between any other two or more parties, and to make any directions consequent thereon as the Tribunal considers expedient for the future conduct of all such proceedings.

12. **AWARDS**

- 12.1 The Tribunal shall make its award in writing and give its reasons for the award.
- 12.2.1 If the Tribunal consists of two arbitrators and they fail to agree on any issue they shall request the Secretary to appoint a third arbitrator pursuant to Regulation 3.5.
- 12.2.2 If the Tribunal consists of three arbitrators and they fail to agree on any issue, they shall decide by a majority. If an arbitrator refuses or fails to sign the award, the signatures of the majority shall be sufficient, provided that the reason for the omitted signature is stated.
- 12.3 Where a decision on any issue is by a majority, the award may contain reasons by the dissenting arbitrator for his dissent, in the discretion of that arbitrator.
- 12.4 Awards may be expressed in any currency claimed in the arbitration.
- 12.5 The award shall state the date by which payment shall be made for any sum due under the award. In addition to the statutory power to award interest, the Tribunal shall have the

power to award interest at such rate and for such period as it considers fit on any sum after its due date but before commencement of the arbitration.

- 12.6 The Tribunal may make separate final awards on different issues at different times.
- 12.7 In the event of a settlement, the Tribunal may make an award recording the settlement if either party so requests.
- 12.8 Every award shall be final and binding on the parties as from the date that it is taken up by one of the parties. The parties undertake to carry out any award without any delay. Unless otherwise agreed by the parties in writing, the parties waive irrevocably any right to any form of appeal, review or resource to any state court or other legal authority, insofar as such waiver shall not be prohibited under any applicable law.
- 12.9 If all members of the Tribunal consider that the award contains any points which are of significant importance or interest to Members, they shall communicate such points to the Head of Market Operations. The Head of Market Operations, in consultation with the Tribunal, shall determine whether and how such points should be brought to the attention of Members while keeping the names of the parties confidential.
- 12.10 The award of the arbitrators shall be deposited by them with the Secretary who shall notify each party of such receipt. Either party may thereupon take up the award upon payment by that party of the costs and expenses of the arbitration as specified in the award (including the remuneration of the arbitrators) notwithstanding any direction in the award as to the ultimate responsibility therefor. Until the award is taken up by one of the parties it shall confer no rights upon either party. Upon the award being taken up by either party, a copy thereof shall forthwith be sent by the Secretary to the other party. In the event of the award not being taken up by either party within a period of 28 days from the notification by the Secretary of its receipt to the parties, the Deposit referred to in Regulation 1 above shall be forfeited, and the Secretary may in his absolute discretion call upon the parties or either of them (a) to take up the award and (b) to pay forthwith the costs and expenses of the award (including the remuneration of the arbitrators) or any part or proportion thereof whereupon the party or parties so called upon shall forthwith pay the costs and expenses as aforesaid and take up the award.
- 12.11 Regulations 12.11 to 12.15 shall apply to any agreement entered into on or after 1 June 2010 by a Category 1, 2 or 4 Member of the Exchange with another Category 1, 2 or 4 Member or with any other person which provides for any dispute arising out of or in connection with the agreement to be resolved by arbitration in accordance with these Regulations.
- 12.12 Where:-
- (a) the date for payment of any amount due under the award has elapsed,
 - (b) the period for any appeal against the award under English law has elapsed, and
 - (c) the party against whom the award was made has failed to make payment of any amount due under the award,

the party in whose favour the award was made may send a notice of application to the Secretary, and shall copy such notice of application to the other party, requesting that the Secretary communicate to Members such failure to make payment. The Secretary shall acknowledge receipt of the notice of application, indicating the date on which it was received, and shall copy such acknowledgement to the other party.

- 12.13 If, at any time following receipt of a copy of the notice of application pursuant to Regulation 12.12, the party against whom the award was made makes payment in full of all amounts due under the award, both (a) the party in whose favour the award was made and (b) the party against whom the award was made, shall promptly send to the Secretary a notice of confirmation in writing that payment of all amounts due under the award has been made in full, and shall copy such notice of confirmation to the other party.
- 12.14 If the Secretary has not, within 14 days of receipt of the notice of application in accordance with Regulation 12.12, received from both (a) the party in whose favour the award was made and (b) the party against whom the award was made, a notice of confirmation in writing that payment of all amounts due under the award have been made in full, the Secretary shall communicate to Members such failure to make payment.
- 12.15 If, following the making of any communication pursuant to Regulation 12.14, the Secretary receives from both (a) the party in whose favour the award was made and (b) the party against whom the award was made, a notice of confirmation in writing that payment of all amounts due under the award has been made in full, the Secretary shall communicate this to Members.
13. **COSTS AND DEPOSIT**
- 13.1 Unless otherwise agreed by the parties, the Tribunal may direct, at their discretion and not later than fourteen days after the date for receipt of points of reply, that the recoverable costs of the arbitration, or any part of the arbitration proceedings that it can order to be paid pursuant to Regulation 13.3(a), shall be limited to a specific amount.
- 13.2 The Tribunal shall have power to specify in the award the amount of the costs of the arbitration (which expression shall, for the purpose of this Regulation 13, include the Tribunal's own remuneration, and any costs relating to the progress or conduct of the arbitration incurred by the Tribunal or by the Company including the costs of and fees payable to any person who has reported to or advised the Tribunal or the Company on any matter and shall include any costs incurred in conducting one or more meetings or hearings at a venue outside England and Wales pursuant to Regulation 7.3), and shall determine the proportions in which they shall be borne by the parties.
- 13.3 The Tribunal shall have power:-
- (a) to order in its award that all or part of the legal or other costs of one party be paid by the other party; and
 - (b) to determine or assess the amount of those costs, at the request of either party, and for this purpose shall not be *functus officio*.
- 13.4 If the arbitration is abandoned, suspended, stayed or concluded, by agreement or otherwise, before the final award is made, the parties shall be jointly and severally liable to pay the costs of the arbitration, as determined by the Tribunal, and for this purpose the Tribunal shall not be *functus officio*.
- 13.5 In any determination or award made by the Tribunal pursuant to Regulations 13.2, 13.3 and 13.4 the Tribunal shall, or at any time on the application of either party the Tribunal may provide for the return or other disposal of the Deposit or any part thereof to such persons as it shall in its absolute discretion consider fit.

14. **THE SECRETARY AND THE PANEL COMMITTEE**

14.1 Subject only to Regulations 14.2 and 14.3, the Secretary and the Panel Committee shall have sole and exclusive jurisdiction over all matters referred for decision to each of them respectively by any provision of these Arbitration Regulations, and their decisions upon such matters shall be final and binding.

14.2 The Panel Committee may exercise any of the functions and powers of the Secretary referred to in these Arbitration Regulations. It may delegate to the Secretary any of its own functions and powers, either generally or in relation to specific matters.

14.3 In the event of conflict between a decision of the Secretary and a decision of the Panel Committee, the latter shall prevail.

15. **EXCLUSION OF LIABILITY**

None of the Secretary, the Panel Committee, any arbitrator, or the Company shall be liable to any party for any act or omission in connection with any arbitration, save that the Secretary, the Panel Committee and the arbitrators may be liable for the consequences of conscious and deliberate wrongdoing.

16. **GOVERNING LAW**

These Arbitration Regulations shall be governed by and construed in accordance with English Law. Except where the Arbitration Regulations provide otherwise, all arbitrations hereunder will be conducted in accordance with the provisions of the Arbitration Act 1996 as amended from time to time.

PART 9
DEFAULT REGULATIONS

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PART 9: DEFAULT REGULATIONS

1. EVENTS OF DEFAULT

The expression "Event of Default" in relation to any person shall mean:-

- 1.1 failure by that person duly to perform or comply with any obligation to make payment or deliver Warrants under the terms of a Contract;
- 1.2 failure by that person to satisfy any margin liability in respect of a Contract or to comply with any other obligation binding on him under a Contract,
- 1.3 that person
 - (a) being (or being, or being capable of being, deemed by law or a court to be) insolvent or unable to pay his debts,
 - (b) stopping, suspending or threatening to stop or suspend payment of all or a material part of his debts,
 - (c) beginning negotiations or taking any other step with a view to the deferral, rescheduling or other readjustment of all of (or all of a particular type of) his debts (or of any part which he will or might otherwise be unable to pay when due),
 - (d) proposing or making a general assignment, or an arrangement or composition with or for the benefit of the relevant creditors,
 - (e) suffering a moratorium to be agreed or declared in respect of or affecting all or a material part of (or of a particular type of) his debts or
 - (f) taking any step, or any step being taken by any other person, with a view to the administration of the first-mentioned person;
- 1.4 an execution, distress, sequestration, attachment or other legal process being levied or enforced or sued out against any substantial part of that person's revenues or assets and not being discharged or stayed within seven days of being so levied, enforced or sued out or any security over any such substantial part becoming enforceable and any step (including the appointment of a receiver, administrative receiver, manager or similar person) being taken to enforce the same;
- 1.5 any step being taken (either by that person or by any other person) with a view to the winding-up or dissolution of that person except for the purpose of and followed by a reconstruction, amalgamation, merger, reorganisation or consolidation on terms previously approved by the Exchange;
- 1.6 that person, being a Member, failing to satisfy the Exchange or any relevant designated agency or self-regulating organisation at any time that he meets any minimum net worth or other financial requirement for Membership or continued authorisation from time to time stipulated by the Exchange or any such designated agency or self-regulating organisation; or
- 1.7 that person, being a Member or Designated Non-Member, becoming or being declared in default under the default rules of any recognised investment exchange or recognised clearing-house (as those expressions are defined in section 188 and section 190 of the Companies Act 1989).

2. APPLICATION OF DEFAULT REGULATIONS AND DETERMINATION OF DEFAULT

2.1 These Default Regulations apply in relation to:

- (a) Cleared Contracts of a Defaulter (subject as provided in Regulation 3.4); and
- (b) Client Contracts of a Defaulter,

and, subject to Regulation 2.3 below, shall not apply to any other contracts nor shall they apply to any default by any Category 5, 6 or 7 Member or by any non-Member other than a Designated Non-Member unless, in the making of Contracts, they are for the time being subject to the Rules.

2.2 If a Trading Member or Designated Non-Member appears to the Exchange to be unable or to be likely to become unable to meet his obligations in respect of one or more Contracts or, without prejudice to the generality of the foregoing, upon the occurrence of an Event of Default in relation to a Trading Member or Designated Non-Member, or at any time thereafter whilst such Event of Default is continuing, the Exchange may in its absolute discretion determine that the Member or Designated Non-Member is a Defaulter, whereupon the provisions of Regulation 3 shall have effect.

2.3 Regulation 7 shall apply to Cleared Contracts and Client Contracts of a Member that is not a Defaulter in the circumstances described in Regulation 7.1(b).

3. DEFAULT PROCEEDINGS

3.1 The Exchange shall promptly following a determination that a Member or Designated Non-Member is a Defaulter take any one or more of the steps referred to in Regulation 3.3 as it considers appropriate.

3.2 If the Exchange is directed by the Treasury pursuant to the provisions of Section 166 Companies Act 1989 to take action under this part of the Rules in relation to a Member or Designated Non-Member, any action which the Exchange may take pursuant to such direction shall be deemed to be action taken by the Exchange pursuant to this Regulation 3 notwithstanding that the Exchange may not have determined pursuant to Regulation 2 that the Member or Designated Non-Member is a Defaulter.

3.3 The steps referred to in Regulation 3.1 are:-

3.3.1 to direct any or all Unsettled Contracts to which the Defaulter is party as principal, which are In The Money Traded Option Contracts and to which the Defaulter is party as Taker, to be exercised by the Defaulter on a day such exercise may occur under the terms of the relevant Contract, whereupon such exercise shall be deemed to occur on the next available such day and the rights and liabilities of the parties to each futures Contract resulting from the exercise of a Metal Option or Traded Average Price Option shall be discharged as provided in Regulation 3.3.4 on that day;

3.3.2 to permit any or all Unsettled Contracts to which the Defaulter is party as principal which are In The Money Traded Option Contracts and to which the Defaulter is party as Granter, to be exercised by the relevant Takers within such period or periods as may be specified by the Exchange and to declare that all such rights of exercise shall thereafter lapse. The rights and liabilities of the parties to each futures Contract resulting from any such permitted exercise of a Metal Option or Traded Average Price Option shall be discharged as provided in Regulation 3.3.4 on the date of such exercise;

- 3.3.3 to direct that any Unsettled Contract to which the Defaulter is party as principal whose Prompt Date is on, or on the Business Day after, the date of publication of the Default Notice is, with the consent of any Relevant Office Holder, discharged by performance either in whole or in part;
- 3.3.4 subject as provided and after taking any action specified, in 3.3.1 to 3.3.3 above, to declare that all rights and liabilities of the parties to each Unsettled Contract to which the Defaulter is party as principal shall be discharged whereupon they shall be so discharged and there shall arise in their place an obligation of the Defaulter to pay to the Counterparty or *vice versa* the appropriate Default Settlement Amount provided that such discharge shall not extend to rights and liabilities for or in respect of margin which has been paid to the Defaulter by any Counterparty or *vice versa* nor to rights and liabilities arising out of a failure to perform a Contract in accordance with its terms;
- 3.3.5 to direct that any Unsettled Contract to which the Defaulter was party as agent (notwithstanding the prohibition thereon in the Rules) be discharged by performance in accordance with its terms by those persons party to it as principals and for this purpose to make such directions as the Exchange may consider necessary or expedient;
- 3.3.6 to input into the Matching System the particulars of any Agreed Trade agreed by the Defaulter in the Ring that the Defaulter has failed to input into the Matching System, in accordance with Regulation 3.11 of the Trading Regulations;
- 3.3.7 at the request of the Clearing House, to effect a transfer of any Warrants in LMEsword that the Defaulter had, prior to the Member becoming a Defaulter, instructed LMEsword to transfer to the Clearing House in settlement of any Contract.
- 3.4.1 Subject to Regulation 3.4.2, all unsettled Cleared Contracts to which a Defaulter is party which have at the time of the relevant determination pursuant to Regulation 2.2 been registered or are thereafter registered with the Clearing House under the terms of the Clearing House Rules shall be dealt with in accordance with the Clearing House Rules (including default rules of the Clearing House) and not in accordance with these Default Regulations.
- 3.4.2 In the event that the Clearing House is unable to meet its obligations in respect of one or more unsettled Cleared Contracts in accordance with the Clearing House Rules, such unsettled Cleared Contracts shall be subject to these Default Rules as if Regulation 3.4.1 did not apply.
- 3.4.3 Where, following a determination that a Member or Designated Non-Member is a Defaulter, the Clearing House makes any change to the terms of a Client-Related Cleared Contract to which the Defaulter is a party, in accordance with the Clearing House Rules, a corresponding change shall be deemed to have been made, simultaneously, to the terms of the relevant Underlying Client Contract. Where such change involves the postponement of the Prompt Date of the Client-Related Cleared Contract, whether by (i) the establishment of a new Prompt Date for that Contract, or by (ii) the close out of the Contract with the original Prompt Date, and the establishment of a new Client-Related Cleared Contract with a different Prompt Date, the Underlying Client Contract shall be deemed to have been amended so as to reflect the new Prompt Date.
- 3.5 The Default Settlement Amount in respect of each Unsettled Contract in respect of which the rights and liabilities of the parties are discharged pursuant to Regulation 3.3.4 shall be an amount determined by the Exchange in its absolute discretion taking into account market conditions and any compensation that the Exchange considers should be paid by or to the Defaulter, but without prejudice to the generality of the foregoing may be the difference (if any) between the value of the Unsettled Contract at the contract price (or premium) and its value at

the Default Settlement Price provided that if, pursuant to the terms of the relevant Contract or any other agreement between the parties, the said rights and liabilities have become or been converted into an obligation to pay, and a corresponding right to receive, a single liquidated sum the Exchange may treat that sum as the Settlement Amount. In calculating the Default Settlement Amount in relation to a Client Contract, the Exchange shall take into account any amount that may have been paid by the Clearing House directly to the Client pursuant to any provision of the Clearing House Rules that gives effect to Article 48(7) of EMIR.

- 3.6 For each Unsettled Contract in respect of which action is taken under Regulation 3.3 the determination of the Default Settlement Amount by the Exchange shall be final, conclusive and binding upon the Defaulter and each Counterparty.
- 3.7 The Exchange shall draw up an account between the Defaulter and each Counterparty to a Contract settled under these Default Regulations. Each such account shall include the Default Settlement Amounts calculated in respect of each Unsettled Contract which amounts shall be credited or debited, as appropriate, to the relevant account. Where, for any reason, there is uncertainty or a dispute as to the existence and/or terms of a Contract or it is not practicable to determine the Default Settlement Amount in respect of any Contract that fact or those facts shall be stated by way of note to the account and/or its certification as provided below. On each account, all credits and debits shall be aggregated and the aggregated amount of such credits and debits shall be set-off against each other, so as to produce a nett sum payable by or to the Defaulter on each account. The nett sum payable, or, where relevant, the fact that no sum is payable shall be certified by or on behalf of the Exchange provided that where the account and/or such certification is qualified by reason of uncertainty or a dispute as to the existence and/or terms of any Contract or as to the Default Settlement Amount in relation to any Contract the nett sum shall not be payable until those uncertainties are resolved unless the Defaulter or Relevant Office Holder and the Counterparty otherwise agree.
- 3.8 Where it appears to the Exchange that the Defaulter has entered into Contracts as trustee, a separate account or accounts shall be taken of Unsettled Contracts entered into as trustee in respect of each relevant trust or trusts as appropriate.
- 3.9 Where it appears to the Exchange that Unsettled Contracts with a Counterparty of the Defaulter include a Contract or Contracts entered into by the Counterparty in relation to that Counterparty's Clients and/or include a Contract or Contracts entered into by the Defaulter in relation to the Defaulter's Clients a separate account or separate accounts shall be drawn up in relation to the Contract or Contracts of each Client.
- 3.10 The Exchange shall be entitled in its discretion, without notice to the Defaulter or a Counterparty, to make any currency conversions which the Exchange considers necessary or desirable for the purposes of these Default Regulations at such rate or rates as the Exchange may reasonably determine.
- 3.11 Where the Defaulter is incorporated outside the United Kingdom and the Exchange determines that rights and liabilities under Unsettled Contracts to which the Defaulter is party are likely to be settled under the law of some place outside the United Kingdom it may elect not to draw up the account or accounts referred to in this Regulation.

4. **NOTIFICATION**

- 4.1 Promptly following a determination by the Exchange that a Member or Designated Non-Member is a Defaulter, the Exchange shall cause notice of such determination to be posted in the Exchange and shall thereafter as soon as reasonably practicable take such steps as it considers appropriate to notify Counterparties to Unsettled Contracts with the Defaulter (and,

where the Defaulter has, notwithstanding the prohibition thereon, contracted as agent, the Defaulter's principal) and such other persons as it thinks fit that the Defaulter has been determined by the Exchange to be a Defaulter and of decisions taken under these Regulations which affect them.

- 4.2 A Member and a Designated Non-Member shall forthwith give notice to the Exchange of the occurrence of any Event of Default in relation to it.

5. **PROCEDURES**

- 5.1 For the purposes of complying with its obligations under the Default Regulations the Exchange shall have the right at all times following the issue of a Default Notice through its employees and agents to enter any premises belonging to or in the occupation of the Defaulter, to examine and take copies of or extracts from the trading, accounting and other records of the Defaulter and to operate any accounting or computer systems of the Defaulter for the purposes of establishing the names and addresses of all Counterparties of the Defaulter, details of all Unsettled Contracts of the Defaulter, details of Warrants held by the Defaulter for the account of Counterparties, details of money and other property held for the account of Counterparties and such other information as may appear to the Exchange to be necessary or expedient.

- 5.2 The Defaulter, all Members and the Clearing House shall cooperate fully with the Exchange in relation to the provisions of the Default Regulations and in particular shall promptly provide such information as the Exchange or its employees or agents may request in relation to the Defaulter and its Contracts.

- 5.3 As soon as practicable following the issue of a Default Notice the Exchange shall, in addition to contacting all known Counterparties, publish a notice in the Exchange and in the press inviting Counterparties of the Defaulter to submit to the Exchange details of their Unsettled Contracts with the Defaulter together with evidence in support thereof.

- 5.4 The Exchange shall not be obliged to draw up any account in relation to any Counterparty or alleged Counterparty of which it does not have actual notice prior to the date specified for that purpose in the notice referred to in Regulation 5.3 which shall be not less than three months after the date of publication thereof.

- 5.5 If any dispute between a Defaulter and a Counterparty as to the existence or terms of any Unsettled Contract comes to the notice of the Exchange it shall cause notice of that dispute to be included in the account to be drawn up by it pursuant to Regulation 4 in relation to that Counterparty and may otherwise omit from such account any Default Settlement Amount in relation to the disputed Contract or Contracts and shall not be obliged to adjudicate in respect of such dispute in any way.

- 5.6 Subject as provided in Section 157 Companies Act 1989 the Exchange may from time to time prescribe further procedures for the purposes of these Default Regulations and provide for the manner in which its powers and obligations thereunder or in relation thereto shall be exercised or discharged.

6. **DESIGNATION OF NON-MEMBERS**

- 6.1 Unless and until otherwise determined by the Exchange any former Trading Member shall during the period of 28 months following the date upon which it ceased to be a Member be a Designated Non-Member.

6.2 Designation of a Designated Non-Member shall be reviewed from time to time by the Exchange and shall be withdrawn no later than the last Prompt Date of Unsettled Contracts to which it is a party. The Exchange shall likewise review from time to time whether the persons described in Regulation 6.1 should continue to be designated as Designated Non-Members.

6.3 A Designated Non-Member shall be notified by the Exchange of its designation and of the withdrawal of such designation.

7. **PORTING**

7.1 This Regulation 7 shall apply to:

- (a) transfers of Underlying Client Contracts of a Defaulter; and
- (b) notwithstanding Regulation 2.1, transfers of Underlying Client Contracts of a Member that is not a Defaulter,

in each case where the transfer of a corresponding Client-Related Cleared Contract takes effect pursuant to the Clearing House Rules.

Porting between Clearing Members

7.2 The following provisions apply where any Client-Related Cleared Contract is transferred from a Clearing Member Transferor to a Clearing Member Transferee in accordance with the Clearing House Rules.

- (a) In the event that the Client-Related Cleared Contract is transferred from a Clearing Member Transferor to a Clearing Member Transferee in accordance with the Clearing House Rules (whether without the consent of the Clearing Member Transferor pursuant to the default rules of the Clearing House or otherwise where permitted under the Clearing House Rules), the rights and obligations of the Clearing Member Transferor in relation to the Underlying Client Contract shall be deemed by virtue of these Rules to be transferred and novated to the Clearing Member Transferee, such that any rights and obligations of the other party to the Underlying Client Contract shall, from the time of such transfer and novation, be against and to the Clearing Member Transferee and not the Clearing Member Transferor.
- (b) Such transfer and novation of the Underlying Client Contract pursuant to these Rules shall occur at the same time as the transfer of the Client-Related Cleared Contract under the Clearing House Rules.
- (c) For the avoidance of doubt, this provision shall not affect any rights or obligations between the Clearing Member Transferor and the other party to the Underlying Client Contract that do not directly relate to the performance or settlement of the Underlying Client Contract.
- (d) The process described in this Regulation 7.2 applies only to:
 - (1) Underlying Client Contracts that have been submitted to the Matching System and registered at the Clearing House, such that one or more Client-Related Clearing Contracts have arisen in relation to such Underlying Client Contracts; and
 - (2) any Post-Compression Client Contracts resulting from the application of Compression to such Underlying Client Contracts.

Porting between Category 4 Members (same Clearing Member)

7.3 The following provisions apply where (i) a Clearing Member has allocated a Client-Related Cleared Contract to an Indirect Client Account at the Clearing House (a "**Transferor Indirect Client Account**") that the Clearing Member is maintaining in respect of one or more Indirect Clients of a Category 4 Member (the "**Transferor Client**") and (ii) the Clearing Member exercises any rights to request or require the Clearing House to transfer the positions associated to the Client-Related Cleared Contract to another Indirect Client Account maintained by the Clearing Member at the Clearing House (a "**Transferee Indirect Client Account**"), which the Clearing Member is maintaining, or will maintain, in respect of the Indirect Client(s) of a different Category 4 Member (a "**Transferee Client**"). This Regulation 7.3 shall also apply to an LMEprecious Non-Clearing Member on the basis that any reference to Category 4 Member shall be read as "LMEprecious Non-Clearing Member".

- (a) In the event that the positions associated to a Client-Related Cleared Contract are transferred from a Transferor Indirect Client Account to a Transferee Indirect Client Account in accordance with the Clearing House Rules, the rights and obligations of the Transferor Client in relation to the Underlying Client Contract shall be deemed by virtue of these Rules to be transferred and novated to the Transferee Client, such that any rights and obligations of the other party to the Underlying Client Contract shall, from the time of such transfer and novation, be against and to the Transferee Client and not the Transferor Client.
- (b) Such transfer and novation of the Underlying Client Contract pursuant to these Rules shall occur at the same time as the transfer of the positions associated to the Client-Related Cleared Contract from the Transferor Indirect Client Account to the Transferee Indirect Client Account under the Clearing House Rules.
- (c) For the avoidance of doubt, this provision shall not affect any rights or obligations between the Transferor Client and the other party to the Underlying Client Contract that do not directly relate to the performance or settlement of the Underlying Client Contract.
- (d) The process described in this Regulation 7.3 applies only to:
 - (1) Underlying Client Contracts that have been submitted to the Matching System and registered at the Clearing House, such that one or more Client-Related Clearing Contracts have arisen in relation to such Underlying Client Contracts; and
 - (2) any Post-Compression Client Contracts resulting from the application of Compression to such Underlying Client Contracts.

7.4 Each Member must ensure that it does not include in its terms of business or other contractual arrangements with its Clients or counterparties any provisions which would frustrate the transfer of an Underlying Client Contract in accordance with Regulation 7.2 or 7.3 above.

Porting from Category 4 Members to other Clearing Member Accounts

7.5 In the event that a Clearing Member (the "**Original Clearing Member**") has allocated a Client-Related Cleared Contract to an Indirect Client Account at the Clearing House that the Original Clearing Member is maintaining in respect of one or more Indirect Clients of a Category 4 and such Original Clearing Member or its Indirect Client(s) wish to effect a transfer of the positions associated with that Client-Related Cleared Contract:

- (a) from the Indirect Client Account maintained by that Clearing Member; and
- (b) to (i) a client account of the Original Clearing Member allocated to the Indirect Client(s), such that the Indirect Client(s) would, following the such transfer, be treated as the direct Client(s) of the Original Clearing Member; or (ii) a client account of another Clearing Member (being, accordingly the Clearing Member Transferee), such that the Indirect Client would, following such transfer, be treated as the direct Client(s) of the Clearing Member Transferee,

and in any case otherwise than in accordance with Regulations 7.2 or 7.3 above, then, where such transfer is permitted by, and effected subject to and in accordance with, the Clearing House Rules the transfer and novation of the rights and obligations of the Category 4 Member under the Underlying Client Contracts associated with such positions to the Original Clearing Member or the Clearing Member Transferee (as applicable), shall be subject the following conditions:

- (c) the following parties all consent to the transfer of the Underlying Client Contracts and their associated positions:
 - (1) each Clearing Member that is to transfer and receive the respective positions;
 - (2) the Category 4 Member, or any insolvency practitioner appointed in respect of the Category 4 Member;
 - (3) the Indirect Client(s) that are party to the Underlying Client Contracts; and
 - (4) the Clearing House,

and any such agreement may include agreement as to whether, if at all, any Warrants shall be transferred from any account operated by either Clearing Member at LMEsword to the other (or to any other party); and

- (d) the Exchange has not identified any legal, regulatory, technical or operational impediments to the transfer of such Underlying Client Contracts, the associated positions or (where applicable) any Warrants.

This Regulation 7.5 shall also apply to an LMEprecious Non-Clearing Member on the basis that any reference to Category 4 Member shall be read as "LMEprecious Non-Clearing Member".

7.6

In the event that an Underlying Client Contract is transferred between Members in accordance with Regulations 7.2 or 7.3 above, following such transfer the then current parties to the Underlying Client Contract may request that any Warrants that are held in an account at LMEsword that is operated by the Clearing Member Transferor or a Clearing Member responsible for the Transferor Client (as applicable), shall be transferred to an account at LMEsword that is operated by the Clearing Member Transferee or a Clearing Member responsible for the Transferee Client (as applicable), provided that any such request will only be acted upon by the Exchange (as the operator of the LMEsword), in the event that all of the following conditions are met:

- (a) the request is submitted in writing to the Exchange, copied to the Clearing House, identifying the specific Warrants to which the request relates and specifying the grounds on which the Clearing Member Transferee or Transferee Client should be entitled to receipt of the Warrants;

- (b) the following parties all consent to the transfer of the Warrants in accordance with the request:
- (i) the Clearing Member Transferee or Transferee Client (as applicable);
 - (ii) the Clearing House;
 - (iii) the Clearing Member Transferor or Transferor Client (as applicable) or any insolvency practitioner appointed in respect of the Clearing Member Transferor or Transferor Client (as applicable);
 - (iv) in the case of any Warrants that relate to an Underlying Client Contract that has been transferred pursuant to Regulation 7.2 above, the other party to the Underlying Client Contract that is not the Clearing Member Transferee; and
 - (v) in the case of any Warrants that relate to an Underlying Client Contract that has been transferred pursuant to Regulation 7.3 above, the other party to the Underlying Client Contract that is not the Transferee Client;
- (c) the Exchange has not identified any legal, regulatory, technical or operational impediments to the transfer of such Warrants in accordance with such request.

7.7 In the event that the conditions set out in Regulation 7.6 are met in relation to any request for a transfer of Warrants, the Exchange will facilitate such transfer within such timescales as the Exchange may reasonably specify.

7.8 In the event that an Underlying Client Contract is subject to a transfer and novation pursuant to this Regulation 7 and any law binding on any Member would have the effect of frustrating, preventing or in any manner inhibiting the enforceability of such transfer and novation against such Member, then such transfer and novation shall be deemed to have taken effect by way of:

- (a) the termination of such Underlying Client Contract as between its original parties (subject to Regulations 7.2(c) and 7.3(c)); and
- (b) the establishment of an Underlying Client Contract on the same terms between the parties to whom the relevant transfer is intended to take effect pursuant to the terms of this Regulation 7.

8. **DELEGATION OF FUNCTIONS**

The Exchange may from time to time appoint one or more persons to perform on its behalf any of the functions which it may or may be required to exercise under these Default Regulations.

9. **COSTS**

A Defaulter shall be liable to indemnify the Exchange in respect of the Exchange's costs, charges and expenses in taking any action under the Default Regulations in relation to the Defaulter, including the costs of any person appointed to perform functions on behalf of the Exchange pursuant to Regulation 7.

10. **COOPERATION WITH OTHER BODIES**

Without prejudice to any other provisions of the Rules the Exchange may pass on any details of or other information in its possession relating to a Member or Designated Non-Member or its Contracts or a recognised clearing house or another recognised investment exchange to the Treasury, to the Secretary of State, any Relevant Office Holder, any recognised investment

exchange or recognised clearing house or regulatory body, to any other exchange or clearing house approved under the Companies Act 1989 for the purposes of Part VII of that Act, or to any other authority or body having responsibility for any matter arising out of or connected with the default the relevant Member or Designated Non-Member or the default of a recognised clearing house or another recognised investment exchange.

PART 10
LMESword REGULATIONS

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PART 10: LMEsword REGULATIONS

1. INTRODUCTION

1.1 LMEsword Regulations

These LMEsword Regulations are the regulations governing the operation of LMEsword. All LMEsword Participants are subject to them, and to the LMEsword Operating Procedures issued pursuant to them. The LMEsword Regulations and LMEsword Operating Procedures are adopted by the Exchange under its Articles of Association, form part of the Rules and may be amended from time to time by the Exchange in accordance therewith. Account Holders which are not Members agree to be bound by them, and to certain of the other Rules of the Exchange as set out in regulation 2, as a pre-condition to their becoming LMEsword Participants and Warehouses agree to be bound by them pursuant to the Warehouse Contract.

1.2 Purpose

The principal purpose of LMEsword is to provide a system for the lodging of Warrants with the Depository and effecting their delivery as between Account Holders whilst they are held by the Depository. The LMEsword System does not purport to create a register of the owners of Warrants; rather it records the identity of Account Holders for whom the Depository holds as bailee the Warrants lodged with it from time to time.

1.3 Relationship between LMEsword Regulations and LMEsword Operating Procedures

These LMEsword Regulations set out the principal rights and obligations of LMEsword Participants and the Depository in relation to the operation of LMEsword. They are supplemented by the LMEsword Operating Procedures, which set out detailed procedures and information relating to the operation of the LMEsword System. In the event of a conflict between the LMEsword Regulations and the LMEsword Operating Procedures, the LMEsword Regulations shall prevail.

1.4 Relationship Between Depository and Account Holder

For so long as the Depository holds any Warrants to the order of an Account Holder in accordance with Regulation 4.2, the Depository shall be a bailee in respect of the Warrants (or sub-bailee in respect of Warrants credited to a Customer Account) and the Account Holder shall be bailor (or bailee in respect of Warrants credited to a Customer Account).

2. ADMISSION AS AN LMEsword PARTICIPANT

2.1 Operation of LMEsword and the Depository

The Exchange shall operate the LMEsword System. In addition, the Exchange shall appoint a person to act as the Depository from time to time and enter into an agreement (a "Service Level Agreement") with such person under which such person agrees to act as the Depository and comply with the LMEsword Regulations, the LMEsword Operating Procedures and the obligations imposed on it by such agreement. The Exchange may from time to time terminate the appointment of the Depository, and the Depository may cease to act as such, only in accordance with the terms of the Service Level Agreement. The Exchange shall use all reasonable endeavours to ensure that at all times a suitable person is appointed to act as the

Depository and shall take all reasonable steps to ensure that such person act in accordance with the Service Level Agreement to which it is a party.

2.2 **Warehouses**

A warehouse company shall become a Warehouse (and consequently an LMEsword Participant) if:

- (i) it applies for such status on the form prescribed by the Exchange, including all information requested, and pays the prescribed fee;
- (ii) it executes the Warehouse Contract;
- (iii) it appoints a London Agent and procures that the London Agent executes the Software Licence Agreement with the Exchange; and
- (iv) its application is accepted by the Exchange.

2.3 **Account Holders - Process**

The Exchange shall admit persons to participate in LMEsword as Account Holders in accordance with these LMEsword Regulations and the LMEsword Operating Procedures. Except in the case of the Clearing House, which shall be an Account Holder from the date prescribed by the Exchange, to become an Account Holder the applicant must satisfy the relevant eligibility criteria set out in Regulation 2.4, make or be deemed to make application in accordance with Regulation 2.5 and be accepted as an Account Holder by the Exchange. All persons applying to become Clearing Members must apply to become Account Holders as part of their application to become Clearing Members.

2.4 **Eligibility**

2.4.1 A Clearing Member shall be eligible to become an Account Holder if

- (i) either:
 - (a) it has entered into a Software Licence Agreement with the Exchange; or
 - (b) it has entered into a Remote Participant Agreement with an Account Holder which has satisfied the requirements of (a) or other person approved by the Exchange;
- (ii) it has an office within the European Union, or, if it does not have an office within the European Union, it has satisfied any special criteria for participation in LMEsword from outside the European Union that the Exchange may at its sole discretion from time to time prescribe; and
- (iii) it satisfies any and all other criteria for Clearing Participants which the Exchange may from time to time prescribe.

2.4.2 A Category 4 or 5 Member shall be eligible to become an Account Holder if:

- (i) either:
 - (a) it has entered into a Software Licence Agreement with the Exchange; or

- (b) it has entered into a Remote Participant Agreement with an Account Holder which has satisfied the requirements of (a) or other person approved by the Exchange;
- (ii) it has an office within the European Union, or, if it does not have an office within the European Union, it has satisfied any special criteria for participation in LMEsword from outside the European Union that the Exchange may at its sole discretion from time to time prescribe; and
- (iii) it satisfies any and all other criteria for Account Holders which the Exchange may from time to time prescribe.

2.4.3 A person other than a Member shall be eligible to become an Account Holder if:

- (i) it is an Undertaking;
- (ii) either:
 - (a) it has entered into a Software Licence Agreement with the Exchange; or
 - (b) it has entered into a Remote Participant Agreement with an Account Holder which has satisfied the requirements of (a) or other person approved by the Exchange;
- (iii) it has an active commercial interest in the extraction, refining, production, sale, trading, consumption or financing of metals (including Warrants) traded on the Exchange;
- (iv) it undertakes to comply with Rules 5 (Change in ownership of a Member) and 9 of Part 2 of the Rules, as interpreted in accordance with Part 1 of the Rules;
- (v) it has an office within the European Union, or, if it does not have an office within the European Union, it has satisfied any special criteria for participation in LMEsword from outside the European Union that the Exchange may at its sole discretion from time to time prescribe; and
- (vi) it satisfies any and all other criteria for Account Holders which the Exchange may from time to time prescribe.

2.5 **Applications for Account Holder Status**

- 2.5.1 An application for admission as an Account Holder shall be made on the form prescribed by the Exchange, including all information requested, and be accompanied by the prescribed fee.
- 2.5.2 The Exchange shall consider all applications received and determine whether, in its view and acting in its absolute discretion, each applicant is eligible to become an Account Holder in accordance with these LMEsword Regulations and is, in all the circumstances, a fit and proper person to be an Account Holder.
- 2.5.3 The Exchange may require from the applicant such information, and institute such investigations to verify information submitted by the applicant, as it deems necessary. The Exchange may require the applicant to attend for interview by the Exchange prior to determining whether to accept an application.

- 2.5.4 If the Exchange determines to admit an applicant as an Account Holder, it shall promptly notify the applicant in writing thereof, the further steps it must take prior to its admission becoming effective (if any) and subject thereto the date upon which that admission shall become effective. Following admission of a new Account Holder which is not a Member, the Exchange shall notify all other LMEsword Participants.
- 2.5.5 If the Exchange decides not to admit an applicant as an Account Holder it shall notify it with a statement of reasons for the refusal and the applicant may within 14 days of being notified of the Exchange's decision lodge notice of appeal with the Secretary. Appeal under this Regulation shall be dealt with in the same way as under Regulation 2.8 of Part 2 of the Rules.
- 2.6 **Withdrawal from Participation in LMEsword**
- 2.6.1 Without prejudice to Regulation 2.7, an LMEsword Participant shall only cease to be an LMEsword Participant as follows:
- (i) a Warehouse shall cease to be a LMEsword Participant at the same time as it ceases to be an Exchange listed warehouse in accordance with the terms of the Warehouse Contract but not otherwise;
 - (ii) a Clearing Participant may withdraw from LMEsword in accordance with the remainder of this regulation 2.6 at the same time as it ceases to be a Clearing Member, but not otherwise;
 - (iii) the Clearing House shall cease to be an Account Holder only on its ceasing to act as the Clearing House; and
 - (iv) other Account Holders may withdraw from LMEsword Participation at any time as provided in the remainder of this Regulation 2.6.
- 2.6.2 An Account Holder wishing to cease to be an LMEsword Participant must lodge a notice in writing to that effect (a "Withdrawal Notice") with the Secretary. Prior to lodging a Withdrawal Notice, the Account Holder shall transfer or withdraw all of its Warrants from the Depository in accordance with Regulation 5 or 7 respectively.
- 2.6.3 The Exchange may, in its absolute discretion, refuse to accept a Withdrawal Notice or may postpone the effective date of the proposed withdrawal if it considers it necessary for the protection of Clients, or otherwise in the interests of the market, or if the Account Holder in question has any outstanding liabilities to the Exchange or is the subject of any investigation or action under the Rules and/or Regulation 2.7.
- 2.6.4 On the Exchange accepting a Withdrawal Notice, the Exchange shall notify the Account Holder in writing of its acceptance thereof and the effective date of its withdrawal and notify all other LMEsword Participants and the Depository thereof.
- 2.6.5 On the withdrawal of any LMEsword Participant under this Regulation 2.6, it shall cease to be entitled to exercise any of its rights under LMEsword in its capacity as such. An Account Holder (other than a Member or the Clearing House) which withdraws from LMEsword shall continue to be subject to Regulation 9 of Part 2 of the Rules relating to the retention of records and provision of information in respect of acts and omissions while it was an LMEsword Participant and in respect of any investigation relating thereto for the period of 6 years from the date on which it ceased to be a LMEsword Participant. An Account Holder which is a Member which withdraws from LMEsword shall (for the avoidance of doubt) continue to be

subject to the Rules for as long as it remains a Member and thereafter in accordance with Regulation 7.5 of Part 2 of the Rules.

2.7 Removal from LMEsword Participation and Discipline

- 2.7.1 An Account Holder which is a Member shall be subject to discipline in respect of any breach by it of the LMEsword Regulations or the LMEsword Operating Procedures in the same way as it is in respect of a breach of any other Rule, and in respect of any other act undertaken in connection with LMEsword if it constitutes an act of misconduct within the meaning of Regulation 10.4 of Part 2 of the Rules. In addition (but without limitation) Clearing Participants shall be subject to discipline for breach of any LMEsword Regulation or Operating Procedure relating to the delivery of Warrants to the Clearing House. The procedures and penalties in respect of such discipline shall be as prescribed by the Exchange from time to time.
- 2.7.2 An Account Holder which is neither a Member nor the Clearing House may have its Account Holder status removed by the Exchange by notice given by the Exchange to the Account Holder with immediate effect, or be disciplined by the Exchange as if it were a Member (under Rules 10 to 17 of Part 2 of the Rules interpreted in accordance with Part 1 of the Rules), where:
- (i) the Account Holder has committed a breach of any of the LMEsword Regulations or LMEsword Operating Procedures and the Exchange determines that the breach is serious and that it is appropriate for the Account Holder to cease to have Account Holder status;
 - (ii) the Account Holder has committed a breach of any of the LMEsword Regulations or LMEsword Operating Procedures and has not remedied the breach in accordance with and by the time specified in a direction to remedy it made by the Exchange; or
 - (iii) the Account Holder has done any act, or omitted to do anything, in connection with LMEsword which has brought or may be likely to bring the Exchange or its market into disrepute.
- 2.7.3 An Account Holder may have its LMEsword Participant status removed by notice served on it by the Exchange where it ceases to be eligible therefore in accordance with Regulation 2.4.
- 2.7.4 Where an Account Holder has its status removed, it must withdraw all Warrants credited to its Accounts forthwith in accordance with Regulation 7.
- 2.7.5 A Warehouse shall be liable to discipline for any breach by it or its London Agent of the LMEsword Regulations, the LMEsword Operating Procedures and the Software Licence Agreement in the same way as it is for a breach of any of its other obligations under the Warehouse Contract. It accepts responsibility for and undertakes to procure compliance by its London Agent with any obligations applicable to or performed by or purportedly performed by the London Agent thereunder. Where a London Agent has breached any of its (or the Warehouse's) obligations under the LMEsword Regulations the Exchange may direct that the relevant Warehouse appoint a different London Agent as a pre-condition to the Warehouse continuing as such.

2.8 Change of Account Holder Status

Where an Account Holder is to cease to be a Member but wishes to remain as an Account Holder, it must successfully re-apply for Account Holder status as a non-Member, failing which it shall cease to be an Account Holder at the time it ceases to be a Member.

2.9 Replacement of the LMEsword System

The Exchange may terminate the use of the LMEsword system by serving not less than 3 months' prior written notice on all LMEsword Participants and the Depository where it determines, after consultation with LMEsword Participants and the Depository, that it is necessary or desirable for it to be replaced by another system for the delivery of Warrants or metal.

2.10 Change of Depository

In the event of the Depository ceasing for any reason to act as such, the Exchange may, on behalf of Account Holders, direct the Depository to deliver Warrants held by it to the replacement Depository appointed by the Exchange, which shall following such delivery hold such Warrants as the Depository for LMEsword to the order of Account Holders in accordance with the LMEsword Regulations and LMEsword Operating Procedures.

2.11 Security

LMEsword Participants and the Depository must comply with the requirements and procedures relating to security set out in the LMEsword Operating Procedures.

3. ISSUE OF WARRANTS

3.1 Responsibility for Issue

3.1.1 Warehouses shall be responsible for the issue of all Warrants, which shall be issued by their London Agents. The terms of the Warehouse Contract shall continue to govern the requirements relating to the issue of Warrants, as supplemented by these LMEsword Regulations.

3.1.2 All Warrants shall be issued utilising the LMEsword Software. Each Warehouse shall procure that its London Agent shall execute and comply with the terms of the Software Licence Agreement and gain LMEsword accreditation in accordance with the LMEsword Operating Procedures. In issuing Warrants, each Warehouse shall procure that its London Agent shall comply with the procedures laid down in the LMEsword Operating Procedures.

3.1.3 Warehouses shall be responsible for ensuring that Warrants issued utilising the LMEsword Software are issued in accordance with the requirements of the law under which they are issued and the Warehouse Contract.

3.2 Creation of Electronic Record

3.2.1 On the issue of a Warrant utilising the LMEsword Software the LMEsword System shall create and maintain an electronic record of the Warrant which shall be marked "out of Depository".

- 3.2.2 It shall be the responsibility of the Warehouse and its London Agent to ensure that each Warrant that it issues, including any replacement Warrant, accurately refers to the specific and ascertained metal to which the Warrant relates. The Warehouse and London Agent issuing an inaccurate Warrant shall be solely responsible for any loss caused thereby.
- 3.2.3 If a Warehouse or its London Agent becomes aware of any discrepancy between a Warrant issued by it and the metal to which it relates, including by reason of a change in the exact location of the metal or other act on the part of the Warehouse, it shall comply with the requirements of Regulation 9.

4. WARRANT LODGEMENT

4.1 Preconditions

To be capable of lodgement with the Depository, a Warrant must:

- 4.1.1 have been issued by a London Agent utilising the LMEsword Software in accordance with Regulation 3;
- 4.1.2 match its electronic record in the LMEsword System as provided for in the LMEsword Operating Procedures which must be marked "out of Depository";
- 4.1.3 be in bearer form, or be duly endorsed by the original depositor of the metal or the last named transferee taking title under a continuous chain of endorsements, and be capable of legal transfer by delivery;
- 4.1.4 not have been cancelled by the London Agent (or have its electronic record in the LMEsword System marked "cancelled", which should only be the case where the Warrant has itself been cancelled, as provided for in Regulation 8.1);
- 4.1.5 not have its electronic record identified as not valid under Regulation 10, in which case it shall have ceased to be a valid Warrant in accordance with that Regulation; and
- 4.1.6 not be materially damaged or defaced.

4.2 The Depository

- 4.2.1 The Depository agrees with each Account Holder to hold as bailee (or, in the case of Warrants credited to a Customer Account, sub-bailee) and keep safe all Warrants lodged with it in accordance with this Regulation to the order of the Account Holder to whose Account the Warrant is credited from time to time in accordance with the LMEsword Regulations.
- 4.2.2 The Depository shall use all reasonable care in the performance of its duties expressly set out in the LMEsword Regulations (but not otherwise) and shall act honestly, in good faith and without negligence or recklessness so as to preserve and protect all Warrants lodged with it and shall exercise the degree of care, diligence and skill in the performance of those duties that may be reasonably expected of a prudent custodian in comparable circumstances.
- 4.2.3 The Depository agrees to deliver up in accordance with the LMEsword Regulations to an Account Holder any Warrant credited to any of the Account Holder's Accounts, including (for the avoidance of doubt) any held in a Customer Account of the Account Holder.

- 4.2.4 Where an Account Holder has duly established a Customer Account and a Warrant is credited to such a Customer Account, subject to Regulation 5.4.4, the Depository will hold the Warrant as sub-bailee to the order of the Account Holder in its capacity as bailee for its Customer. The Account Holder's Customer shall not, however, be a customer of the Depository and any duties to the Customer in respect of such a Warrant shall be owed by the Account Holder alone. Without prejudice to Regulation 4.3.2, the Depository shall hold any such Warrant to the order only of the Account Holder exclusively and except as required by law the Depository shall not be bound by or recognise any other interest in any such Warrant whatsoever (including, without limitation, the interest of any Customer of the Account Holder for which the Depository may hold a Warrant as sub-bailee).
- 4.2.5 The Depository agrees to hold or record any Warrant that belongs to it, if any, separately from any Warrant credited to an Account of an Account Holder.
- 4.2.6 The Depository will not claim any lien or right of retention or sale over any Warrant credited to an Account.
- 4.3 **Accounts**
- 4.3.1 All Account Holders must have at least one Account to which Warrants lodged by them or transferred to them under the LMEsword Regulations shall be credited.
- 4.3.2 All Account Holders shall be entitled to establish more than one Account to which specific Warrants can be credited. All Accounts shall be established in accordance with the LMEsword Operating Procedures. Account Holders agree that Warrants credited to an Account shall be held by the Depository as bailee (or in the case of Warrants credited to a Customer Account, sub- bailee) to the order of the Account Holder exclusively and except as required by law the Depository shall not be bound by or recognise any other interest in any such Warrant whatsoever (including, without limitation, the interest of any Customer of the Account Holder).
- 4.3.3 Only Account Holders which are permitted by applicable law to hold Warrants for Customers shall be entitled to establish Customer Accounts. Account Holders wishing to establish Customer Accounts must obtain the express written agreement of each Customer authorising them to lodge Warrants held for the Customer with the Depository on the terms of the LMEsword Regulations and to deal with such Warrants on the Customer's behalf. Subject to Regulation 5.4.4, only Warrants held by an Account Holder as a bailee for a Customer may be credited to a Customer Account in accordance with the LMEsword Regulations.
- 4.3.4 Each Clearing Participant shall have an Account (a "House Collection Account") for the purpose of receiving deliveries of Warrants in respect of the account maintained with the Clearing House to reflect the Clearing Participant's proprietary business, and another Account (a "Customer Collection Account") for the purpose of receiving deliveries of Warrants in respect of its client account(s) with the Clearing House, as provided for in Regulation 5.4. A Customer Collection Account shall not constitute a Customer Account and the Account Holder shall promptly effect Inter-Account Transfers of Warrants credited to it to one or more Customer Accounts in satisfaction of its delivery obligations to Customers.

4.4 **Lodgement of a Warrant**

4.4.1 An Account Holder may lodge a Warrant which satisfies the pre-conditions set out in Regulation 4.1 where:

- (i) it holds the Warrant for itself (whether or not as owner);
- (ii) it holds the Warrant for a Customer; or
- (iii) a person other than the Account Holder, which may be a Customer, holds a Warrant and has instructed the Account Holder to lodge the Warrant on its behalf.

4.4.2 Where an Account Holder wishes to lodge a Warrant, it shall issue a Warrant Lodge Instruction in accordance with the LMEsword Operating Procedures. No Warrant Lodge Instruction shall be accepted by the LMEsword System where the Warrant in question is at the relevant time the subject of a prior Warrant Lodge Instruction. The LMEsword System shall notify the Depository of all valid Warrant Lodge Instructions.

4.4.3 An Account Holder shall deliver, or make arrangements for the delivery of, all Warrants the subject of a valid Warrant Lodge Instruction to the Depository.

4.4.4 On delivery of a Warrant to the Depository for lodgement, the Depository shall check the details on the Warrant against the details on the electronic record of the Warrant and perform the other checks prescribed in the LMEsword Operating Procedures. The Depository shall not be required to check any other details of the Warrant and in particular shall not verify the authenticity or validity of the Warrant. If the requisite details match and the Depository's other checks prescribed in the LMEsword Operating Procedures are completed satisfactorily, the LMEsword System shall credit the Warrant to the Account of the Account Holder identified by it in its Warrant Lodge Instruction, and the Depository shall take delivery of the Warrant. From delivery, the Warrant shall be held by the Depository in accordance with Regulation 4.2.

4.4.5 If the details on the Warrant and on the electronic record of the Warrant do not match, or any of the other checks in relation to the Warrant are not completed satisfactorily, the Depository shall not take delivery of the Warrant. The Depository shall have no responsibility in relation to a Warrant until it has been credited to an Account and the Depository has taken delivery of it.

4.4.6 An Account Holder that delivers a Warrant to the Depository warrants to Account Holders and the Depository that the Warrant complies with the pre-conditions set out in Regulation 4.1.3 (bearer document) and 4.1.4 (not cancelled).

5. **TRANSFER OF WARRANTS LODGED WITH THE DEPOSITORY**

5.1 **Transfers**

An Account Holder shall be entitled to transfer within LMEsword in accordance with Regulation 5.2, 5.3, 5.4 or 5.5 any Warrant which is credited to its Account provided in the case of all transfers (other than an Inter-Account Transfer between House Accounts under Regulation 5.5) the electronic record has not been marked, in the case of a Metal Warrant, "rent not paid" in accordance with Regulation 6 or has not been marked, in the case of any Warrant, "not-valid" in accordance with Regulation 10.

5.2 Ex-cleared Transfers

- 5.2.1 An Account Holder wishing to transfer a Warrant or Warrants credited to its Account (referred to as the "Giver") to another Account Holder (the "Taker") shall issue an Ex-cleared Transfer Instruction identifying the Taker in accordance with the LMEsword Operating Procedures and specifying manual or automatic release. No Ex-cleared Transfer Instruction shall be accepted by the LMEsword System in respect of a Warrant which is subject to a prior and outstanding Ex- cleared Transfer Instruction.
- 5.2.2 The Taker shall be notified of any Ex-cleared Transfer Instruction issued identifying it as the Taker and of the details of the Warrants the subject of the Instruction. The Taker shall then either:
- (i) issue an Ex-cleared Transfer Accept Instruction in accordance with the LMEsword Operating Procedures, specifying the Account the Warrants should be credited to; or
 - (ii) issue an Ex-cleared Transfer Reject Instruction in accordance with the LMEsword Operating Procedures.
- 5.2.3 Where a Taker has issued a Transfer Reject Instruction, the relevant Ex-cleared Transfer Instruction shall be automatically cancelled and the Giver may issue a further Ex-cleared Transfer Instruction in respect of the same or different Warrants.
- 5.2.4 Where a Taker duly issues an Ex-cleared Accept Instruction in respect of an Ex-cleared Transfer Instruction in which the Giver specified automatic release, the Warrants the subject of the Ex- cleared Transfer Instruction shall immediately upon receipt by the LMEsword System of the Ex- cleared Transfer Accept Instruction be credited to the specified Account of the Taker.
- 5.2.5 Where a Taker duly issues an Ex-cleared Accept Instruction in respect of an Ex-cleared Transfer Instruction in which the Giver specified manual release, the Giver shall be notified and, if it wishes to effect the transfer, shall issue an Ex-cleared Release Instruction in accordance with the LMEsword Operating Procedures. Immediately upon receipt by the LMEsword System of such Ex-cleared Release Instruction the Warrants the subject of the Ex-cleared Transfer Instruction shall be debited from the Giver's Account(s) and credited to the relevant Account of the Taker.

5.3 Pledging of Warrants

- 5.3.1 Where an Account Holder wishes to pledge a Warrant to another Account Holder, it may deliver a Warrant pursuant to the pledge by effecting an ex-cleared transfer under Regulation 5.2.
- 5.3.2 Following such a transfer of a Warrant and the debiting and crediting of the relevant Accounts, the Depository shall hold the Warrant as bailee to the order of the Taker exclusively, without notice of the Giver's interest therein as pledgor. The Taker shall accordingly as against the Depository be entitled to transfer any such Warrant to any other Account Holder in accordance with this Regulation 5 and withdraw it from the Depository in accordance with Regulation 7.
- 5.3.3 In the event that such a Taker re-transfers a Warrant by way of an ex-cleared transfer under Regulation 5.2 to the original Giver pursuant to a trust receipt agreement entered into by them, the Depository shall hold the Warrant as bailee to the order of the

pledgor (which will be a Taker under the second transfer) exclusively, without notice of the pledgee's interest therein. The pledgor shall accordingly as against the Depository be entitled to transfer any such Warrant to any other Account Holder in accordance with this Regulation 5 and withdraw it from the Depository in accordance with Regulation 7.

5.4 Cleared Transfers

- 5.4.1 This section relates only to Account Holders which are Clearing Members ("Clearing Participants") and the Clearing House.
- 5.4.2 Subject to and in accordance with the Clearing House Rules and the LMEsword Operating Procedures and the terms of the relevant Contract, each Clearing Participant (a "Giving Clearing Participant") which has a delivery obligation of Warrants to the Clearing House in respect of any of its accounts (including, if applicable, its client account(s)) with the Clearing House for that day shall be notified of its delivery obligations by the LMEsword System.
- 5.4.3 By the time specified in the LMEsword Operating Procedures, each Giving Clearing Participant shall issue a Cleared Transfer Instruction in respect of each of its delivery obligations in accordance with the LMEsword Operating Procedures, specifying the Warrants to be transferred and the Account(s) from which they should be debited and identifying the Clearing House as the taker of the Warrants.
- 5.4.4 At the time delivery is required to be made to the Clearing House under the LMEsword Operating Procedures, the Warrants the subject of the Cleared Transfer Instruction shall be debited from the relevant Account(s) of the Giving Clearing Participant and credited to the Clearing House's Account. Where a Customer Account is so debited, the Warrant(s) in question shall be deemed to be delivered first to the Giving Clearing Participant and then immediately delivered on by the Giving Clearing Participant to the Clearing House.
- 5.4.5 Subject to and in accordance with the Clearing House Rules and the LMEsword Operating Procedures, the LMEsword System shall allocate the transferred Warrants for transfer to each Clearing Participant which has a delivery entitlement in respect of any of its accounts (including, if applicable, its client account) with the Clearing House for that day (a "Taking Clearing Participant"). At the time determined by the Clearing House in accordance with the LMEsword Operating Procedures the Clearing House shall issue a Cleared Transfer Instruction in accordance with the LMEsword Operating Procedures in respect of each such delivery entitlement, specifying the Warrants to be transferred, whereupon such Warrants shall be debited from the Clearing House's Account and credited to each Taking Clearing Participant's Customer Collection Account (in the case of Warrants allocated in satisfaction of a delivery entitlement in respect of a Taking Clearing Participant's client account(s) with the Clearing House) or House Collection Account (in the case of other Warrants). For the avoidance of doubt, delivery of Warrants to Taking Clearing Participants shall occur on their Accounts being credited and not at the time of allocation.
- 5.4.6 The LMEsword System shall calculate and notify to the Clearing House the liabilities arising consequent on such cleared transfers due to differences between the weight of metal agreed to be sold and the actual weight of the metal represented by the Warrants so transferred and accrued but unpaid rent thereon.

- 5.4.7 Where a Taking Clearing Participant is or may be a defaulter under the default rules of the Clearing House, Warrants shall be credited to the Taking Clearing Participant's account as provided for in Regulation 5.4.5. If the Clearing House so determines, such Warrants shall, however, immediately be re-transferred back to the Clearing House and in those circumstances the Warrants in question shall be deemed for all purposes not to have been so credited but to have remained in the Clearing House's account.

5.5 **Inter-Account Transfers**

- 5.5.1 An Account Holder which has more than one Account shall be entitled to transfer Warrants held in any of its Accounts to any other of its Accounts by issuing an Inter-Account Transfer Instruction in accordance with the LMEsword Operating Procedures, provided that in the case of such transfers to or from a Customer Account the Warrant is not marked "rent not paid" in accordance with Regulation 6 or "not valid" in accordance with Regulation 10. On the issue of an Inter-Account Transfer Instruction in accordance with the LMEsword Operating Procedures, the Warrants the subject of it shall be debited from and credited to the relevant Accounts.
- 5.5.2 Where an Account Holder issues an Inter-Account Transfer Instruction pursuant to which a Warrant will be transferred to a Customer Account from a House Account, the Depository acknowledges that following the debiting of the Warrant from the House Account and its crediting to the Customer Account it shall hold the Warrant in accordance with Regulation 4.2.4.
- 5.5.3 Where an Account Holder issues an Inter-Account Transfer Instruction pursuant to which a Warrant will be transferred from a Customer Account to a House Account, the Depository acknowledges that following transfer it shall cease to hold the Warrant in accordance with Regulation 4.2.4.

5.6 **Use of LMEsword for Settlement of Non-Platform Contracts**

LMEsword shall not be used to settle Non-LME Platform Contracts in breach of the requirements specified in Membership Regulation 20 (Restrictions on use of LME Property or Systems for Non-Exchange Contracts). Such restriction shall apply to any Account Holder, and shall not be limited to Members.

6. **RENT PAYMENTS**

6.1 **Rent Schedules**

- 6.1.1 Each Account Holder may in accordance with the LMEsword Operating Procedures obtain from the LMEsword System a rent schedule report setting out its accrued and due rent payment obligations in respect of Warrants credited to its Accounts.
- 6.1.2 Each London Agent may in accordance with the LMEsword Operating Procedures obtain from the LMEsword System a rent schedule report setting out the aggregate amount of rent accrued and due in respect of metal stored under all Warrants issued by it, including those which are lodged with the Depository and those marked "out of Depository", together with such other information as shall be provided for in the LMEsword Operating Procedures.

6.2 **Liability**

- 6.2.1 Liability for rent in respect of all Warrants shall be unaffected by LMEsword, and the obligations of London Agents in respect thereof, including the endorsement of

Warrants, shall continue to be governed by the Warehouse Contract, as supplemented by this Regulation 6.

- 6.2.2 The Depository shall in no circumstances have any liability for the payment of rent in respect of Warrants.

6.3 **Payment**

- 6.3.1 On the receipt by a Warehouse or its London Agent of any rent payment in respect of a Warrant issued by it (whether by the due date or afterwards), such London Agent shall issue a Warrant Endorse Instruction in accordance with the LMEsword Operating Procedures. On receipt, the LMEsword System shall mark the electronic record of the Warrant "rent paid". The fact that the electronic record of a Warrant is marked "rent paid" shall as against the Warehouse and for all Account Holders and the Depository, subject only to Regulation 11.9, be conclusive evidence of due payment of rent and a London Agent (and the Warehouse it represents) shall not be entitled to claim otherwise.

- 6.3.2 A London Agent shall only endorse a physical Warrant "rent paid" where it has issued a Warrant Endorse Instruction. The Depository shall not, for the avoidance of doubt, endorse as "rent paid" any Warrant lodged with it.

- 6.3.3 On withdrawal of a Warrant from the Depository in accordance with Regulation 7, if rent has been paid on the Warrant whilst it has been lodged with the Depository, the Account Holder shall present the Warrant to the London Agent which issued the Warrant for endorsement of "rent paid" on the physical Warrant.

- 6.3.4 Warrant holders must approach the Warehouse Company or its London Agent to settle the rent.

The London Agent and the Exchange will be informed of the withdrawing Account Holder's identity.

6.4 **Non-payment**

- 6.4.1 For Warrants where rent in respect of metal to which a Warrant relates is not paid by the end of Rent Payment Day (and the London Agent which issued the Warrant has not issued a Warrant Endorse Instruction in respect of it), the LMEsword System shall mark the electronic record of the Warrant as "rent not paid".

- 6.4.2 For Warrants where rent is subsequently paid in respect of any Warrant the electronic record of which is marked "rent not paid", on the issue of a Warrant Endorse Instruction the "rent not paid" mark shall be deleted and be replaced by "rent paid".

7. **WITHDRAWAL OF WARRANTS**

7.1 **Entitlement and Instruction**

- 7.1.1 Each Account Holder shall be entitled to require delivery to it of, and the Depository shall be obliged so to deliver, each Warrant credited to an Account Holder's Account (including any of its Customer Accounts).

- 7.1.2 Where an Account Holder wishes to take delivery of a Warrant lodged with the Depository, it shall issue a Warrant Withdrawal Instruction in accordance with the LMEsword Operating Procedures. No Warrant Withdrawal Instruction shall be

accepted by the LMEsword System where the Warrant in question is at the relevant time the subject of a prior Warrant Withdrawal Instruction.

7.2 Collection of Warrants

7.2.1 On receipt of a Warrant Withdrawal Instruction, the LMEsword System shall issue the Account Holder with a security code and notify the Depository by way of a Warrant Withdrawal Notification of the identity of the Account Holder and the Warrants the subject of the Warrant Withdrawal Instruction. On receipt of the notification, the Depository shall locate the Warrants to be withdrawn and arrange for them to be ready for collection and then issue to the Account Holder a Ready for Collection Instruction in accordance with the LMEsword Operating Procedures.

7.2.2 The Account Holder shall make arrangements for the collection of the Warrants in question from the Depository, in accordance with the LMEsword Operating Procedures.

7.2.3 On attendance at the Depository, the Account Holder or its representative shall present the relevant security code and any necessary identification in accordance with the LMEsword Operating Procedures. The Depository shall in accordance with the LMEsword Operating Procedures check the security code and, if it is valid, issue a Warrant Withdrawal Acknowledgement in accordance with the LMEsword Operating Procedures and simultaneously release the Warrant.

7.2.4 The LMEsword System shall thereupon debit the Warrant from the Account Holder's Account and mark it "out of Depository".

7.2.5 In the event that the electronic record of a Warrant withdrawn from the Depository is marked:

- (i) "rent not paid" in accordance with Regulation 4;
- (ii) "amended" in accordance with Regulation 9; or
- (iii) "not valid" in accordance with Regulation 10;

the Depository shall stamp the physical Warrant accordingly on its release of the Warrant.

8. WARRANT CANCELLATION AND METAL TAKE UP

8.1 Warrant Cancellation

8.1.1 The obligations of LMEsword Participants on the cancellation of a Warrant shall continue to be governed by the Warehouse Contract and the arrangements agreed between the Warehouse and the person for whom the Warehouse holds the metal in question, supplemented in the case of London Agents by this Regulation 8. The Depository shall have no responsibilities in relation to the cancellation of Warrants or the taking delivery of metal represented by Warrants.

8.1.2 On a Warrant being presented to a London Agent or Warehouse for cancellation, the London Agent or Warehouse shall apply its normal procedures prior to cancelling the Warrant. On satisfactory completion of those procedures, the London Agent shall issue a Warrant Cancel Instruction in accordance with the LMEsword Operating Procedures.

- 8.1.3 Only Warrants the electronic record of which are marked "out of Depository" may be cancelled. Provided the LMEsword System accepts the Warrant Cancel Instruction, it shall mark the electronic record of the Warrant as "cancelled" and notify the London Agent thereof. The London Agent shall thereupon cancel the Warrant.

8.2 Time Expired Warrants

After 16:30 each day an Account Holder and London Agent can run reports to inform them of the Warrants expired or due to expire. Upon Time Expiry the Account Holder must settle outstanding rent by contacting the London Agent in accordance with Regulation 6.3.4.

8.3 Remove Warrant

- 8.3.1 On the metal represented by a cancelled Warrant being delivered out by a Warehouse, the Warehouse shall notify its London Agent which shall issue a Remove Warrant Instruction in accordance with the LMEsword Operating Procedures. A Warehouse shall not so deliver metal unless the relevant Warrant has previously been cancelled in accordance with Regulation 8.1. The Exchange shall prescribe by Notice or in the LMEsword Operating Procedures the procedure for dealing with the reporting of deliveries out of only part of the metal represented by a Warrant.

- 8.3.2 Provided the electronic record of the Warrant in question is marked "cancelled", the LMEsword System shall following the issue of a Remove Warrant Instruction in accordance with the LMEsword Operating Procedures remove the Warrant from the LMEsword System (save that a record of its existence shall be retained within it solely for audit purposes).

- 8.3.3 A London Agent shall also issue a Remove Warrant Instruction in other circumstances as prescribed by the LMEsword Operating Procedures.

9. WARRANT AMENDMENT AND REPLACEMENT

9.1 General Duties

The requirements and procedures relating to the amendment and replacement of a Warrant shall be governed by the terms of the Warehouse Contract and the Warrant itself, as supplemented by this Regulation 9. Endorsement of a Warrant "rent paid" shall be subject to Regulation 6.

9.2 Notification of Amendments

- 9.2.1 On any LMEsword Participant becoming aware of a need to make an amendment to a detail of a Warrant which is prescribed in the LMEsword Operating Procedures (an "amendable detail"), it shall notify the London Agent which issued the Warrant.
- 9.2.2 On a London Agent becoming aware or being notified of a need to make an amendment to an amendable detail of a Warrant which it has issued, it shall issue a Warrant Amend Instruction in accordance with the LMEsword Operating Procedures.
- 9.2.3 On receipt of a Warrant Amend Instruction in respect of a Warrant, the LMEsword System shall amend the electronic record of the Warrant accordingly, mark its electronic record "amended" and, in the case of a Warrant lodged with the Depository, notify the relevant Account Holder of the amendment.

9.3 **Replacement of Warrants**

- 9.3.1 On the amendment of an amendable detail of the electronic record of a Warrant marked "out of Depository" in circumstances where the Warrant has not been presented to the London Agent, the Exchange and the London Agent may take such steps as they deem appropriate to publicise the fact of such amendment.
- 9.3.2 The holder of such a Warrant must, on its becoming aware of the fact of such amendment, present the Warrant to the London Agent which issued the Warrant.
- 9.3.3 Where an Account Holder withdraws a Warrant from the Depository the electronic record of which is marked "amended" and which is itself stamped as such by the Depository in accordance with Regulation 7, the Account Holder must present the Warrant to the London Agent which issued the Warrant.
- 9.3.4 On presentation to a London Agent of a Warrant in accordance with this Regulation 9.3, the London Agent shall take delivery of the Warrant and issue a replacement Warrant utilising the LMEsword Software in accordance with the LMEsword Operating Procedures.
- 9.3.5 In other cases where a London Agent is entitled to issue a replacement Warrant in accordance with the Warehouse Contract, it shall do so utilising the LMEsword Software in accordance with the LMEsword Operating Procedures.

10. **INCORRECT OR INVALID WARRANTS**

10.1 **Notification**

- 10.1.1 The obligations of LMEsword Participants in relation to a Warrant, or to metal the subject of a Warrant, which does not comply with the requirements of the Exchange shall be as set out in the Rules and the Warehouse Contract, as supplemented by this Regulation 10.
- 10.1.2 On a LMEsword Participant becoming aware of any irregularity in respect of a Warrant or the metal to which a Warrant relates (not being the need to amend an amendable detail), it shall notify the Exchange thereof. The Exchange may make such enquiries and take such steps as it sees fit to determine the existence and nature of such irregularity.
- 10.1.3 On a LMEsword Participant other than the Clearing House being made aware of the need to return a Warrant to a London Agent for cancellation and reissue, it shall take all necessary steps to obtain and deliver up the Warrant to the London Agent which must cancel it and issue a new Warrant in accordance with the Warehouse Contract.

10.2 **Invalid Warrant Instruction**

- 10.2.1 In the event that the Exchange concludes that there is a material irregularity in a Warrant or the metal which it represents, or some other relevant regulatory event has occurred, it may issue an Invalid Warrant Instruction in accordance with the LMEsword Operating Procedures. On receipt, the LMEsword System shall mark the electronic record of the Warrant "not valid".
- 10.2.2 Delivery of a Warrant the electronic record of which is marked "not valid" shall not constitute good delivery under a Contract.

- 10.2.3 The Exchange may, where it is satisfied that the irregularity or event has been remedied, reverse an Invalid Warrant Instruction in accordance with the LMEsword Operating Procedures. On receipt the LMEsword System shall remove the "not valid" mark from the electronic record of the Warrant.
- 10.2.4 Where a Warehouse ceases to be listed in Appendix III of the Rules, Warrants previously issued by it shall continue to be treated as Warrants for the purposes of these LMEsword Regulations until the Exchange otherwise directs and/or issues an Invalid Warrant Instruction in accordance with this Regulation 10.2.
- 10.2.5 Each Account Holder agrees to withdraw from the Depository any Warrant the electronic record of which is credited to its Account where the Exchange so directs.

11. GENERAL

11.1 Charges and Fees

- 11.1.1 The Exchange shall fix the subscription, transaction and other fees payable by LMEsword Participants from time to time and publish them in an Administrative Procedure and will publish the same on the LME website. Such fees may vary for different classes of LMEsword Participant. Such fees shall be debts due to the Exchange and shall be payable in accordance with the LMEsword Operating Procedures.
- 11.1.2 Each LMEsword Participant agrees to pay all fees payable under the LMEsword Regulations promptly. Failure to pay such fees when due shall constitute a breach of the LMEsword Regulations by the LMEsword Participant in question.
- 11.1.3 If a LMEsword Participant serves a Withdrawal Notice in accordance with Regulation 2.6 but that Notice is not received by the Secretary on or before the 30th day of November of the year in which the LMEsword Participant intends its participation to cease, it will be liable for payment of the relevant annual subscription for the following year.

11.2 Reports and Enquires

LMEsword Participants may obtain reports from and make enquiries of the LMEsword System as described in the LMEsword Operating Procedures. Reports will be available at all times that the LMEsword System is operational and each Account Holder agrees that these will be transmitted electronically and can be printed by the Account Holder. Reports will detail the description and amounts of all Warrants credited to an Account or Accounts of the Account Holder. Each Account Holder agrees to treat such a report as a sufficient statement of its Warrants held by the Depository.

11.3 Instructions and Notices

- 11.3.1 Instructions to be issued under the LMEsword Regulations or LMEsword Operating Procedures must be issued in accordance with the LMEsword Operating Procedures. In the event that for any reason it is impossible for a LMEsword Participant, the Depository or the Exchange to issue or receive an Instruction, or the LMEsword System is unable to receive an Instruction, the Exchange shall specify the steps the affected person(s) should take. References in the remainder of this Regulation 11.3 to a notice or other communication shall not include an Instruction. Instructions shall be

deemed issued when received by the LMEsword System, and shall be processed in the order determined by the LMEsword System.

11.3.2 All notices and other communications to be served under the LMEsword Regulations or LMEsword Operating Procedures shall be served as follows:

(i) if to the Exchange, to:

Post Trade Operations
The London Metal Exchange
10 Finsbury Square
London EC2A 1AJ
Fax No. +44(0)20 7256 8864

E-mail: posttradeoperations@lme.com

(ii) if to another LMEsword Participant or the Depository, to the address and fax number notified to the Exchange by the LMEsword Participant or, as the case may be, the Depository from time to time.

11.3.3 All notices and other communications under the LMEsword Regulations shall be served by fax or in writing. Service will be deemed effective, in the case of notices sent by fax, on the date that transmission is received by an employee of, or other person working for, the recipient in legible form (with the burden of proving receipt being upon the sender which will not be met by a transmission report generated by the sender's fax machine). Notices or other communications shall not be capable of having the effect of an Instruction unless the Exchange provides otherwise in the LMEsword Operating Procedures or in a notice issued by the Exchange, for example in the event of an emergency.

11.3.4 In the event of difficulty in using fax to send notices under the LMEsword Regulations, notices and other communications may be served in writing and delivered in person or by courier or by post, with such service deemed effective on the date of receipt, unless that date is not a Business Day in which case the notice shall be deemed given and effective on the first following day that is a Business Day.

11.3.5 All notices and other communications shall be in writing and in the English language.

11.3.6 Notices and other communications shall only be validly served by a LMEsword Participant if they are signed by a designated signatory notified to the Exchange.

11.3.7 Neither the Exchange nor the Depository shall be liable for any actions taken or omitted to be taken in good faith on the basis of any Instruction served in accordance with the LMEsword Operating Procedures or notice or other communication however served which purports to have been given by or on behalf of a LMEsword Participant, nor shall any of them be taken to have notice of any matter disclosed in an Instruction (other than the existence of the Instruction). Neither the Exchange nor the Depository shall be under any duty to verify the genuineness of any Instruction or of the signature or the authority of the person which purports to sign a notice or other communication on behalf of a LMEsword Participant.

11.3.8 The Depository shall not be obliged to take account of or act on any direction of an Account Holder other than an Instruction or notice or communication permitted by the Exchange.

11.4 **Release**

Any liability to the Exchange under the LMEsword Regulations may in whole or in part be released, compounded or compromised or time or indulgence given by the Exchange in its absolute discretion as regards any LMEsword Participant under such liability without in any way prejudicing or affecting its rights against any other or others of the LMEsword Participants under the same or a like liability, whether joint and several or otherwise.

11.5 **Waiver**

Without prejudice to Regulation 2.5 of Part 1 of the Rules, no failure of the Exchange to exercise, and no delay by it in exercising, any right, power or remedy in connection with the LMEsword Regulations (each a "Right") will operate as a waiver thereof, nor will any single or partial exercise of any Right preclude any other or further exercise of such Right or the exercise of any other Right. The Rights provided in the LMEsword Regulations are cumulative and not exclusive of any other Rights (whether provided by law or otherwise). Any express waiver of any breach of the LMEsword Regulations shall not be deemed to be a waiver of any subsequent breach.

11.6 **Invalidity**

If any provision in the LMEsword Regulations shall be held to be illegal, invalid or unenforceable, in whole or in part, under any enactment or rule of law, such provision or part shall to that extent be deemed not to form part of the LMEsword Regulations but the legality, validity and enforceability of the remainder of the LMEsword Regulations shall not be affected.

11.7 **Governing Law and Submission to the Jurisdiction**

11.7.1 The LMEsword Regulations shall be governed by and construed in accordance with English law.

11.7.2 Except to the extent otherwise provided in the Warehouse Contract (in the case of Warehouses) or the relevant Service Level Agreement (in the case of the Depository and the Operator) any dispute arising out of or in connection with the LMEsword Regulations shall be referred to arbitration in accordance with the Rules.

11.8 **Exclusion of Liability**

11.8.1 The Exchange shall not have any liability for any damage, loss, expense or liability of any nature which a LMEsword Participant may suffer or incur due to or connected with it being or acting as a LMEsword Participant, including liability for negligence or liability arising out of development and operation of the LMEsword System, except to the extent of direct losses or expenses attributable to its fraud or wilful default. In no event shall the Exchange be liable for special, indirect or consequential damages or loss of any kind whatsoever regardless of whether it has notice of the likelihood of such damages or loss and regardless of the form of action.

11.8.2 The Depository shall have no liability for any damage, loss, expense or liability of any nature which a LMEsword Participant may suffer or incur due to or connected with it being or acting as a LMEsword Participant, except to the extent of direct losses or expenses attributable to the Depository's fraud, wilful default or negligence in the performance of its obligations expressly set out in these Regulations and provided that the Depository shall not be liable to the extent that any such damage, loss, expense

or liability is caused by a person other than the Depository. In no event shall the Depository be liable for special, indirect or consequential damage or loss of any kind whatsoever (including, without limitation, loss of bargain or profits), regardless of whether it has notice of the likelihood of such damages or loss and regardless of the form of action. The exclusions of liability set out in this Regulation 11.8.2 and Regulation 11.8.3 do not apply to death or personal injury arising from any failure by the Depository to take reasonable care or to exercise reasonable skill.

11.8.3 In the event of the loss, damage, destruction or wrongful release of a Warrant in circumstances in which the Depository is liable in accordance with Regulation 11.8.2, the maximum liability and obligation of the Depository shall be limited to issuing an indemnity in an amount not exceeding the market value of the Warrant at the time of the discovery of the loss, damage, destruction or wrongful release and otherwise on reasonable terms but not requiring the provision of any security.

11.8.4 Each Account Holder agrees to indemnify the Depository and to keep it indemnified against any costs, claims, losses, liabilities, damages, fines, penalties, taxes and other amounts which may be imposed on, incurred by or asserted against the Depository in respect of any liability arising from the fact that it holds any Warrants as bailee or sub-bailee for other persons (including, without limitation, any obligations to pay income, value added or any other tax or duty, or to maintain insurance in relation to any such Warrants) which is determined by the Depository to be applicable to that Account Holder and which is not due to the Depository's fraud, wilful default or negligence.

11.8.5 The Depository is not responsible for the production or the accuracy of reports generated by the LMEsword System and is not responsible for the operation or efficacy of the LMEsword System.

11.9 **Errors**

11.9.1 In the event that a Warrant is mistakenly credited to or debited from an Account Holder's Account, the affected Account Holder, shall immediately on their becoming aware of that event notify the Exchange which shall notify the affected parties and, if there is no disagreement as to the facts, make the necessary change to the LMEsword System's records, if any.

11.9.2 In the event that any LMEsword Participant becomes aware that any detail in the electronic record of a Warrant is or appears to be incorrect, it shall notify the Exchange which shall notify the London Agent which issued the Warrant and, if the Warrant is lodged with the Depository, the Depository and the Account Holder to whose Account the Warrant is credited. If there is no disagreement as to the facts, the Exchange shall make the necessary change to the LMEsword System's records.

11.9.3 In the event that there is disagreement as to the facts, the matter shall be referred to arbitration in accordance with the Rules.

11.10 **Legal Effect of Transfers**

11.10.1 By and upon the debiting of a Warrant by the LMEsword System from the Account of an Account Holder (the "Transferor") and its crediting to the Account of another Account Holder (the "Transferee"), the Depository shall hold the Warrant in question to the order of the Transferee, for as long as it remains in its Account. The Release Instruction (in the case of ex- cleared transfers under Regulation 5.2.5),

the Ex-cleared Transfer Instruction and Ex-cleared Transfer Accept Instruction (in the case of ex-cleared transfers under Regulation 5.2.4) and the Cleared Transfer Instruction (in the case of cleared transfers under Regulation 5.4) shall constitute an instruction by the Transferor (and, as applicable, the Transferee), on behalf of the Transferor and Transferee, to the Depository to hold the Warrant to the order of the Transferee. By and upon the crediting of the Warrant by the LMEsword System to the Transferee's Account the Depository makes attornment to the effect that it from that point holds the Warrant to the order of the Transferee.

11.10.2 In addition, the Depository is pursuant to the LMEsword Regulations authorised by each Warehouse to receive instructions concerning the holding of the metal represented by Warrants. By and upon the crediting of a Warrant by the LMEsword System to the Transferee's Account, the Depository makes attornment, for and on behalf of the Warehouse for whom the London Agent issued the Warrant, to the effect that the metal represented by the Warrant shall from the moment of the crediting of the Warrant to the Transferee's Account be held by the Warehouse to the order of the Transferee. The Depository shall not disclose to any Warehouse the identity of any Account Holder to whose order metal is held from time to time, unless explicitly provided for in these Regulations or the Exchange directs it to.

11.10.3 Unless the parties otherwise agree, property in the metal represented by a Warrant shall pass at the time the Warrant is delivered, that is (in the case of Warrants lodged with the Depository) at the time the parties' Accounts are debited and credited.

11.11 **Amendment of LMEsword Regulations**

The Exchange may amend the LMEsword Regulations or the LMEsword Operating Procedures in the same way as it may amend any other of its Rules. All LMEsword Participants shall be notified of any such amendment prior to its taking effect, except where an immediate amendment is in the opinion of the Exchange essential for the proper functioning of LMEsword.

11.12 **Force Majeure**

Nothing in these LMEsword Regulations shall require any person to do anything contrary to applicable English law or regulation and no person shall be liable for a breach of these LMEsword Regulations where compliance is impossible due to a failure of the LMEsword System and they have not caused the LMEsword System failure in question.

11.13 **Representation by Account Holder**

On each occasion the Depository is required to release a Warrant to an Account Holder in accordance with Regulation 7.2, the Account Holder is deemed to represent to the Depository that it is in full compliance with the laws and regulations of each jurisdiction which is or may be applicable to the withdrawal of the Warrant.

12. **INTERPRETATION**

12.1 **Definitions**

In these LMEsword Regulations terms defined in the Rules and not defined below shall have the same meanings and the following words and expressions shall, unless the context otherwise requires, bear the following meanings:

"Account" means an account of an Account Holder with the Depository, recorded by the LMEsword System and established in accordance with the LMEsword Regulations and LMEsword Operating Procedures, to which Warrants may be credited and debited;

"Account Holder" means the Clearing House and any person admitted as an Account Holder by the Exchange, and which has not withdrawn or ceased to be an Account Holder, under Regulation 2;

"Business Day" has the meaning given in the Rules;

"Clearing House" means the clearing house for the time being designated by the Exchange;

"Clearing Member" has the meaning given in the Rules;

"Clearing Participant" means a Clearing Member which is an Account Holder;

"Customer" means a person with whom an Account Holder has entered into a written agreement under which the Account Holder has authority to hold Warrants for the Customer as bailee and lodge such Warrants with the Depository as sub-bailee or bailee on the terms of the LMEsword Regulations and with authority to make delivery of such Warrants for and on behalf of the Customer;

"Customer Account" means an Account to which Warrants held by an Account Holder as bailee for its Customer may be credited and debited, which may comprise a single Account for Warrants held for some or all of the Account Holders' Customers and/or specific Accounts for one or more specific Customers;

"Customer Collection Account" has the meaning given in Regulation 4.3;

"Depository" means the person appointed from time to time by the Exchange to act as the Depository for LMEsword and which has agreed to be bound by the LMEsword Regulations;

"the Exchange" means the London Metal Exchange;

"Giver" has the meaning given in Regulation 5.2.1;

"Giving Clearing Participant" has the meaning given in Regulation 5.4.2;

"House Account" means an Account which is not a Customer Account; "House Collection Account" has the meaning given in Regulation 4.3; "Instruction" shall be construed in accordance with Regulation 12.2;

"LMEsword Operating Procedures" means the manual issued by the Exchange pursuant to the LMEsword Regulations setting out detailed procedures and information relating to the operation of LMEsword;

"LMEsword Participant" means an Account Holder or a Warehouse;

"LMEsword Regulations" means the Regulations governing the operation of LMEsword issued by the Exchange as amended from time to time in accordance with the terms thereof and forming Part 10 of the Rules;

"LMEsword Software" means the software licensed to each Account Holder and London Agent for the purpose of facilitating the issue of Warrants and the provision of details thereof to the LMEsword System;

"LMEsword System" means the system for, inter alia, the electronic transfer of title to Warrants governed and constituted by the LMEsword Regulations;

"London Agent" means a London agent appointed by a Warehouse in accordance with the terms of the Warehouse Contract or a London office of a Warehouse nominated to act as the Warehouse's London Agent for the purposes of LMEsword;

"Member" means a member of the Exchange;

"Overseas Undertaking" has the meaning given in the Rules;

"person" includes an individual, partnership, unincorporated association and body corporate;

"Premium Warrant" has the meaning given in the Rules;

"Remote Participant Agreement" means an agreement between Account Holders substantially in the form prescribed by the Exchange under which one Account Holder agrees to act for the other in the giving of Instructions to the LMEsword System in accordance with the LMEsword Regulations and LMEsword Operating Procedures;

"Rent Payment Day" means the day on which rent in respect of the storage of metal under Warrant becomes due;

"Rules" means the rules and regulations issued by the Exchange (and incorporating the LMEsword Regulations) governing the London Metal Exchange administered by the Exchange as the same may be amended in accordance with the Articles of Association of the Exchange and a reference to a Rule shall be construed accordingly;

"Secretary" means any person appointed to perform the duties of Secretary of the Exchange;

"Service Level Agreement" means the agreement entered into by the Depository with the Exchange under which it agrees to act as such and comply with the obligations set out therein;

"Software Licence Agreement" means the licence agreement to be entered into by each Account Holder and London Agent relating to the LMEsword Software;

"Taker" has the meaning given in Regulation 5.2.1;

"Taking Clearing Participant" has the meaning given in Regulation 5.4.5;

"Undertaking" has the same meaning as set out in Section 1161 Companies Act 2006;

"Warehouse" means a warehouse which is party to the Warehouse Contract and listed in Appendix III of the Rules;

"Warehouse Contract" means the agreement between the Exchange and each Warehouse setting out the Warehouse's obligations as a Warehouse and under which the Warehouse agrees to abide by the LMEsword Regulations;

"Warrant" means a warehouse warrant issued by a Warehouse in accordance with the Warehouse Contract;

"Withdrawal Notice" has the meaning given in Regulation 2.6.2.

12.2 **Interpretation**

- 12.2.1 Where the LMEsword Regulations refer to a document or thing being "prescribed", that shall mean prescribed by the Exchange from time to time in the LMEsword Operating Procedures or in a Notice issued by it, and the Exchange may prescribe different dates for different purposes, category of LMEsword Participant and metal.
- 12.2.2 Words importing the singular shall, where the context permits, include the plural and vice versa. Words importing gender shall include each gender.
- 12.2.3 Where the LMEsword Regulations refer to an act being undertaken by the Exchange, that act may be performed by the Exchange acting through the Directors of the Exchange or any duly authorised Committee of the Directors of the Exchange or duly authorised individual.
- 12.2.4 References to an "Instruction" shall mean any of the types of Instruction referred to in the LMEsword Regulations, such as, without limitation, a "Warrant Lodge Instruction" or "Ex- cleared Transfer Instruction", each of which shall consist of an electronic communication of the relevant type served by a LMEsword Participant in accordance with the LMEsword Operating Procedures. Any purported service of an Instruction otherwise than in accordance with the LMEsword Operating Procedures shall be of no effect unless the Exchange otherwise directs. The LMEsword Operating Procedures shall provide for the circumstances in which Instructions shall be deemed cancelled and all other details relevant to their issue.
- 12.2.5 Where reference is made to a London Agent which issued a Warrant, that shall be deemed also to refer to a London Agent which has succeeded to the responsibilities of the London Agent which issued the Warrant.
- 12.2.6 Where reference is made to "the" or "these" "LMEsword Regulations" that shall be deemed to include the LMEsword Operating Procedures where the context permit.
- 12.2.7 References to a "Category" of Member shall be construed in accordance with the definitions of the categories of Membership set out in the Rules.
- 12.2.8 In these LMEsword Regulations only, reference to a "Warrant" or "Warrants" shall include reference to a "Premium Warrant" or "Premium Warrants", as the context may allow.

PART 11

MONTHLY AVERAGE FUTURE REGULATIONS

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PART 11: MONTHLY AVERAGE FUTURE REGULATIONS

1. RELATIONSHIP WITH TRADING REGULATIONS

1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Monthly Average Future Regulations or unless the context otherwise requires, apply to Monthly Average Futures.

1.2 The Clearing House Rules shall apply to Cleared Monthly Average Futures.

2. PERMITTED MONTHLY AVERAGE FUTURES

2.1 Monthly Average Futures shall be available in respect of such metals and in such lot sizes as set out in Table 1.1 below:

Table 1.1

Metal	Lot size (tonnes)	Months
Primary Aluminium	25	63
NASAAC Aluminium Alloy	20	27
Aluminium Alloy	20	27
Special High Grade Zinc	25	27
Tin	5	15
Nickel	6	27
Copper Grade A	25	63
Lead	25	15

2.2 The Monthly Average Settlement Price for a Monthly Average Future month must be calculated by reference to a calendar month.

2.3 For each metal, Monthly Average Futures shall be available in respect of each tradable month from and including the month in which the Contract is made out to the number of months for that metal as set out in Table 1.1 above.

2.4 A new tradable month will become available for trading, in respect of any Monthly Average Future authorised by the Exchange, at the opening of business on the first Business Day of the month in which trading of a Monthly Average Future for the relevant underlying metal is authorised to begin.

2.5 Trading may be conducted, in respect of any Monthly Average Future authorised by the Exchange, until the close of business on the Last Trading Day for such Monthly Average Future. Trading times for all Monthly Average Futures shall not be later than 12.30 hours London time on the Last Business Day.

2.6 Monthly Average Futures shall be traded in US Dollars only.

- 2.7 Monthly Average Futures may be traded on the telephone and LME Select but not on the Ring.
- 2.8 The minimum price movement for a Monthly Average Future shall be \$0.01 US dollars per metric tonne.
- 2.9 All Monthly Average Futures shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.
3. **CASH SETTLEMENT FEE**
- 3.1 The Exchange may charge a fee in relation to each Monthly Average Future. The amount of such fee shall be determined and published by the Exchange from time to time.
4. **PRICE INFORMATION**
- 4.1 Regulation 4 of the Trading Regulations shall apply to Monthly Average Futures.
- 4.2 The Exchange shall publish the Notional Average Price and Monthly Average Settlement Price for the relevant metal for each tradable month.

PART 12
PREMIUM CONTRACT REGULATIONS

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PART 12: PREMIUM CONTRACT REGULATIONS

1. RELATIONSHIP WITH TRADING REGULATIONS

1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Premium Contract Regulations or unless the context otherwise requires, apply to Premium Contracts.

1.2 The Clearing House Rules shall apply to Cleared Premium Contracts.

2. ALUMINIUM PREMIUM CONTRACT SPECIFICATION

2.1 Premium Warrant Jurisdictions

The following table sets out the Premium Warrant Jurisdiction for each type of Aluminium Premium Contract:

Premium Contract	Premium Warrant Jurisdiction
LME Aluminium US Premium	The following regions of the United States of America, as defined by the US Census Bureau: <ul style="list-style-type: none">• Mid-West• South
LME Aluminium West-Europe Premium	Western Europe, as defined by the UN Geoscheme M49 classification
LME Aluminium East-Asia Premium	Eastern Asia, as defined by the UN Geoscheme M49 classification
LME Aluminium South-East Asia Premium	South-Eastern Asia, as defined by the UN Geoscheme M49 classification

2.2 Metal and Premium Warrant

The underlying metal for each Aluminium Premium Contract shall be high grade primary aluminium satisfying the requirements of Part 6 of the Special Contract Rules for Metals that is:

- (a) held by a Qualifying Premium Warrant Warehouse in the Premium Warrant Jurisdiction applicable to the type of Aluminium Premium Contract; and
- (b) represented by a Premium Warrant issued by the Qualifying Premium Warrant Warehouse.

2.3 Lot Size

The Lot size for each Aluminium Premium Contract is 25 tonnes.

2.4 **Prompt Date**

The Prompt Date for each Aluminium Premium Contract shall be the third Wednesday of each maturity month, subject to the Trading Regulations.

2.5 **Maturity Months**

Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 2.9 below) for the calendar month on which the Contract is made, in which case, fourteen months.

2.6 **Trading Platform**

Aluminium Premium Contracts may be traded:

- (a) in the Ring;
- (b) in the inter-office market; or
- (c) through LME Select

2.7 **Trading Hours**

Aluminium Premium Contracts may be traded on the following platforms at the following times:

Platform	Trading Hours
Ring	For Official Prices: 5 minutes at the end of R2 For Closing Prices: 5 minutes at the end of kerb trading
LME Select	Between 01:00 and 19:00 London time on a Business Day
Inter-office market	24 hours a day during a Business Day

2.8 **Last Trading Time**

The last trading time for Aluminium Premium Contracts shall be 19:00 London time on the Last Trading Day.

2.9 **Settlement Basis**

Aluminium Premium Contracts shall be physically settled in accordance with Regulation 3 below.

2.10 **Currency**

US Dollars.

2.11 Price Information

- (a) Regulation 4 of the Trading Regulations shall apply to Premium Contracts.
- (b) Official Prices for Premium Contracts shall be determined in accordance with Trading Regulation 5.
- (c) Closing Prices for Premium Contracts shall be determined in accordance with Trading Regulation 6.

2.12 Minimum Price Movement

The minimum price movement for any Aluminium Premium Contract shall be as follows:

	Minimum price movement per tonne	
Venue	Outright	Carries
Ring	\$0.50	\$0.01
LME Select	\$0.50	\$0.01
Inter-office market	\$0.01	\$0.01

3. SETTLEMENT OF ALUMINIUM PREMIUM CONTRACTS

3.1 Aluminium Premium Contracts shall be settled on the basis set out in this Regulation 3.

3.2 Settlement of Aluminium Premium Contracts that are:

- (a) Cleared Premium Contracts shall be made by offset or by delivery and settlement of differences on the Prompt Date in accordance with Regulations 3.4 and 3.5 and 3.7 to 3.9 below;
- (b) Client Premium Contracts shall be made by offset or by delivery in accordance with Regulations 3.4 and 3.5 and 3.10 to 3.11 below.

3.3 The net Lots covered by the Aluminium Premium Contracts remaining following offset under Regulation 3.8 or 3.10 (as applicable) shall be settled on their Prompt Date by payment, subject in the case of Cleared Premium Contracts to the Clearing House Rules.

3.4 Seller's Delivery Obligation

The seller's obligation under Aluminium Premium Contracts shall be to deliver Premium Warrants corresponding to the net Lots covered by such Contracts to the buyer.

3.5 Buyer's Delivery and Payment Obligations

The buyer's obligation under Aluminium Premium Contracts shall be to deliver to the seller:

- (a) Standard Warrants, for high grade primary aluminium satisfying the requirements of Part 6C of the Special Contract Rules for Metals, corresponding to the net Lots covered by such Contracts;

plus

- (b) the Settlement Price for the Aluminium Premium Contract, subject to any adjustments made pursuant to these Regulations in order to take account of:
 - (i) any rent and weight adjustments; and
 - (ii) the "Free on Truck" charges levied by the Qualifying Premium Warrant Warehouse that issued the Premium Warrant delivered under (a) above.

The buyer and seller's respective obligations shall be subject to the application of offsetting and settlement of differences pursuant to Regulations 3.7 and 3.8 below.

3.6 **Cleared Premium Contracts – General**

- (a) Settlement of all Cleared Premium Contracts whether by offset or by delivery and the settlement of differences shall be made on the relevant Prompt Date by reference to the Settlement Price determined for that Prompt Date for that Premium Contract.
- (b) In the event that:
 - (i) a buyer under a Cleared Premium Contract with an obligation to deliver Standard Warrants on the Prompt Date is also a buyer under a Cleared Metal Contract with an entitlement to receive Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date; or
 - (ii) a seller under a Cleared Premium Contract with an entitlement to receive Standard Warrants on the Prompt Date is also a seller under a Cleared Metal Contract with an obligation to deliver Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date,

then the respective obligations and entitlements of the buyer or seller (as applicable) under the Cleared Premium Contract in respect of the delivery of Standard Warrants shall be netted against the respective entitlements and obligations of that party under the Cleared Metal Contract in respect of the delivery of such Standard Warrants, in order to produce a net entitlement to receive or deliver Standard Warrants under both Contracts.

3.7 **Cleared Premium Contracts - Settlement of Differences:**

Differences shall be established on the relevant Prompt Date, in respect of all Cleared Premium Contracts, between the Premium Contract Price and the Settlement Price determined for that Prompt Date. The Clearing House shall account to Clearing Members for differences thus established by placing the same to their credit or debit as the case may require in accordance with the Clearing House Rules.

3.8 **Cleared Premium Contracts – Settlement by Offset:**

Bought and sold Cleared Premium Contracts of a Clearing Member for the same Premium Warrant Jurisdiction and Prompt Date and in the same currency shall, to the extent that they match each other, be settled on their Prompt Date by offsetting.

Cleared Premium Contracts - Settlement by Delivery

- (a) The net Lots covered by Cleared Premium Contracts following offset under Regulation 3.8 which match as to Premium Warrant Jurisdiction and tonnage but not necessarily as to currency, shall be offset for the purposes of establishing the net number of Premium Warrants to be settled by delivery subject to the Clearing House Rules.
- (b) Subject to Trading Regulation 17.8, delivery of Premium Warrants under Regulation 3.5(a) above or Standard Warrants under Regulation 3.5(b) above shall be effected pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures and the Clearing House Rules.
- (c) The Clearing House shall raise invoices or credit notes for the contract weight of the net Lots covered by such Cleared Premium Contracts at the Settlement Price and in the currency of the relevant Cleared Premium Contract and shall deliver the same to the relevant Clearing Members. Such invoices and credit notes will include the value of the Standard Warrant (if applicable) and shall be for the contract weight without allowance for storage rent accrued and differences between contract weight and Warrant weight.
- (d) On the Business Day following the Prompt Date the Clearing House shall call on:
 - (i) the seller or buyer as requisite in order that allowances for accrued storage rent, and any difference between Premium Warrant weight and contract weight be accounted for in respect of Premium Warrants transferred to the buyer in accordance with the Clearing House Rules; and
 - (ii) the seller or buyer as requisite in order that allowances for accrued storage rent, and any difference between Standard Warrant weight and contract weight be accounted for in respect of Standard Warrants transferred to the seller in accordance with the Clearing House Rules; and
 - (iii) the buyer in order that the "Free on Truck" charges applicable to the Premium Warrants received by the buyer are debited from the buyer.
- (e) Payments and receipts in respect of the invoices and credit notes raised by the Clearing House under Regulation 3.9(c) shall be effected through the payment system or, in the case of payments to sellers, in such other form as shall be specified by the Clearing House.
- (f) If a Clearing Member fails duly to deliver a Premium Warrant or Standard Warrant due to be delivered to the Clearing House, the Clearing House may, without prejudice to its rights under the Clearing House Rules:
 - (i) without prejudice to the accrued rights for damages of the Clearing House and any other affected Clearing Member(s), direct the Premium Warrant or Standard Warrant be delivered to and by the Clearing Member on the Business Day next following the Prompt Date, that the Contract terms be adjusted accordingly and the parties' payment obligations and entitlements thereunder be adjusted to give such rate of compensation to the party

entitled to receive the Premium Warrant or Standard Warrant as the Exchange may from time to time direct; or

(ii) where:

- (1) the Exchange has taken steps or issued directions under Trading Regulation 17.1 or 17.2; or
- (2) the Exchange or the Clearing House otherwise direct,

Invoice Back the metal due to be delivered in accordance with Trading Regulation 10.4.

This Regulation 3.9(f) shall apply subject to any directions of the Exchange made under Trading Regulation 17.1 or 17.2. The Exchange may prescribe such penalties for non-delivery of Standard Warrants or Premium Warrants as it may from time to time deem fit in the Operating Procedures or by Administrative Procedure.

3.10 **Client Premium Contracts - by Offset:**

- (a) Offsetting bought and sold Client Premium Contracts with the same Premium Warrant Jurisdiction, Prompt Date and currency shall be settled on contract (round) weights, buyer and seller paying or receiving as the case may be any difference between the Premium Contract Prices of the Contracts so offset.
- (b) In the event that:
 - (i) a buyer under a Client Premium Contract with an obligation to deliver Standard Warrants on the Prompt Date is also a buyer under a Client Metal Contract with an entitlement to receive Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date; or
 - (ii) a seller under a Client Premium Contract with an entitlement to receive Standard Warrants on the Prompt Date is also a seller under a Client Metal Contract with an obligation to deliver Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date; and
 - (iii) the Client counterparty to the Client Premium Contract and the Client counterparty to the Client Metal Contract are allocated to the same Client Account in the Clearing House;

then the respective obligations and entitlements of the buyer or seller (as applicable) under the Client Premium Contract in respect of the delivery of Standard Warrants shall be netted against the respective entitlements and obligations of that party under the Client Metal Contract in respect of the delivery of such Standard Warrants, in order to produce a net entitlement to receive or deliver Standard Warrants under both Contracts.

3.11 **Client Premium Contracts – Settlement by Delivery**

- (a) Delivery due under a Client Premium Contract shall be effected on the Prompt Date by delivery of Premium Warrants in exchange for Standard Warrants plus a

cash payment in accordance with Regulation 3.5 above. Premium Warrants and Standard Warrants shall be delivered either by way of a transfer pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers or (until further notice) by delivery of a physical Premium Warrant or Standard Warrant (as applicable). The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the option of the party making delivery.

- (b) In relation to Client Premium Contracts, Premium Warrants shall be invoiced and paid for at the Contract weight and at the Settlement Price pertaining to the Prompt Date, buyer and seller paying and receiving (as the case may be) any difference between Settlement Price and the Premium Contract Price. Such invoice will include the value of the Standard Warrant (if applicable).
- (c) In relation to Client Premium Contracts, weight differences (between Contract weight and actual Warrant weight) shall be settled at the Settlement Price. Warehouse rental accruals (where relevant) shall be allowed on the invoice.
- (d) Delivery of Premium Warrants and Standard Warrants and settlement in respect of unmatched Client Premium Contracts shall be effected in accordance with the terms of the Client Premium Contract between the parties and these Regulations. Such terms must require:
 - (i) Premium Warrants to be delivered by the seller under the Premium Contract:
 - (1) no later than 09:00 hours on the Prompt Date, when a Trading-Only Member or non- Member is the seller and transferor; and
 - (2) no later than 11:00 hours (so far as enabled by the seller's best endeavours) when a Clearing Member is the seller and transferor of the Premium Warrants;
 - (ii) Standard Warrants to be delivered by the buyer under the Premium Contract:
 - (1) no later than 09:00 hours on the Prompt Date when a Trading-Only Member or non-Member is the buyer and transferor; and
 - (2) no later than 13.30 hours (so far as enabled by the buyer's best endeavours) when a Clearing Member is the buyer and transferor of the Standard Warrants.
- (e) Delivery shall be effected either pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers or (until further notice) by delivery of the physical Premium Warrant or Standard Warrant (as applicable). The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the option of the party making delivery.
- (f) Weights of Premium Warrants and Standard Warrants in all cases shall be accepted as between buyer and seller.

3.12 **Cleared Contracts**

- (a) In these Premium Contract Regulations, references to "Cleared Contracts", "Cleared Metal Contracts" and "Cleared Premium Contracts" shall be construed to include any Cleared Contract that arises pursuant to the Clearing House Rules upon:
 - (i) the Execution of any Agreed Trade, pursuant to these Rules and the Clearing House Rules; and
 - (ii) the Execution of any Agreed Trade having equivalent characteristics to such Agreed Trade, pursuant to these Rules and the Clearing House Rules. Trading Regulation 9.1 shall apply to these Premium Contract Regulations for the purposes of explaining the meaning of the term "equivalent characteristics".
- (b) Any Cleared Contract that arises between a Clearing Member and the Clearing House pursuant to the Clearing House Rules, following the acceptance by the Clearing House of an Agreed Client Trade in respect of a Client Premium Contract, shall be settled in accordance with (i) Regulations 3.6 to 3.9 above and (ii) the provisions of the Clearing House Rules.

4. **MATTERS TO BE AGREED ON EXECUTION OF A PREMIUM CONTRACT**

Without prejudice to Trading Regulation 3, a Premium Contract shall be conditional on the agreement between the parties to the Premium Contract of the following matters:

- (a) the Premium Warrant Jurisdiction; and
- (b) the Premium Contract Price, being the contract price for the Premium Contract, and a Premium Contract may not come into effect unless such matters are so agreed.

PART 13
LMEPRECIOUS REGULATIONS

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PART 13: LMEPRECIOUS REGULATIONS

1. RELATIONSHIP WITH OTHER REGULATIONS

1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these LMEprecious Regulations or unless the context otherwise requires, apply to LMEprecious Futures.

1.2 Parts 1, 2, 8 and 9 shall all apply to LMEprecious Futures.

1.3 The Clearing House Rules shall apply to Cleared LMEprecious Futures.

2. LMEPRECIOUS FUTURE SPECIFICATIONS

2.1 Types of LMEprecious Future

The following types of Contract shall be LMEprecious Futures:

- (a) "LMEprecious Gold Futures" (being LMEprecious Futures having the characteristics specified in the paragraphs below where the underlying metal is Gold); and
- (b) "LMEprecious Silver Futures" (being LMEprecious Futures having the characteristics specified in the paragraphs below where the underlying metal is Silver).

2.2 Metal

The underlying metal for each LMEprecious Future shall be as follows:

Contract	Metal
LMEprecious Gold Future	Gold
LMEprecious Silver Future	Silver

2.3 Lot Size

The Lot size for each LMEprecious Future shall be as follows:

Contract	Lot size	Code
LMEprecious Gold Future	100 fine troy ounces	AU
LMEprecious Silver Future	5000 troy ounces	AG

2.4 Prompt Date

LMEprecious Futures may have the following Prompt Dates:

Type	Prompt Date Structure	Prompt Date
Daily ("Daily")	T+1 to T+25	The Prompt Dates which are valid Daily Dates are: - T+1, provided that T+1 exists; and

Date")		<p>- T+2 to T+25.</p> <p>For the avoidance of doubt, a Prompt Date which is a valid Daily Date may also be a valid Monthly Date.</p>
Monthly ("Monthly Date")	M1 to either M24 or M25 (dependent on Booking Date and Booking Time as further specified in this table)	<p>The Prompt Dates which are valid Monthly Dates are dependent on the Booking Date and Booking Time:</p> <ol style="list-style-type: none"> 1. If the Booking Date is between (i) the start of the first calendar day of the Booking Month and (ii) the end of the calendar day being three Business Days prior to the third Wednesday of the Booking Month: <ul style="list-style-type: none"> – The Prompt Dates which are valid Monthly Dates are M1 to M25 2. If the Booking Date is after the calendar day being three Business Days prior to the third Wednesday of the Booking Month: <ul style="list-style-type: none"> – The Prompt Dates which are valid Monthly Dates are M1 to M24. <p>For the avoidance of doubt, at midnight at the start of the Business Day two days prior to the third Wednesday of the Booking Month, the Prompt Dates represented by the notation M_n will each be advanced incrementally by one calendar month. Accordingly, the Prompt Date which immediately prior to such Business Day was identified as M1 will remain available for trading as the T+2 and then the T+1 Daily Date, until the Last Trading Time for the T+1 Prompt Date on the Business Day prior to the third Wednesday of the Booking Month.</p> <p>In each case above, if the third Wednesday of the Booking Month would not be a valid Settlement Business Day, then references to the third Wednesday of the Booking Month should be read as references to the relevant replacement Prompt Date pursuant to Regulation 8.4.1 of the Trading Regulations.</p>
Quarterly ("Quarterly Date")	12 Calendar Quarterly Dates following the Monthly Dates	<p>The Prompt Dates which are valid Quarterly Dates are:</p> <ul style="list-style-type: none"> – the first Calendar Quarterly Date which is not any of (i) M1-M24, where M25 is not a valid Monthly Date per the definition above, or (ii) M1-M25, where M25 is a valid Monthly Date per the definition above (the "First Quarterly Date"); <p>and</p> <ul style="list-style-type: none"> – the eleven subsequent Calendar Quarterly Dates following the First Quarterly Date.

For the purpose of this paragraph 2.4, the following terms have the following meanings.

- (a) **"T+n"** (where n is a positive integer) identifies a Prompt Date in reference to the Business Day (for the avoidance of doubt, being a twenty four (24) hour period starting at 00:00 (midnight), London time) on which a Contract is entered into (the **"Booking Date"**). To identify the appropriate settlement date for a given "T+n" reference, first determine whether the first Business Day following the Booking Date is also a Settlement Business Day.

(A) If the first Business Day following the Booking Date is also a Settlement Business Day:

count forward "n" Settlement Business Day(s) from the Booking Date and it will fall upon that Settlement Business Day. For example:

- (i) assuming 2 January, 3 January, 4 January, 5 January are all Settlement Business Days;
- (ii) if 2 January is the Booking Date:
 - (A) 3 January is T+1;
 - (B) 4 January is T+2;
 - (C) 5 January is T+3, and so on.

(B) If the first Business Day following the Booking Date is not also a Settlement Business Day:

count forward "n" minus one (n-1) Settlement Business Day(s) from the Booking Date and it will fall upon that Settlement Business Day. In this scenario, T+1 will not exist. For example:

- (i) assuming 3 January is a Business Day but not a Settlement Business Day, and 2 January, 4 January, 5 January are all Settlement Business Days;
- (ii) if 2 January is the Booking Date:
 - (A) T+1 does not exist;
 - (B) 4 January is T+2;
 - (C) 5 January is T+3, and so on.

- (b) **"Mn"** (where n is a positive integer) identifies a monthly Prompt Date in reference to the date on which a Contract is entered into (the **"Booking Date"**). Let the **"Booking Month"** be the calendar month in which the Booking Date falls. Then:

- (i) if the T+2 Prompt Date in respect of the Booking Date falls before the third Wednesday in the Booking Month, then M1 is the third Wednesday of the Booking Month, M2 is the third Wednesday of the calendar month following the Booking Month, and so on (with each increment of n representing one further calendar month); or

- (ii) if the T+2 Prompt Date in respect of the Booking Date falls on or after the third Wednesday in the Booking Month, then M1 is the third Wednesday of the calendar month following the Booking Month, M2 is the third Wednesday of the calendar month following the calendar month following the Booking Month, and so on (with increment of n representing one further calendar month).

In each case above, if the third Wednesday in the Booking Month would not be a Settlement Business Day, then references to the third Wednesday of the Booking Month should be read as references to the relevant replacement Prompt Date pursuant to Regulation 8.4.1 of the Trading Regulations.

- (c) **"Booking Time"** means, in respect of a Contract Executed on a Booking Date, the time of Execution of the Contract.
- (d) **"Calendar Quarter"** means a period of three consecutive months, commencing on 1 January, 1 April, 1 July or 1 October in any calendar year.
- (e) **"Calendar Quarterly Date"** identifies a quarterly Prompt Date falling on the third Wednesday in the third calendar month of the relevant Calendar Quarter.

2.5 **Trading Platform**

LMEprecious Futures may be traded on LME Select and the inter-office market but not in the Ring.

2.6 **Trading Hours**

LMEprecious Futures may be traded on the following platforms at the following times:

Platform	Trading Hours
LME Select	Between 01:00 and 20:00 London time on a Business Day
Inter-office market	24 hours a day during a Business Day

2.7 **Last Trading Time**

The last trading time for LMEprecious Futures shall be 16:00 London time on the Last Trading Day.

The Last Trading Day for LMEprecious Futures shall be the Business Day which is one Business Day before the Prompt Date.

2.8 **Settlement Basis**

LMEprecious Futures shall be physically settled in accordance with Regulation 9 of the Trading Regulations.

2.9 **Currency**

US Dollars.

2.10 **Minimum Price Movement**

(a) The minimum price movement for any LMEprecious Gold Future shall be as follows:

	Minimum price movement per fine troy ounce	
Venue	Outright	Carries
LME Select	\$0.1000	\$0.001
Inter-office market	\$0.0001	\$0.001

(b) The minimum price movement for any LMEprecious Silver Future shall be as follows:

	Minimum price movement per troy ounce	
Venue	Outright	Carries
LME Select	\$0.00500	\$0.00001
Inter-office market	\$0.00001	\$0.00001

APPENDICES

I Listed Brands

This appendix is no longer reproduced in the LME Rulebook but is available on the LME website at <http://www.lme.com/trading/warehousing-and-brands/brands/approved-brands/> or in hard copy from the Exchange.

II Listed Samplers and Assayers

This appendix is no longer reproduced in the LME Rulebook but is available on the LME website at <http://www.lme.com/trading/warehousing-and-brands/brands/samplers-and-assayers/> or in hard copy from the Exchange.

III Listed Warehouses

This appendix is no longer reproduced in the LME Rulebook but is available on the LME website at <http://www.lme.com/trading/warehousing-and-brands/warehousing/approved-warehouses/> or in hard copy from the Exchange.

IV Miscellany

Market Calls – LME trading times are no longer reproduced in the LME Rulebook but are available on the LME website at <http://www.lme.com/trading/times-and-dates/>

APPENDIX IV

MISCELLANY

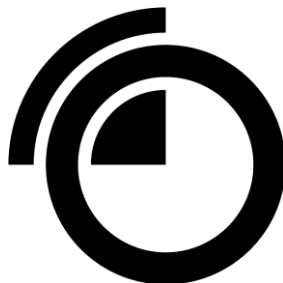
In this section may be stored sheets of additional information from time to time distributed. Provided with this book is an example – the current timetable of LME market calls. Users of the book may, as they choose, install further items, recording their titles on the contents table on the following page.

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LONDON METAL EXCHANGE RULES AND REGULATIONS

AS AUTHORISED BY THE BOARD OF DIRECTORS

PREFACE

Parts 1 – 13 of this book set forth the Rules and Regulations of the London Metal Exchange, and the Appendices include further information, as on brands, assayers and warehouses listed in accordance with stated regulations.

These rules, as amended from time to time, are available on the LME website.

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Part 7:	Requirements for the Listing of Brands
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Part 9:	Default Regulations
Part 10:	LMESword Regulations
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PART 1
DEFINITIONS AND GENERAL RULES

*

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PART 1: DEFINITIONS AND GENERAL RULES

1. DEFINITIONS

1.1 In these Rules, the following words and expressions shall, unless the context otherwise requires, bear the meanings set opposite them:-

"Account Holder"	the Clearing House and any person admitted as an Account Holder by the Exchange, and which has not withdrawn or ceased to be an Account Holder, under Regulation 2 of the LMEsword Regulations;
"Acceptance Criteria"	the criteria to be satisfied under the Clearing House Rules in order for a Cleared Contract to come into effect in respect of the relevant Agreed Trade;
"Administrative Procedure" or "Notice"	a notice sent to such class or classes of Member to whom they apply, containing a procedure for implementing the Rules or any part thereof. In the case of LME Select this may also be posted on the market messages screen;
"Affiliate"	in relation to a person, another person in the same Group;
"Agreed Trade"	the particulars of a transaction in a Contract agreed between two parties (or otherwise instructed by one or more Member(s) and confirmed within LME Select), as further specified in Trading Regulation 2.2.3;
"Algorithmic Trading"	trading in financial instruments (as such term is defined in Article 4(1)(15) of the MiFID II Directive) where a computer algorithm automatically determines individual parameters of orders such as whether to initiate the order, the timing, price or quantity of the order or how to manage the order after its submission, with limited or no human intervention, but excluding any system that is only used for the purpose of routing orders to one or more trading venues (as such term is defined in Article 4(1)(24) of the MiFID II Directive) or for the processing of orders involving no determination of any trading parameters or for the confirmation of orders or the post-trade processing of executed transactions;
"Aluminium Premium Contract"	a Premium Contract for aluminium having the characteristics set out in the Premium Contract Regulations (and a "type" of Aluminium Premium Contract shall mean one of the classes of such Contracts distinguished by its applicable Premium

	Warrant Jurisdiction);
"Appeal Committee"	a committee appointed pursuant to Regulation 11 of the Membership Regulations;
"Application"	means any application (including a code for each application) receiving LME Information for Non-Display Usage;
"Arbitration Regulations"	the regulations set out in Part 8 of the Rules;
"Articles"	the Articles of Association for the time being of the Company;
"Average Price Call Option"	a Traded Average Price Option pursuant to which the Granter gives the Taker the right to buy from the Granter;
"Average Price Put Option"	a Traded Average Price Option pursuant to which the Granter gives the Taker the right to sell to the Granter;
"Business Day"	any day except Saturday, Sunday or any public or bank holiday in England or a day during which trade on the Exchange has been suspended by or under the authority of any enactment or a day which the Exchange declares not to be a Business Day;
"B Shares"	class B shares in LME Holdings having a nominal value of 1p each;
"Call Option"	an Option Contract pursuant to which the Granter gives the Taker the right to buy from the Granter or, in the case of an Index Option, a notional right to buy, to be cash settled;
"a Candidate"	a candidate for Membership of the Exchange;
"Capital Requirements Regulation"	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms as from time to time amended;
"Carry"	(a) in respect of a Metal Future, Premium Contract, LMEmini Future or LMEprecious Future for the purchase or sale of a specific number of Lots for one Prompt Date coupled with one or more Futures Contracts of the same type for the sale or, as the case may be, purchase comprising in aggregate the same number of Lots between the same parties for a more distant Prompt Date or Prompt Dates;

or

- (b) in respect of a Monthly Average Future, a Contract for the purchase or sale of a specific number of Lots for one Prompt Date for a specified metal coupled with one or more Contracts for the sale or, as the case may be, purchase comprising in aggregate the same number of Lots for the same metal between the same parties for a more distant Prompt Date or Prompt Dates;

"Cash"

in relation to the period between 19.31 hours on one Business Day and 19.30 hours on the next Business Day and Contracts entered into in that period, the first Settlement Business Day which falls after the next following Business Day (also referred to as "**SPOT**");

"Cash Today"

in relation to Contracts entered into in the period between 19.31 hours on one Business Day and 12.30 hours on the next Business Day, the first Settlement Business Day after the latter Business Day save that there will be no Prompt Date for Cash Today where Cash Today is a Business Day but not a Settlement Business Day (also referred to as "**TOM**" or "**tomorrow**");

"Category 1 Member"

a Member who is:

- (a) authorised by the Directors to trade in the Ring;
- (b) a member of the Clearing House;
- (c) authorised by the Directors to clear Cleared LME Base Contracts;
- (d) authorised by the Directors to issue Client LME Base Contracts; and
- (e) granted Category 1 Membership by the Directors;

"Category 2 Member"

a Member who is:

- (a) not authorised by the Directors to trade in the Ring;
- (b) a member of the Clearing House;
- (c) authorised by the Directors to clear Cleared LME Base Contracts;

- (d) authorised by the Directors to issue Client LME Base Contracts; and
 - (e) granted Category 2 Membership by the Directors;
- "Category 3 Member"
- a Member who is:
- (a) not authorised by the Directors to trade in the Ring;
 - (b) a member of the Clearing House;
 - (c) authorised by the Directors to clear Cleared LME Base Contracts;
 - (d) not authorised by the Directors to issue Client LME Base Contracts; and
 - (e) granted Category 3 Membership by the Directors;
- "Category 4 Member"
- a Member who is:
- (a) not authorised by the Directors to trade in the Ring;
 - (b) not authorised by the Directors to clear Cleared LME Base Contracts;
 - (c) authorised by the Directors to issue Client LME Base Contracts; and
 - (d) granted Category 4 Membership by the Directors;
- "Category 5 Member"
- a Member who is:
- (a) not authorised by the Directors to trade in the Ring;
 - (b) not authorised by the Directors to clear Cleared Contracts;
 - (c) not authorised by the Directors to issue Client Contracts; and
 - (d) granted Category 5 Membership by the Directors;
- "Category 6 Member"
- a Member who is:
- (a) not authorised by the Directors to trade in the Ring;

	<ul style="list-style-type: none"> (b) not authorised by the Directors to clear Cleared Contracts; (c) not authorised by the Directors to issue Client Contracts; (d) not an Undertaking or a member of an Undertaking; and (e) granted Category 6 Membership by the Directors;
"Category 7 Member"	a Member who is granted honorary Membership of the Exchange by the Directors;
"Chief Executive"	includes the Deputy Chief Executive and any other person for the time being appointed to perform the duties of Chief Executive of the Company;
"Claimant"	the person commencing an arbitration by serving a Notice to Arbitrate;
"Cleared Contract"	<ul style="list-style-type: none"> (a) the Contract or Contracts which may result from the process of acceptance set out in the Clearing House Rules, upon or following Execution; (b) any other Contract or Contracts which may be created between the Clearing House and a Clearing Member in relation to an Agreed Trade by operation of the Clearing House Rules, including, without limitation, any Contract that results from any process under the Clearing House Rules that varies, modifies, transfers, replaces, novates or ports any Contracts within (a) above or any Contract that results from any netting or settlement-to-market process under the Clearing House Rules;
"Cleared Ferrous Future"	a Cleared Contract which is a Ferrous Future;
"Cleared Index Contract"	a Cleared Contract which is an Index Contract;
"Cleared Index Future"	a Cleared Contract which is an Index Future;
"Cleared Index Option"	a Cleared Contract which is an Index Option;
"Cleared LME Base Contract"	a Cleared Contract which is not a Cleared LMEprecious Future;
"Cleared LMEmini Future"	a Cleared Contract which is an LMEmini Future;

"Cleared LMEprecious Future"	a Cleared Contract which is an LMEprecious Future;
"Cleared Metal Contract"	a Cleared Contract which is a Metal Contract;
"Cleared Metal Future"	a Cleared Contract which is a Metal Future;
"Cleared Metal Option"	a Cleared Contract which is a Metal Option;
"Cleared Monthly Average Future "	a Cleared Contract which is a Monthly Average Future;
"Cleared Option Contract"	a Cleared Contract which is an Option Contract;
"Cleared Premium Contract"	a Cleared Contract which is a Premium Contract;
"the Clearing House"	such Clearing-house for the time being appointed by the Exchange to clear Contracts;
"the Clearing House Rules"	the rules of the Clearing House that are binding on Clearing Members, as for the time being in force in relation to the Exchange, and the procedures of the Clearing House with respect thereto;
"Clearing Member"	<p>a Member that is permitted by the Clearing House to clear Cleared Contracts, being:</p> <ul style="list-style-type: none"> (a) in respect of the LME Base Service, a Category 1, 2 or 3 Member; or (b) in respect of the LMEprecious Service, an LMEprecious General Clearing Member or an LMEprecious Individual Clearing Member;
"Clearing Member Transferee"	means a Clearing Member to whom a Client-Related Cleared Contract is transferred in accordance with the Clearing House Rules;
"Clearing Member Transferor"	means a Clearing Member from whom a Client-Related Cleared Contract is transferred in accordance with the Clearing House Rules, being the Clearing Member that was the counterparty to the Clearing House under such Cleared Contract immediately prior to the time of such transfer;
"Client"	<p>a person who:</p> <ul style="list-style-type: none"> (a) is or may be a party to a Client Contract, other than the person who issues the Client Contract; or (b) otherwise has a client relationship with a Member in relation to any transaction

	represented by a Contract;
"Client Contract"	<p>(a) in respect of the LME Base Service, each of:</p> <ul style="list-style-type: none"> (i) an LME Base Contract between a Category 1 or 2 Member and a Category 4 Member; or (ii) an LME Base Contract between a Category 1, 2 or 4 Member and any other person (as a Client); or (iii) a Post-Compression Client Contract that is an LME Base Contract; or (iv) any Contract formed pursuant to the application of a netting, aggregation and/or settlement to market process, applied to any Contract in (i), (ii) or (iii) above, <p>in each case that is not a Cleared Contract; and</p> <p>(b) in respect of the LMEprecious Service:</p> <ul style="list-style-type: none"> (i) an LMEprecious Future between an LMEprecious General Clearing Member and an LMEprecious Non-Clearing Member; or (ii) an LMEprecious Future between an LMEprecious General Clearing Member or LMEprecious Non-Clearing Member and any other person (as a Client); or (iii) any Contract formed pursuant to the application of a netting, aggregation and/or settlement to market process, applied to any Contract in (i) or (ii) above, <p>in each case that is not a Cleared Contract;</p>
"Client Ferrous Future"	a Client Contract which is a Ferrous Future;
"Client Index Contract"	a Client Contract which is an Index Contract;
"Client Index Future"	a Client Contract which is an Index Future;
"Client Index Option"	a Client Contract which is an Index Option;
"Client LME Base Contract"	a Client Contract which is not a Client

	LMEprecious Future;
"Client LMEmini Future"	a Client Contract which is an LMEmini Future;
"Client LMEprecious Future"	a Client Contract which is an LMEprecious Future;
"Client Metal Contract"	a Client Contract which is a Metal Contract;
"Client Monthly Average Future"	a Client Contract which is a Monthly Average Future;
"Client Option Contract"	a Client Contract which is an Option Contract;
"Client Premium Contract"	a Client Contract which is a Premium Contract;
"Client-Related Cleared Contract"	means a Cleared Contract that came into effect between the Clearing House and a Clearing Member pursuant to the Execution of an Agreed Trade, and which corresponds to a Client Contract that came into effect under these Rules at the same time as such Cleared Contract came into effect (and including any Post-Compression Cleared Contracts that may arise following Compression at the Clearing House of any such Cleared Contract);
"Client Traded Average Price Option"	a Traded Average Price Option where either Granter or Taker or each of them is not a Clearing Member;
"Close of Pleadings"	the end of a period of 28 days after the time for submission of the points of reply, unless otherwise ordered by the Tribunal;
"Closing Prices"	the prices determined for margining purposes on each Business Day by the Quotations Committee in accordance with Regulation 6.1 of the Trading Regulations or by the Clearing House in accordance with Regulation 15 of the Trading Regulations;
"the Company"	the London Metal Exchange, a company registered in England and Wales under company number 02128666;
"Compression"	means the replacement of multiple Contracts between the same two parties with a smaller number of Contracts by the aggregation of Contracts having the same direction, together with the netting of Contracts having opposite directions, and which may occur, as the context requires: (a) "at the Clearing House", in relation to Cleared Contracts, subject to and in

accordance with the Clearing House Rules;
and

- (b) "under the Exchange Rules", in relation to Underlying Client Contracts that relate to such Cleared Contracts, subject to and in accordance with Regulation 14 of the Contract Regulations,

and the terms "same direction" and "opposite direction" shall be construed in accordance with Regulation 1.5 of this Part 1;

"Constituent Metals"

the metals underlying the Index, being copper, lead, nickel, primary aluminium, tin and zinc;

"Contingent Agreement to Trade"

an agreement between two parties to an Agreed Trade made in the inter-office market, having the characteristics specified in Regulation 2.10 of the Trading Regulations;

"Contract"

- (a) a contract for the purchase and sale of one or more Lots of a metal for the time being dealt in on the Exchange in respect of which:
 - (1) either the buyer or the seller or each of them is a Category 1, 2, 3 or 4 Member; and
 - (2) the delivery date is a Prompt Date for the time being permitted by the Rules; and
 - (3) the price is expressed in a currency for the time being permitted by the Rules; and
 - (4) the quality and other characteristics of the metal concerned are expressly or impliedly to be as prescribed by the Exchange; or
- (b) a Metal Option or Traded Average Price Option which has the characteristics prescribed by or pursuant to the Metal Options Regulations or, as the case may be, the Traded Average Price Options Regulations to enter into a contract falling within (a) above; or
- (c) an Index Future or an Index Option which has the characteristics prescribed by the Rules and, as the case may be, the Index

Option Regulations; or

- (d) an LMEmini Contract which has the characteristics prescribed by the Rules; or
- (e) a Monthly Average Future which has the characteristics prescribed by the Rules;
- (f) a Ferrous Future which has the characteristics prescribed by the Rules;
- (g) a Premium Contract which has the characteristics prescribed by the Rules;
- (h) an LMEprecious Future which has the characteristics prescribed by the Rules and, as the case may be, the LMEprecious Regulations;

but

- (i) shall not include any contract which, by virtue of provisions agreed between the parties at or before the time they enter into the contract as to delivery or otherwise, is clearly intended to be performed otherwise than as prescribed by the Rules;

"Contract Regulations"	the Regulations set out in Part 4 of the Rules;
"Counterparty"	in relation to a party to a Contract, the other party to the same Contract;
"Counter Notice"	a notice served by the Respondent pursuant to Regulation 2.5 of Part 8 of the Rules;
"Daily Settling Client Contract"	has the meaning set out in Regulation 9.7.1 of the Trading Regulations;
"Dealer"	a person duly authorised to trade on behalf of a Category 1 Member or in respect of LME Select, a person permitted to deal on LME Select on behalf of an LME Select Participant;
"Dealing Area"	the Ring and surrounding area and corridors (not including booth offices sublet to Category 1 Members) on the relevant floor of the Exchange's premises;
"Dealing On Own Account"	trading against proprietary capital resulting in the conclusion of transactions in one or more Contracts on the Exchange;

"Declaration Day"	in relation to a Traded Average Price Option for a particular month, the last Business Day in that month;
"Defaulter"	a person whom the Exchange has determined, in accordance with Regulation 2 of the Default Regulations, to be a defaulter;
"Default Notice"	notice of a determination by the Exchange issued pursuant to Regulation 4.1 of the Default Regulations;
"Default Regulations"	the Regulations contained in Part 9 of the Regulations;
"Default Settlement Amount"	the amount payable by one party to the other in respect of an Unsettled Contract to which a Defaulter is a party which is settled under or pursuant to the Default Regulations;
"Default Settlement Price"	<p>(a) in relation to a Metal Future or a Premium Contract or an LMEmini Future, the Settlement Price or Unofficial Closing Price for the relevant metal and Prompt Date published next after the time of issue of the Default Notice (determined where necessary by reference to the Settlement Price or Unofficial Closing Price so published for other Prompt Dates); or</p> <p>(b) in relation to an Index Future, the Index Futures Closing Price for the Prompt Date published next after the time of issue of the Default Notice (determined where necessary by reference to the Index Futures Closing Price so published for other Prompt Dates); or</p> <p>(c) in relation to a Metal Option which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option determined, pursuant to Regulation 5.8 of the Trading Regulations next after the time of issue of the Default Notice; or</p> <p>(d) in relation to a Traded Average Price Option Contract which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option Contract determined, pursuant to Regulation 5.8 of the Trading Regulations next after the</p>

time of issue of the Default Notice; or

- (e) in relation to an Index Option which is not, and is not deemed to be, exercised pursuant to the Default Regulations, the value of such Option determined pursuant to Regulation 5.8 of the Trading Regulations next after the time of issue of the Default Notice; or
- (f) in relation to a Monthly Average Future, the difference between the Monthly Average Settlement Price for the relevant tradeable month for the relevant underlying metal as published after the time of issue of the Default Notice, and the fixed price agreed between the buyer and the seller in the Contract multiplied by the Contract size; or
- (g) in relation to a Ferrous Future, the Ferrous Final Settlement Price for the Prompt Date next after the time of issue of the Default Notice (determined where necessary by reference to the Ferrous Final Settlement Price so determined for other Prompt Dates); or
- (h) in relation to an LMEprecious Future, the LMEprecious Final Settlement Price for the Prompt Date next after the time of issue of the Default Notice (determined where necessary by reference to the LMEprecious Final Settlement Price so determined for other Prompt Dates); or
- (i) such other price or prices as the Exchange may, in its absolute discretion, determine;

"Delivery Point"

a specific geographic area within which warehouses may be listed and approved by the Exchange for the issue of Warrants;

"Deposit"

such sum as may be specified by Administrative Procedure from time to time;

"Designated Non-Member"

a person (other than a Member) designated from time to time by the Exchange as a person in respect of whom action may be taken under the Default Regulations or a person (other than a Member) falling within a description of persons so designated;

"Direct Electronic Access"

an arrangement where a Member permits a Client

	to use its trading code so the Client can electronically transmit orders relating to a financial instrument (as such term is defined in Article 4(1)(15) of the MiFID II Directive) directly to the Exchange;
"the Directors"	the Board of Directors of the Company;
"Disciplinary Committee"	a committee appointed pursuant to Regulation 14 of the Membership Regulations;
"EMIR"	means Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, as from time to time amended;
"Enforcement Committee"	shall comprise four members chosen from the Directors of the LME, appointed by the Head of Market Operations in consultation with the Chairman. The quorum for the Enforcement Committee shall be three members. The Enforcement Committee shall not be quorate unless there is at least one independent Director present;
"ESMA"	the European Securities and Markets Authority;
"Event of Default"	any of the events set out in Regulation 1 of the Default Regulations;
"the Exchange"	according to context, the London Metal Exchange administered by the Company, or the premises where Ring trading is conducted;
"Exchange Messaging Policy"	means the electronic messaging functionality within the Exchange's systems, as established by Notice;
"Exchange Traded Average Price Option"	a Traded Average Price Option where both Granter and Taker are Clearing Members;
"Execution"	the execution of an Agreed Trade, being the point at which the transaction represented by the Agreed Trade is concluded, resulting in the formation of one or more Contracts (and " Executed " shall be interpreted accordingly);
"Execution Time"	the time at which Execution occurs, as specified for each Execution Venue in Regulation 2.3, 2.4, 2.5 or 2.11.2 (as applicable) of the Trading Regulations (and such time being the "Acceptance Time" for the purposes of the Clearing House Rules);

"Execution Venue"	has the meaning set out in Regulation 2.2.2 of the Trading Regulations;
"FCA"	The Financial Conduct Authority;
"Ferrous Daily Settlement Price"	the price determined for margining and daily settlement purposes of a Ferrous Future as determined in accordance with Regulation 5.7 of the Trading Regulations;
"Ferrous Final Settlement Price"	the price determined for final settlement purposes of a Ferrous Future as determined in accordance with Regulation 5.7.3 of the Trading Regulations;
"Ferrous Future"	a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay or receive in cash the difference between the level of the Ferrous Final Settlement Price on the Prompt Date and the level agreed in the Contract, multiplied by the Contract size, settled on the Settlement Business Day next following the Prompt Date and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange;
"Ferrous Index"	the index specified in the Special Contract Rules for Ferrous Futures;
"Ferrous Last Trading Time"	the last time on the Last Trading Day for Ferrous Futures as specified in the Special Contract Rules for Ferrous Futures or as otherwise prescribed by the Exchange from time to time;
"Financial OTC Booking Fee Policy"	means the policy of the Exchange specifying the basis on which Members and other persons shall be required to report to the Exchange certain transactions in financial instruments that are executed outside the facilities of the Exchange, and to pay to the Exchange fees in respect of such transactions, subject to, and in accordance with, the requirements of such policy, as such policy may be updated by the Exchange from time to time in accordance with the requirements and processes set out therein;
"Firm Quote"	an order or quote that under these Rules can be matched against an opposite order or quote;
"FSMA"	the Financial Services and Markets Act 2000, as from time to time amended;

"Futures Contract"	a Metal Future, Premium Contract, LMEmini Future, Index Future, Ferrous Future or LMEprecious Future;
"Global Legal Entity Identifier System"	the global system operated under the oversight of the LEI ROC to register legal entities and assign legal entity identifiers to such entities;
"Gold"	Loco London Fine Gold held in London and complying with standards relating to good delivery and fineness acceptable to the Precious Metal Clearer of the Clearing House for the purpose of effecting settlement with the Clearing House, as such standards are in effect from time to time;
"Granter"	the seller of an Option or Traded Average Price Option;
"Group"	in relation to any company, any company that is a "group undertaking" of that company, as defined in section 1161 of the Companies Act 2006;
"Head of Market Operations"	the Head of Market Operations and any other person within the Market Operations division of the Exchange for the time being appointed to perform the duties of the Head of Market Operations;
"In The Money"	<p>(a) in relation to a Metal Option, that the Strike Price is, in the case of a Put Option, above or, in the case of a Call Option, below the last published Settlement Price at the relevant time for the relevant metal and Prompt Date; or</p> <p>(b) in relation to a Traded Average Price Option, that the Strike Price is, in the case of an Average Price Put Option, above or, in the case of an Average Price Call Option, below the last published Moving Monthly Average Settlement Price or Monthly Average Settlement Price at the relevant time for the relevant metal and Prompt Date; or</p> <p>(c) in relation to an Index Option, that the Strike Price is, in the case of a Put Option, above or, in the case of a Call Option, below the Settlement Price or last published Closing Price at the relevant time for the relevant Index Option and Prompt Date;</p>
"Incentive Programme"	has the meaning set out in Regulation 22.2 of the Membership Regulations;

"Incentive Programme Benefits"	has the meaning set out in Regulation 22.3 of the Membership Regulations;
"Incentive Programme Requirements"	has the meaning set out in Regulation 22.3 of the Membership Regulations;
"Index"	an index denominated in US dollars the level of which is determined in accordance with the Special Contract Rules for the Construction of the Index;
"Index Contract"	an Index Future or an Index Option;
"Index Future"	a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay or receive in cash the difference between the level of the Index on the Prompt Date and the level agreed in the Contract, multiplied by the Contract size, settled on the Settlement Business Day next following the Prompt Date and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange;
"Index Futures Closing Price"	the Closing Price of an Index Future as determined in accordance with Regulation 6 of the Trading Regulations;
"Index Option"	a cash-settled Exchange-traded option contract over the Index pursuant to which the Granter grants the Taker a right to receive in cash from the Granter the difference between the level of the Index on the Prompt Date and the Strike Price, multiplied by the Contract size, settled on the Settlement Business Day next following the Prompt Date and conforming to the other specifications prescribed by the Exchange;
"Index Options Regulations"	the Regulations set out in Part 5C of the Rules;
"Indirect Client"	means an indirect Client of a Clearing Member, being a Client of a Category 4 Member, where such Category 4 Member is a Client of the Clearing Member;
"Indirect Client Account"	means a segregated account maintained by a Clearing Member in respect of the Client business of a single Category 4 Member, such that it records positions only in respect of Client-Related Cleared Contracts that have been created pursuant to the registration of Client Contracts relating to one or more Clients of that Category 4 Member (such Clients being Indirect Clients of the Clearing

	Member);
"Initial Margin"	<p>(a) in relation to a Cleared Contract, the sum of money fixed by the Clearing House in consultation with the Exchange and in respect of which Members may be required to provide to the Clearing House cover in accordance with the Clearing House Rules;</p> <p>(b) in relation to a Client Contract, such sum as may be agreed between the parties provided that such sum is equal to or greater than the amount in (a) above;</p>
"Intellectual Property Rights"	patents, trade marks, rights in logos, get-up, trade names, internet domain names, rights in designs, copyright (including rights in computer software) and moral rights, database rights, rights of confidentiality, semi-conductor topography rights, utility models, trade secrets, inventions, rights in know-how and other intellectual property or proprietary rights, in each case whether registered or unregistered and including applications for registration, and all rights or forms of protection having equivalent or similar effect to the foregoing which may now or in the future subsist in, apply to or are enforceable in, any jurisdiction in the world;
"Invoicing Back"	the procedure so described in the Clearing House Rules;
"Last Declaration Day"	<p>(a) in relation to a Metal Option for a particular month, the first Wednesday in that month or, if that is not a Business Day, the next day which is a Business Day;</p> <p>(b) in relation to an Index Option for a particular month, up to 16.35 hours on the second Wednesday in that month or, if that is not a Business Day, the next day which is a Business Day;</p>
"Last Trading Day"	<p>(a) in relation to a Metal Option, the Business Day preceding the Last Declaration Day for that Option;</p> <p>(b) in relation to a Traded Average Price Option, the Business Day preceding the Declaration Day of the relevant month for that Traded Average Price Option;</p> <p>(c) in relation to an Index Option, the Last</p>

	Declaration Day for that Index Option;
	(d) in relation to an LMEmini Future, the Business Day which is two Business Days before the Prompt Date;
	(e) in relation to a Monthly Average Future, the last Business Day of the relevant tradeable month;
	(f) in relation to a Ferrous Future, the last Business Day of the relevant tradeable month;
	(g) in relation to a Premium Contract, the Business Day which is two Business Days before the Prompt Date; or
	(h) in relation to an LMEprecious Future, the Business Day which is one Business Day prior to the Prompt Date;
"LEI ROC"	the Legal Entity Identifier Regulatory Oversight Committee;
"Lending Rules"	paragraph 13.24 of Market Aberrations: The Way Forward, published by the Exchange in October 1998, setting out the behaviour required of the holders of dominant long positions in the Exchange's markets, including any clarification, revision or explanation of that behaviour issued by the Exchange from time to time;
"LME Base Contract"	a Contract that is not an LMEprecious Contract;
"LME Base Member"	a Category 1 Member, Category 2 Member, Category 3 Member, Category 4 Member, Category 5 Member or Category 6 Member;
"LME Base Service"	the availability of the facilities of the Exchange for the trading of LME Base Contracts;
"LME Data"	all data relating to trading on the Exchange, including, without limitation, data relating to Closing Prices, Contracts, Default Settlement Amounts, Default Settlement Prices, Indexes, Official Prices, Settlement Prices, Strike Prices, Unofficial Closing Prices, Warrants and Weightings;
"LME Holdings"	LME Holdings Limited, a company registered in England and Wales under company number

	4081219, being the sole member of the Company;
"LME Information"	means any information or data (including LME Data) made available by the Exchange to Members, Member API Clients and/or Member API Sub-Clients via the API from the Exchange's systems;
"LMEmini Contract"	an LMEmini Future;
"LMEmini Future"	a cash-settled Exchange-traded futures contract pursuant to which the buyer and seller agree to pay or to receive in cash the difference between the Settlement Price of the underlying metal on the Prompt Date and the price of the underlying metal agreed in the Contract, multiplied by the Contract size, settled on the Prompt Date and subject to daily marking to market in accordance with the Clearing House Rules and conforming to the other specifications prescribed by the Exchange;
"LMEmini Futures Closing Price"	the Closing Price of the relevant underlying Metal Future as determined in accordance with Regulation 6 of the Trading Regulations;
"LMEmini Last Trading Time"	the last trading time on the Last Trading Day for LMEmini Contracts as specified in the Special Contract Rules for LMEmini Contracts or as otherwise prescribed by the Exchange from time to time;
"LMEprecious Clearing Member"	an LMEprecious General Clearing Member or an LMEprecious Individual Clearing Member;
"LMEprecious Contract"	an LMEprecious Future and any other type of Exchange-traded derivative contract having Precious Metal as its underlying instrument, that the Exchange may specify from time to time;
"LMEprecious Daily Settlement Price"	the price determined for margining and daily settlement purposes of an LMEprecious Future as determined in accordance with Regulation 5.7 of the Trading Regulations;
"LMEprecious Final Settlement Price"	the price determined for final settlement purposes of an LMEprecious Future as determined in accordance with Regulation 5.7.5 of the Trading Regulations;
"LMEprecious Future"	a physically settling Exchange-traded futures contract pursuant to which the seller agrees to sell to the buyer one or more Lots of Precious Metal for delivery on a specified Prompt Date, and conforming with the other specifications prescribed

	by the Exchange;
"LMEprecious General Clearing Member"	<p>a Member that is:</p> <ul style="list-style-type: none"> (a) a member of the Clearing House; (b) authorised by the Directors to clear Cleared LMEprecious Futures; (c) authorised by the Directors to issue Client LMEprecious Futures; and (d) granted LMEprecious Membership, with the categorisation as an LMEprecious General Clearing Member;
"LMEprecious Individual Clearing Member"	<p>a Member that is:</p> <ul style="list-style-type: none"> (a) a member of the Clearing House; (b) authorised by the Directors to clear Cleared LMEprecious Futures; (c) not authorised by the Directors to issue Client LMEprecious Futures; and (d) granted LMEprecious Membership, with the categorisation as an LMEprecious Individual Clearing Member;
"LMEprecious Member"	an LMEprecious General Clearing Member, LMEprecious Individual Clearing Member or LMEprecious Non-Clearing Member;
"LMEprecious Non-Clearing Member"	<p>a Member that is:</p> <ul style="list-style-type: none"> (a) not authorised by the Directors to clear Cleared LMEprecious Futures; (b) authorised by the Directors to issue Client LMEprecious Futures; and (c) granted LMEprecious Membership, with the categorisation as an LMEprecious Non-Clearing Member;
"LMEprecious Regulations"	the regulations set out in Part 13 of the Rules;
"LMEprecious Service"	the availability of the facilities of the Exchange for the trading of LMEprecious Futures;

"LME Select"	a system provided by the Exchange to enable the anonymous electronic trading of Contracts by LME Select Participants in accordance with the Rules and any Administrative Procedures issued by the Exchange from time to time;
"LME Select API"	a FIX protocol application approved by the Exchange which enables LME Select Participants and their Clients to connect to LME Select for the purpose of facilitating the electronic trading of Contracts;
"LME Select Participant"	a Trading Member who is permitted to use LME Select;
"LMEsword"	the system for, inter alia, the electronic transfer of title to Warrants governed and constituted by the LMEsword Regulations;
"LMEsword Regulations"	the regulations governing the operation of LMEsword issued by the Exchange as amended from time to time in accordance with the terms thereof and forming Part 10 of the Rules;
"Lot"	<ul style="list-style-type: none"> (a) in relation to a metal (that is not covered by another type of Contract specified below), the standard unit of quantity thereof, specified in the Special Contract Rules for that metal, by reference to which settlement is to be made; or (b) in relation to the Index, the standard value per point movement for that Index, specified in the Special Contract Rules for the Construction of the Index, by reference to which settlement is made; or (c) in relation to an LMEmini Contract, the standard unit of quantity thereof, specified in the Special Contract Rules for LMEmini Contracts, by reference to which settlement is made; or (d) in relation to a Monthly Average Future, the standard unit of quantity thereof, specified in the Monthly Average Future Regulations, by reference to which settlement is made; or (e) in relation to a Ferrous Future, the standard unit of quantity thereof, specified in the Special Contract Rules for Ferrous Futures by reference to which settlement is made;

	<p>(f) in relation to a Premium Contract, the standard unit of quantity thereof, specified in the Premium Contract Regulations, by reference to which settlement is made; or</p> <p>(g) in relation to an LMEprecious Future, the standard unit of quantity of Precious Metal specified in the LMEprecious Regulations, by reference to which settlement is to be made;</p>
"LPMCL"	London Precious Metals Clearing Limited, a company registered in England and Wales under company number 04195299;
"Major Currency"	in respect of a metal, the currency in which the Settlement Price and Closing Price are to be determined;
"Market Making Strategy"	a strategy performed by a Member or Client, when Dealing On Own Account, that involves posting Firm Quotes that are simultaneous two-way quotes of comparable size and at competitive prices relating to one or more Contracts, with the result of providing liquidity on a regular and frequent basis to the overall market;
"Matching Period"	a period prescribed pursuant to Regulation 3.4 of the Trading Regulations;
"Matching Rules"	means the LME's matching rules governing the use of the Matching System as published by the LME, by Notice from time to time;
"Matching System"	the system operated by or on behalf of the Exchange for the matching and confirmation of Contracts, or such other system as may from time to time be adopted by the Exchange for such purposes;
"Member"	an Undertaking or individual admitted to Membership of the Exchange in accordance with the Rules;
"Member API Client"	means any Client or Affiliate of a Member to which the Member provides access to LME Information via the LME Select API;
"Member API Sub-Clients"	means any Client or Affiliate of a Member LME Select API Client;
"Membership"	(a) the state of being a Member;

	(b) having the status of a Member; and/or
	(c) the total body of Members,
	as the context of the Rules requires.
"Membership Regulations"	the Regulations set out in Part 2 of the Rules;
"Metal Contract"	a Metal Future or Metal Option;
"Metal Future"	an Exchange-traded futures contract pursuant to which the seller agrees to sell to the buyer one or more Lots of metal for delivery on a specified Prompt Date (excluding any Ferrous Future, Premium Contract or LMEprecious Contract);
"Metal Option"	an Exchange-traded option contract pursuant to which the Granter grants to the Taker the right to buy from or sell to the Granter a Lot of a specified metal at a specified Strike Price in a specified month;
"Metal Options Regulations"	the Regulations set out in Part 5A of the Rules;
"MiFID"	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments, as from time to time amended;
"MiFID II"	<p>the package of legislative measures comprising</p> <p>(a) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments;</p> <p>(b) Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending EMIR; and</p> <p>(c) any delegated regulations made by the European Commission thereunder,</p> <p>as from time to time amended;</p>
"Monthly Average Future"	a cash-settled Exchange-traded contract pursuant to which the buyer and seller agree to pay or to receive in cash the difference between (i) the Monthly Average Settlement Price for a specified metal and for a specified tradeable month and (ii) the fixed price agreed between the buyer and the seller in the Contract, multiplied by the Contract size, settled on the Prompt Date and subject to daily marking to market in accordance with the Clearing

	House Rules and conforming to the other specifications prescribed by the Exchange;
"Monthly Average Future Regulations"	the Regulations set out in Part 11 of the Rules;
"Monthly Average Settlement Price"	<p>(a) in relation to an Average Price Call Option, the price at which the Taker will sell to the Granter if the Traded Average Price Option is declared;</p> <p>(b) in relation to an Average Price Put Option, the price at which the Taker will buy from the Granter if the Traded Average Price Option is declared;</p> <p>(c) in relation to a Monthly Average Future for a particular tradeable month, the aggregate of the Settlement Prices for the relevant metal for every Business Day in the relevant tradeable month divided by the number of Business Days for that month and which is calculated and published by the Exchange; and</p> <p>(d) in relation to a Traded Average Price Option for a particular month, the aggregate of the Settlement Prices for the relevant metal for every Business Day in the relevant tradeable month divided by the number of Business Days for that month and which is calculated and published by the Exchange.</p>
"Moving Monthly Average Settlement Price"	in relation to a Traded Average Price Option or a Monthly Average Future for a particular month, the aggregate of the Settlement Prices for the relevant metal for every Business Day to date in the relevant tradeable month divided by the number of Business Days to date for that month and which is calculated and published by the Exchange;
"Non-Display Usage"	means any use of LME Information in electronic trading systems for the purpose of generating orders or executing transactions in an automated and/or semi-automated manner without the display of the original LME Data, including, for example, the use of LME Data for algorithmic trading, program trading or the automatic monitoring of trading activities;
"Non-LME Platform Contract"	means any contract or product that is traded on, executed on, or otherwise arranged or agreed via a

	Non-LME Multi Dealer Trading System;
"Non-LME Multi Dealer Trading System"	means: <ul style="list-style-type: none"> (a) an exchange or other trading venue which is not operated by the Exchange or its Affiliates; or (b) any other system, granting access to more than one trading party, to facilitate the arrangement and/or execution of bilateral contracts between such parties, outside the trading venue or systems operated by the Exchange or its Affiliates, but shall not include a Single Dealer to Client Platform;
"Notice"	an Administrative Procedure;
"Notice to Arbitrate"	a notice served by the Claimant pursuant to Regulation 2.1 of Part 8 of the Rules;
"Notional Average Price"	in relation to each metal for a particular month, the aggregate of the Settlement Prices for Cash and, where no Settlement Prices for Cash have been established, the Closing Prices established by the Exchange for each Business Day in a month, divided by the number of Business Days in that month. Where a Business Day in a month is not a valid Prompt Date the Exchange will use a linear interpolation to derive a price for that Business Day.
"Official Prices"	the prices determined in accordance with Regulation 5 of the Trading Regulations;
"Opening Hours"	means the hours on each Business Day during which the Matching System is open and able to receive information regarding Agreed Trades, as specified by the Exchange by Administrative Procedures from time to time;
"Operating Procedures"	the manual issued by the Exchange pursuant to the LMEsword Regulations setting out detailed procedures and information relating to the operation of LMEsword;
"Option Contract"	a Metal Option or an Index Option;
"Overseas Undertaking"	an undertaking which is a body corporate incorporated outside of the United Kingdom or if not itself a body corporate, its principal or

	managing member is a body corporate incorporated outside of the United Kingdom;
"Panel"	the Arbitration Panel of the Company;
"Panel Committee"	a committee appointed by the Directors to oversee the conduct of arbitrations pursuant to the Arbitration Regulations, and in particular to perform the functions and powers referred to in the Arbitration Regulations;
"Parent Undertaking"	the same meaning as set out in section 1162 of the Companies Act 2006;
"Position Limits"	the position limits applied by the Exchange on any Contract or Contracts from time to time in accordance with requirements specified by the Exchange by Notice sent to the Members;
"Position Netting"	<p>means the netting of multiple Contracts between the same two parties to a smaller number of Contracts (which may take effect through the netting of long and short positions or the aggregation of long positions and short positions respectively) and/or the close out by netting of multiple Contracts, (in each case) in accordance with such process as may be specified in the Clearing House Rules, and which may occur, as the context requires:</p> <ul style="list-style-type: none"> (a) "at the Clearing House", in relation to Cleared Contracts, subject to and in accordance with the Clearing House Rules; and (b) "under the Exchange Rules", in relation to Underlying Client Contracts that relate to such Cleared Contracts, subject to and in accordance with Regulation 9.7.7 of the Trading Regulations;
"Post-Compression Cleared Contract"	a Cleared Contract that comes into effect between the Clearing House and a Clearing Member upon Compression at the Clearing House, which represents the positions under pre-Compressed Cleared Contracts, as compressed by the Clearing House in accordance with the Clearing House Rules;
"Post-Compression Client Contract"	a Client Contract that comes into effect upon Compression under the Exchange Rules, in accordance with Regulation 14 of the Contract

	Regulations, which shall replace the Client Contracts that were subject to such Compression and which shall come into effect between the same parties as were parties to such original Client Contracts;
"Precious Metal"	Gold or Silver;
"Precious Metal Clearer"	a member of LPMCL (or any successor company or association) that is an "Approved Delivery Facility" for the purposes of the Clearing House Rules;
"Precious Metal Clearing System"	the system operated by LPMCL (or any successor company or association), or any successor system, for the electronic settlement of unallocated Precious Metal between Precious Metal Clearers);
"Pre-Execution Checks"	the checks applied to an Agreed Trade within the systems of the Exchange and the Clearing House prior to confirmation that the Agreed Trade may be Executed, as specified in Regulation 2.8 of the Trading Regulations;
"Premium Contract"	an Exchange-traded futures contract having the features described in the Premium Contract Regulations;
"Premium Contract Closing Price"	the Closing Price for each Premium Contract;
"Premium Contract Last Trading Time"	the last trading time on the Last Trading Day for Premium Contracts as specified in the Premium Contract Regulations or as otherwise prescribed by the Exchange from time to time;
"Premium Contract Price"	the cash consideration payable under a Premium Contract, as agreed at the time of formation of the Premium Contract;
"Premium Contract Regulations"	the Regulations set out in Part 12 of the Rules;
"Premium Warrant"	a Warrant issued by a Qualifying Premium Warrant Warehouse;
"Premium Warrant Jurisdiction"	a geographical jurisdiction specified as such in the Premium Contract Regulations;
"Product Specifications"	means the specifications, features and/or terms of any Contract listed for trading on the Exchange, as described in the Rules and Administrative Procedures;
"Prompt Date"	(a) in relation to a Metal Future, LMEmini

	<p>Future, Premium Contract or a Monthly Average Future, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations, the Contract is to be settled;</p> <p>(b) in relation to an Index Contract, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations, the Settlement Price of the Index is determined, with settlement of the Contract on the next Settlement Business Day;</p> <p>(c) in relation to a Ferrous Future, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations, the Ferrous Final Settlement Price is determined, with settlement of the Contract on the next Settlement Business Day; or</p> <p>(d) in relation to an LMEprecious Future, the Business Day on which, having regard where relevant to Regulation 8 of the Trading Regulations and the LMEprecious Regulations, the Contract is to be settled;</p>
"Put Option"	an Option Contract pursuant to which the Granter gives the Taker the right to sell to the Granter or in the case of an Index Option, the notional right to sell to be cash settled;
"Qualifying Premium Warrant Warehouse"	a listed warehouse for the storage of metal which satisfies the criteria specified by the Exchange from time to time and which is located in a Premium Warrant Jurisdiction;
"Quotations Committee"	a committee authorised by the Directors to be responsible for determining Closing Prices and Settlement Prices;
"RAO"	means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), as amended from time to time and any successor legislation thereto;
"Regulator"	in relation to any person, any regulatory body that has responsibility for regulating the conduct of that person's business and/or which has the power to impose regulatory requirements upon a person's business (and including, where applicable, the FCA or ESMA);

"Relevant Daily Settlement Price"	has the meaning set out in Regulation 9.7.4 of the Trading Regulations;
"Relevant Office Holder"	has the meaning attributed thereto by section 189 of the Companies Act 1989;
"Respondent"	the person receiving a Notice to Arbitrate served by the Claimant;
"Ring"	an Exchange open-outcry trading session in a type of Contract, of such duration and at such times as are laid down by the Directors, or the ring area of the Exchange as the context requires;
"Ring Committee"	a committee appointed by the Directors to oversee trading in the Ring;
"Ring Disciplinary Committee"	a committee appointed by the Directors to enforce discipline on the premises of the Exchange;
"Ring Discipline Supervisory Panel"	Directors appointed by the Directors to enforce discipline on the premises of the Exchange;
"Rules"	means these rules and regulations as the same may be amended in accordance with the Articles;
"Secretary"	any person appointed to perform the duties of Secretary of the Company, and for the purpose only of Part 8 of the Rules, any person to whom the functions and powers of the Secretary referred to therein may be delegated from time to time;
"Settlement Business Day"	a Business Day on which commercial banks are open in New York City for the settlement of international transactions in US dollars;
"Settlement Price"	<p>the Cash offered price or other settlement price determined:</p> <ul style="list-style-type: none"> (a) by the Quotations Committee in accordance with Regulation 5.1.1 of the Trading Regulations and in the circumstances specified in Regulation 5.3 of the Trading Regulations (in respect of Metal Contracts), or Regulation 5.6 of the Trading Regulations (in respect of Index Contracts); or (b) in accordance with Regulation 5.7 of the Trading Regulations (in respect of Ferrous Futures); or (c) in accordance with Regulation 5.1.2 of the

	Trading Regulations (in respect of Premium Contracts); or
	(d) in accordance with Regulation 5.7 of the Trading Regulations (in respect of Ferrous Futures and LMEprecious Futures); or
	(e) in accordance with Regulation 5.8 of the Trading Regulations (in respect of Metal Options, Traded Average Price Options and Index Options); or
	(f) by the Clearing House in accordance with Regulation 15 of the Trading Regulations;
"Silver"	Loco London Fine Silver held in London and complying with standards relating to good delivery and fineness acceptable to the Precious Metal Clearer of the Clearing House for the purpose of effecting settlement with the Clearing House, as such standards are in effect from time to time;
"Single Dealer to Client Platform"	means any system operated by a Member for the purpose of arranging bilateral contracts between: (i) such Member; and (ii) its customers by means of either a "Request For Quote" or continual price streaming from the Member to customers, but not including a system operating an order book where one customer may trade against another customer's price or order;
"Special Committee"	the Committee to whom the Directors have delegated the emergency powers under Regulation 17 of Part 3 as permitted by the Articles;
"Special Contract Rules for Ferrous Futures"	the Regulations set out in Part 6C of the Rules;
"Special Contract Rules for LMEmini Contracts"	the Regulations set out in Part 6B of the Rules;
"Special Contract Rules for Metals"	the Regulations set out in Part 6 of the Rules;
"Special Contract Rules for the Construction of the Index"	the Regulations set out in Part 6A of the Rules;
"Standard Warrant"	a Warrant that is not a Premium Warrant;
"Strike Price"	(a) in relation to a Call Option which is a Metal Option, the price at which the Taker will buy from the Granter if the Option is declared;
	(b) in relation to a Put Option which is a Metal

	Option, the price at which the Taker will sell to the Granter if the Option is declared;
	(c) in relation to an Average Price Call Option, the price at which the Taker will buy from the Granter if the Traded Average Price Option is declared;
	(d) in relation to an Average Price Put Option, the price at which the Taker will sell to the Granter if the Traded Average Price Option is declared;
	(e) in relation to an Option Contract which is an Index Option, the agreed level of the Index which shall be compared with the Settlement Price of the Index on the Prompt Date to determine the amount payable to the Taker (if any);
"Subsidiary Undertaking"	the same meaning as set out in section 1162 of the Companies Act 2006;
"Taker"	the buyer of a Traded Option;
"Terminal"	means a terminal through which a Member API Client and/or Member API Sub-Client has access to LME Information from a Member via an API; and
"Trade Mark"	means any trade mark (i) belonging to or used by the Company from time to time; or (ii) that the Company may register or apply to register from time to time;
"Traded Average Price Option"	an Exchange-traded option contract pursuant to which the Granter grants to the Taker the right to buy from the Granter a Lot of a specified metal at a specified Strike Price in a specified month and to sell to the Granter a Lot of a specified metal at the Monthly Average Settlement Price in that same specified month, or vice versa, the declaration of which will take place automatically if the Monthly Average Settlement Price is, in the case of an Average Price Call Option, greater than the Strike Price or, in the case of an Average Price Put Option, less than the Strike Price for the relevant tradeable month;
"Traded Option"	an Option Contract or a Traded Average Price Option;
"Traded Options Committee"	the committee appointed by the Directors for the purpose of administering trading in Traded

	Options;
"Traded Options Regulations"	the Regulations set out in Part 5 of the Rules in relation to Metal Options, Traded Average Price Options and Index Options;
"Trading-Only Member"	a Trading Member that is not a Clearing Member;
"Trading Member"	a Member permitted to trade in Contracts, being: <ul style="list-style-type: none"> (a) in respect of the LME Base Service, a Category 1, 2, 3 or 4 Member; or (b) in respect of the LMEprecious Service, any LMEprecious Member;
"Trading Regulations"	the regulations set out in Part 3 of the Rules;
"Tribunal"	the tribunal of one, two or three arbitrators appointed in accordance with Regulation 3 of Part 8 of the Rules;
"Unallocated Precious Metal Account"	an account maintained with a Precious Metal Clearer for the settlement of unallocated Precious Metal through the Precious Metal Clearing System;
"Undertaking"	the same meaning as set out in section 1161 of the Companies Act 2006;
"Underlying Client Contract"	means: <ul style="list-style-type: none"> (a) the Client Contract that has resulted from the Execution of an Agreed Trade and that, upon such Execution, resulted in the formation of a Client-Related Cleared Contract pursuant to the Clearing House Rules; and (b) any Post-Compression Client Contract that may arise upon Compression under the Exchange Rules of any Underlying Client Contract, <p>and any reference to "the Underlying Client Contract" in the context of any reference to a Cleared Contract means the Underlying Client Contract that, upon Execution, resulted in the formation of such Cleared Contract, or any Post-Compression Client Contract relating to such Cleared Contract;</p>
"Unofficial Closing Price"	a price determined by the Quotations Committee in accordance with Regulation 5.5 of the Trading Regulations;

"Unsettled Contract"	a Contract in respect of which the obligations of the parties have not been discharged whether by performance, set-off or otherwise;
"User"	means a user at a Member API Client and/or Member API Sub-Client who has access to LME Information from a Member via a graphical user interface (GUI).
"Variation Margin"	<p>(a) in relation to a Cleared Contract, the sum of money determined by the Clearing House under the Clearing House Rules;</p> <p>(b) in relation to a Client Contract, the sum of money determined by the relevant Category 1 or Category 2 Member or LMEprecious Clearing Member (or, where no such Member is a party, by the relevant Category 4 Member or LMEprecious Non-Clearing Member) representing the amount of variation margin called by the Clearing House in respect of the Client-Related Cleared Contract that corresponds to such Client Contract or such larger sum as may be agreed between the parties;</p>
"Warrant"	a warehouse warrant for the storage of metal, issued by a listed warehouse and in a form approved by the Exchange;
"Weighting"	the factor determined by the Exchange from time to time which, when multiplied by the Settlement Price of a Constituent Metal, determines the contribution to the Index of that Constituent Metal;
"Working Day"	any weekday, Monday to Friday inclusive, which is not a public holiday in England and Wales.

- 1.2 In Part 8 and Part 10 of these Rules, the additional definitions set out therein shall apply for the purpose of construing the relevant words and expression in those Parts.
- 1.3 Words importing the singular shall, where the context permits, include the plural and vice versa. Words importing gender shall include each gender. Words importing persons shall, where the context permits or requires, include partnerships and corporations.
- 1.4 Where reference is made to a Regulation in any Part of the Rules it shall be deemed to be a reference to a Regulation in that Part unless the context otherwise requires.
- 1.5 Where reference is made in these Rules to the "direction" of a Contract, such term shall be construed as follows:

- (a) multiple Contracts have the "same direction" where, under each such Contract (i) the same party is the buyer; and (ii) the same party is the seller; and
- (b) multiple Contracts have the "opposite direction" where the buyer under one Contract is the seller under the other Contract.

1.6 Any reference in the Rules or in any Administrative Procedure issued pursuant to the Rules to any European Union Regulation or Directive or any EU-level rules or legislation made pursuant to any such Regulation or Directive shall be construed to include any national law or regulation made in the United Kingdom that replaces or supersedes such Regulation, Directive, rule or legislation. For the avoidance of doubt, this rule of interpretation shall apply to the definitions of the Capital Requirements Regulation, EMIR and MiFID II.

2. **GENERAL**

2.1 The Rules are made and subject as provided by law may be altered by the Directors in accordance with the powers conferred on them by the Articles.

2.2 Administrative Procedures may be issued by (a) the Chief Executive, or those empowered by him for this purpose, in relation to commercial matters, and (b) by the Head of Market Operations, or those empowered by him for this purpose, in relation to regulatory and compliance matters, and shall have the same force as Rules.

2.3 Where any Administrative Procedure refers to any Rule then:

- (a) where such Rule has been amended subsequent to the issuance of such Administrative Procedure, the Administrative Procedure shall, to the extent possible, be construed in a manner consistent with the amended Rule (so that, by way of example, where a specific Rule referred to in an Administrative Procedure is later numbered differently, or contained in a different section or Part of the Rulebook, or has been updated, the Administrative Procedure shall be deemed to refer to the current Rule); and
- (b) where the effect of the amendment of such Rule is to render any aspect of an Administrative Procedure to be redundant or manifestly inconsistent with the Rule, such aspects of the Administrative Procedure shall be deemed to have been repealed to the extent of such redundancy or manifest inconsistency, subject that (a) or (b) shall not apply where and to the extent that the Exchange amends, replaces or repeals any Administrative Procedure in order to address any inconsistency between the Rules and the Administrative Procedure.

2.4 Administrative Procedures shall be sent to such class or classes of Member to whom they apply.

2.5 The Rules and Administrative Procedures shall be binding on all Members. Failure to comply with any of them or with any decision of the Directors or direction of the Exchange made pursuant to them shall constitute a breach of the Rules for the purposes of disciplinary procedures.

2.6 The Directors or the Head of Market Operations may grant to a Member a waiver of particular requirements of these Rules in such circumstances and subject to such conditions as either think fit, provided that the Directors or the Head of Market Operations are satisfied that compliance with the relevant requirements would be unduly burdensome to

the Member and that the waiver would not create unacceptable risks for the Exchange, or the market generally, and would not result in unreasonable or inequitable discrimination between Members. Waivers granted by the Head of Market Operations shall be subsequently notified to the next meeting of the Directors.

2.7 Unless otherwise stated, all times in the Rules refer to London time.

PART 2

MEMBERSHIP, ENFORCEMENT AND DISCIPLINE

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PART 2: MEMBERSHIP, ENFORCEMENT AND DISCIPLINE

1. ADMISSION TO MEMBERSHIP

- 1.1 The Directors may grant admission to Membership in accordance with these Rules.
- 1.2 The requirements set out in Regulation 2 of these Membership Regulations shall apply to Candidates applying to participate in the LME Base Service.
- 1.3 The requirements set out in Regulation 3 of these Membership Regulations shall apply to Candidates applying to participate in the LMEprecious Service.
- 1.4 The requirements set out in Regulation 4 onwards within these Membership Regulations shall apply in respect of all Candidates or Members, regardless of the service in which they are applying to participate, or already participate, save to the extent that any Regulation specifies that it is limited to any particular category of Membership or any particular service.

2. MEMBERSHIP OF THE LME BASE SERVICE

2.1 Eligibility for Membership

- 2.1.1 The Membership categories described in this Regulation 2 apply to the LME Base Service.
- 2.1.2 To be eligible for Membership of the LME Base Service, a Candidate must satisfy the eligibility criteria set out below for the class or category of Membership for which he is applying.

2.2 Category 1 Membership:

A Candidate for Category 1 Membership must satisfy the Directors:-

- (a) that it is:
 - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
 - (2) an Overseas Undertaking;
- (b) that it satisfies the requirements for Category 1 Members set out in Regulation 7 of these Membership Regulations;
- (c) that it is capitalised at or above the level for the time being prescribed by the Directors;
- (d) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for Ring Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (e) that the persons to be responsible for trading on its behalf in the Ring have sufficient and relevant experience and qualifications to become Authorised Dealers; in considering experience the Directors may take into account indications given by a Candidate as to the level and type of trading it intends to conduct in the Ring;

- (f) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for Category 1 Membership;
- (g) that it is a member of the Clearing House or will, subject to election as a Category 1 Member, become a member of the Clearing House authorised to clear Cleared Contracts;
- (h) that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants;
- (i) that it becomes an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations; and
- (j) that it satisfies any and all other criteria for Category 1 Membership, and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

2.3 **Category 2 Membership:**

2.3.1 A Candidate for Category 2 Membership must satisfy the Directors:-

- (a) that it is:
 - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
 - (2) an Overseas Undertaking;
- (b) that it satisfies the requirements for Category 2 Members set out in Regulation 7 of these Membership Regulations;
- (c) that it is capitalised at or above the level for the time being prescribed by the Directors;
- (d) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for Category 2 Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for Category 2 Membership;
- (f) that it is a member of the Clearing House or will, subject to election as a Category 2 Member, become a member of the Clearing House authorised to clear Cleared Contracts;
- (g) that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants;
- (h) that it becomes an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations; and
- (i) that it satisfies any and all other criteria for Category 2 Membership, and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

2.4 **Category 3 Membership:**

2.4.1 A Candidate for Category 3 Membership must satisfy the Directors:-

- (a) that it is:
 - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
 - (2) an Overseas Undertaking;
- (b) that it satisfies the requirements for Category 3 Members set out in Regulation 7 of these Membership Regulations;
- (c) that it is capitalised at or above the level for the time being prescribed by the Directors;
- (d) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for Category 3 Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for Category 3 Membership;
- (f) that it is a member of the Clearing House or will, subject to election as a Category 3 Member, become a member of the Clearing House authorised to clear Cleared Contracts;
- (g) that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants;
- (h) that it becomes an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations; and
- (i) that it satisfies any and all other criteria for Category 3 Membership, and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

2.5 **Category 4 Membership:**

2.5.1 A Candidate for Category 4 Membership must satisfy the Directors:-

- (a) that it is:
 - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
 - (2) an Overseas Undertaking;
- (b) that it satisfies the requirements for Category 4 Members set out in Regulation 7 of these Membership Regulations;
- (c) that it enjoys a financial business standing which, in the opinion of the Directors, is suitable for Category 4 Membership; in considering financial and business standing

the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;

- (d) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for Category 4 Membership; and
- (e) that it satisfies any and all other criteria for Category 4 Membership and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

2.5.2 A Category 4 Member may, if it is eligible in accordance with Regulation 2.4 of the LMEsword Regulations, apply to become an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations. Any such Category 4 Member that applies to become an Account Holder must also satisfy the Directors that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants.

2.6 **Category 5 Membership:**

2.6.1 A Candidate for Category 5 Membership must satisfy the Directors:-

- (a) that it is:
 - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
 - (2) an Overseas Undertaking;
- (b) that it enjoys a financial business standing which, in the opinion of the Directors, is suitable for Category 5 Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives; and
- (c) that it satisfies any and all other criteria for Category 5 Membership and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

2.6.2 A Category 5 Member need not hold shares in LME Holdings.

2.6.3 A Category 5 Member may, if it is eligible in accordance with Regulation 2.4 of the LMEsword Regulations, apply to become an Account Holder in accordance with Regulation 2.3 of the LMEsword Regulations. Any such Category 5 Member that applies to become an Account Holder must also satisfy the Directors that it is able to comply with the requirements of the Trading Regulations regarding the delivery of Warrants.

2.7 **Category 6 Membership:**

A Candidate for Category 6 Membership:-

- (a) may not, unless the Directors in the circumstances of any particular application decide otherwise, be a director or employee of (a) an Undertaking which either is a Member or, although not a Member, would be eligible to become a Member nor
- (b) a Subsidiary Undertaking or Parent Undertaking of any such Undertaking; and

- (b) must satisfy the criteria for Category 6 Membership which the Directors may from time to time prescribe.

2.8 **Category 7 Membership:**

Category 7 Membership may be conferred on individuals at the discretion of the Directors.

3. **MEMBERSHIP OF THE LMEPRECIOUS SERVICE**

3.1 **Eligibility for Membership**

3.1.1 The Membership categories described in this Regulation 3 apply to the LMEprecious Service.

3.1.2 To be eligible for Membership of the LMEprecious Service, and to become an LMEprecious Member, a Candidate must satisfy the eligibility criteria set out below for the class or category of Membership for which he is applying.

3.1.3 For the avoidance of doubt, the requirements for certain LMEprecious Members to hold B Shares is not cumulative with the requirements for certain LME Base Members to hold B Shares (and *vice versa*). For example: if the Directors have prescribed that a Category 1 Member is required to hold 25,000 B Shares and that an LMEprecious General Clearing Member is required to hold 10,000 B Shares, a Candidate seeking to become both a Category 1 Member and an LMEprecious General Clearing Member would be required to hold 25,000 B Shares in total (not 35,000 B Shares).

3.2 **LMEprecious General Clearing Member:**

A Candidate for LMEprecious General Clearing Membership must satisfy the Directors:

- (a) that it is a member of the Clearing House, or will, subject to election as an LMEprecious General Clearing Member, become a member of the Clearing House with permission to clear LMEprecious Futures; and
- (b) that it has established one or more Unallocated Precious Metal Accounts of the appropriate type, at a Precious Metal Clearer, to enable the LMEprecious General Clearing Member to make and receive deliveries of unallocated Precious Metal, through the Precious Metal Clearing System, in settlement of LMEprecious Futures; and
- (c) that it is a Member of the LME for the LME Base Service having a Category 1 or 2 Membership; or
- (d) if (c) does not apply:
 - (i) that it is:
 - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
 - (2) an Overseas Undertaking;

- (ii) that it satisfies the requirements for LMEprecious General Clearing Members set out in Regulation 7 of these Membership Regulations;
 - (iii) that it is capitalised at or above the level for the time being prescribed by the Directors; and
 - (iv) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for LMEprecious General Clearing Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for LMEprecious General Clearing Membership; and
 - (f) that it has met any additional criteria for use of the LMEprecious Service and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

3.3 **LMEprecious Individual Clearing Member:**

A Candidate for LMEprecious Individual Clearing Membership must satisfy the Directors:

- (a) that it is a member of the Clearing House, or will, subject to election as an LMEprecious Individual Clearing Member, become a member of the Clearing House with permission to clear LMEprecious Futures; and
- (b) that it has established one or more Unallocated Precious Metal Accounts of the appropriate type, at a Precious Metal Clearer, to enable the LMEprecious Individual Clearing Member to make and receive deliveries of unallocated Precious Metal, through the Precious Metal Clearing System, in settlement of LMEprecious Futures; and
- (c) that it is a Member of the LME for the LME Base Service having a Category 1, 2 or 3 Membership; or
- (d) if (c) does not apply:
 - (i) that it is:
 - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
 - (2) an Overseas Undertaking;
 - (ii) that it satisfies the requirements for LMEprecious Individual Clearing Members set out in Regulation 7 of these Membership Regulations;
 - (iii) that it is capitalised at or above the level for the time being prescribed by the Directors; and

- (iv) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for LMEprecious Individual Clearing Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (e) that it is or will on admission become the legal owner of the number of B Shares prescribed by the Directors for LMEprecious Individual Clearing Membership; and
- (f) that it has met any additional criteria for use of the LMEprecious Service and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

3.4 **LMEprecious Non-Clearing Member:**

3.4.1 A Candidate for LMEprecious Non-Clearing Membership must satisfy the Directors:

- (a) that it has appointed one or more LMEprecious General Clearing Members to clear Agreed Trades in LMEprecious Futures effected by such LMEprecious Non-Clearing Member;
- (b) that it is a Member of the LME for the LME Base Service having a Category 1, 2 or 4 Membership; or
- (c) if (b) does not apply:
 - (i) that it is:
 - (1) an Undertaking which is a body corporate incorporated in the United Kingdom or if not itself a body corporate its principal or managing member is a body corporate incorporated in the United Kingdom; or
 - (2) an Overseas Undertaking;
 - (ii) that it satisfies the requirements for LMEprecious Non-Clearing Members set out in Regulation 7 of these Membership Regulations; and
 - (iii) that it enjoys a financial and business standing which, in the opinion of the Directors, is suitable for LMEprecious Non-Clearing Membership; in considering financial and business standing the Directors will have separate regard to the Undertaking concerned and the fitness and properness of its employees or representatives;
- (d) that it has met any additional criteria for use of the LMEprecious Service and, if applicable, any and all other special criteria for Overseas Undertakings, which the Directors may from time to time prescribe.

3.4.2 An LMEprecious Non-Clearing Member must have at all times one or more LMEprecious General Clearing Members appointed to clear Agreed Trades in LMEprecious Futures effected by such LMEprecious Non-Clearing Member.

3.4.3 For the avoidance of doubt, an LMEprecious Non-Clearing Member shall not be required to use to clear LMEprecious Futures the same Clearing Member that it uses to clear Contracts subject to the LME Base Service.

3.4.4 An LMEprecious Non-Clearing Member must at all times maintain appropriate arrangements to enable the settlement of any LMEprecious Contract to which it is party. For the avoidance of doubt, such arrangements may include the maintenance of settlement and custody accounts for Precious Metals with: (a) an LMEprecious General Clearing Member; or (b) a Precious Metal Clearer; or (c) a custodian having an account for the settlement of unallocated Precious Metals.

4. COMMON ELIGIBILITY CRITERIA

4.1 Share Capital

4.1.1 The amount prescribed by the Directors, from time to time, as the minimum Net Worth Requirement for each category of Membership shall be met by permanent capital plus additional capital less disallowables.

4.1.2 Permanent capital shall be issued and fully paid ordinary shares, issued and fully paid preference shares, share premium and other reserves not available for distribution. A deficit in reserves available for distribution will be deducted when calculating permanent capital.

4.1.3 Additional capital shall be other equity reserves (distributable or otherwise) profit and loss reserves and subordinated loans.

4.1.4 Disallowable items are intangible fixed assets such as goodwill, development costs etc., investments in subsidiaries and/or other group companies, shares in the Clearing House and the value of exchange Memberships.

4.2 Overseas Undertakings

- (a) A Candidate that is an Overseas Undertaking may not be admitted to Membership in the event that the Exchange does not have any necessary licences, authorisations or regulatory permissions to enable the Exchange to lawfully provide investment exchange services to a person having the same characteristics as the Candidate from that Candidate's (or, where applicable, its principal or managing member's) place of incorporation or any other relevant jurisdiction.
- (b) A Candidate that is an Overseas Undertaking may not be admitted to Membership in the event that the jurisdiction of the Candidate's place of incorporation or other relevant jurisdiction is not satisfactory to the Exchange, on the grounds of legal or regulatory risk relating to that jurisdiction.

4.3 AML Procedures

A Candidate must have appropriate anti-money laundering and financial crime systems, controls and procedures, the adequacy of which must be satisfactory to address the risk that the facilities of the Exchange may be used for any improper purpose and to address any applicable legal or regulatory requirements. The Exchange reserves the right to request from any Candidate or Member from time to time (a) details of such systems, controls and procedures and/or (b) a reasoned legal opinion from a reputable law firm that such systems,

controls and procedures are appropriate to address any applicable legal or regulatory requirements, in such format and addressing such concerns as the Exchange may specify.

4.4 Discretion to Refuse Application on Grounds of Compliance or Risk

The Directors shall be permitted to refuse any application for Membership by a Candidate that satisfies the criteria set out above where the Directors have reasonable grounds for considering that:

- (a) the Candidate is unlikely to be capable of complying with its obligations as a Member under these Rules or any Administrative Procedures; or
- (b) the Candidate is subject to any legal or regulatory requirement or restriction that may prevent the Candidate from complying fully with any obligation it may have as a Member under these Rules or any Administrative Procedure; or
- (c) the admission of the Candidate as a Member would be likely to expose other Members and/or the Exchange and/or the Clearing House to a materially increased level of risk than is generally presented by other Members having the same category of Membership for which the Candidate is applying.

5. APPLICATIONS FOR MEMBERSHIP

- 5.1 An application for Membership of the Exchange shall be made in the form prescribed from time to time by the Directors, obtainable upon application to the Secretary. Each application must be accompanied by such admission fee as may be prescribed by the Directors. Where required under Regulation 7.5, such application shall include a legal opinion that satisfies the requirements of that Regulation.
- 5.2 The Directors may require from the Candidate such information, and may institute such investigations to verify information submitted by the Candidate, as they deem necessary. The Directors may require the Candidate, or one or more representatives of the Candidate, to attend for interview by the Directors or by a committee of the Directors.
- 5.3 Notice of each application for Membership shall be sent to Members promptly following the date when the application is first considered by the Directors. Within a ten Business Day period thereafter, any Member who objects to the Candidate becoming a Member of the Exchange shall be entitled to submit a written objection for consideration by the Directors. The Directors may take such objections into consideration before confirming their decision whether to admit the Candidate. In the absence of any objections beyond the ten Business Day period, the Directors shall promptly notify the Candidate in writing of their decision to admit the Candidate to the Membership and an approval Notice will be sent to Members.
- 5.4 When the Exchange determines that a Candidate is operationally ready to commence trading on the Exchange, the Directors shall confirm such status by means of a Notice sent to Members, including the designated mnemonic for the Candidate for the purposes of the Matching System.
- 5.5 Upon admission a Member shall pay the Subscription applicable to his class or category of Membership.
- 5.6 An official list of all Members can be seen by any Member on application to the Secretary.

- 5.7 If the Directors decide not to admit a Candidate to Membership they shall notify him with a statement of reasons for the refusal and the Candidate may within 14 days of being notified of the Directors' decision lodge notice of appeal with the Secretary.
- 5.8 Appeal under this Regulation shall be to a single arbitrator ("**the Arbitrator**") to be appointed by the President for the time being of The Law Society. Regulations 1, 4-10, 14 and 16 of Part 8 of the Rules (amended as set out in Regulation 5.9) shall apply to an appeal under this Rule. The Arbitrator shall consider the written statement of reasons given to the Candidate by the Directors and any representations made by or on behalf of the Candidate and by or on behalf of the Company. The Arbitrator shall determine whether or not the Directors correctly interpreted the Membership criteria from time to time applicable in respect of the class of Membership for which the Candidate applied and whether the rules of natural justice were complied with in reaching the decision refusing admission ("**the Decision**"). The Decision shall not otherwise be open for review and the Arbitrator shall have no power to order that the Directors shall admit the Candidate. The decision of the Arbitrator on questions of fact shall be final and binding on the Company and the Candidate. If the Arbitrator determines that the Directors did not correctly interpret the relevant Membership criteria, or that the rules of natural justice were not complied with in reaching the Decision, the Directors shall reconsider the application. In doing so the Directors shall consider the application afresh and (in particular but without limitation) shall not be obliged to decide the application on the basis only of information available to them prior to the Decision.
- 5.9 For the purpose only of an appeal under Regulation 5.8, and without prejudice to any powers the Arbitrator may have under English law, the following amendments shall apply to the Arbitration Regulations.
- 5.9.1 In Regulation 1.1 of Part 8 of the Rules:
- (a) defined terms shall be ignored unless used in the Regulations referred to in Regulation 2.8;
 - (b) "Claimant" shall mean the Candidate;
 - (c) "Respondent" shall mean the Company;
 - (d) "Tribunal" shall mean the arbitrator appointed pursuant to Regulation 2.8.
- 5.9.2 Regulation 6.3 of Part 8 of the Rules shall not apply.
- 5.9.3 Regulations 10.1(e), (i), (j), (l), (n), and (p)-(s) of Part 8 of the Rules shall not apply.
- 5.9.4 In Regulation 14.1 of Part 8 of the Rules the words "or by the Company" and "or the Company" shall be ignored.
- 5.9.5 Regulation 14.3 of Part 8 of the Rules shall not apply.
6. **CHANGE IN CLASS OR CATEGORY OF MEMBERSHIP**
- 6.1 Any Member may change his Membership from any class or category of Membership to any other class or category, or add a new category of Membership in respect of a new service, provided that:-
- (a) the prior consent of the Directors is obtained; and

- (b) he pays any increase in Subscription applicable to his new class or category of Membership. A Member shall pay the full amount of Subscription applicable to his new class or category of Membership, credit being given for the amount of Subscription already paid by the Member in the year of application.

6.2 In deciding whether or not to admit a Member to a different class or category of Membership, the Directors shall determine whether the Member satisfies the criteria for the new class or category of Membership in accordance with Regulations 1 to 4 above (as applicable).

6.3 Any Member having any category of Membership in respect of the LME Base Service may apply to have any category of Membership in respect of the LMEprecious Service (and vice versa), subject in each case to the application of Regulations 6.1 and 6.2 above.

6.4 Regulations 1 to 4 and Regulations 5.2, 5.4 and 5.5 shall apply *mutatis mutandis* to an application under this Regulation 6 save that any reference to a "Candidate" shall be construed as a reference to the relevant applicant Member. Any change of the type described in Regulation 6.1 shall be effective from the date stipulated in the Notice to Members in accordance with Regulation 5.3.

7. **REQUIREMENTS OF THE FINANCIAL SERVICES AND MARKETS ACT 2000**

7.1 No person may apply or continue to be a Trading Member unless he is:

- (a) an authorised person or exempt person within the meaning of Part III of FSMA; or
- (b) an authorised investment firm within the meaning of Article 4 of the MiFID II Directive by the competent authority of an EEA State other than the United Kingdom (including a branch established in the United Kingdom of such a firm); or
- (c) an authorised credit institution within the meaning of Article 4.1(1) of the Capital Requirements Regulation by the competent authority of an EEA State other than the United Kingdom (including a branch established in the United Kingdom of such an institution); or
- (d) a person whose activities in relation to the Exchange as a Member would not constitute regulated activities (as defined in FSMA) on the basis of an appropriate exclusion under the RAO.

In this Regulation 7.1, "competent authority" and "EEA State" have the meanings given to them in the FCA Handbook.

7.2 No Member may undertake any regulated activity (as defined in the FSMA) in relation to the Exchange unless the Member is:

- (a) authorised, including through exemption, by the FCA to carry on such a regulated activity; or
- (b) a person whose activities in relation to the Exchange as a Member would not constitute regulated activities (as defined in the FSMA) on the basis of an appropriate exclusion under the RAO.

7.3 No person may enter into a Client Contract unless he or the other party to the Contract is:

- (a) where such Contract is an LME Base Contract, a Category 1 Member, Category 2 Member or Category 4 Member; or
- (b) where such Contract is an LMEprecious Future, an LMEprecious General Clearing Member or LMEprecious Non-Clearing Member,

in each case that can validly enter into Client Contracts in accordance with the law of the United Kingdom and any other applicable law or regulation.

7.4 A Member must inform the Exchange immediately of:

- (a) any variation or cancellation of permission to carry on a regulated activity, including the withdrawal of the Member's status as an authorised person by the FCA; or
- (b) any change of circumstances that may result in the Member no longer being able to rely upon an appropriate exclusion under the RAO.

7.5 A person falling within Regulation 7.1(d) or Regulation 7.2(b) must:

- (a) promptly following a request by the Exchange, provide such information as the Exchange may reasonably request regarding the person's business, regulatory status and the basis on which the person is able to lawfully perform activities in relation to the Exchange in the United Kingdom and any other relevant jurisdictions; and
- (b) where requested by the Exchange, include in that person's application for Membership a reasoned legal opinion from a reputable law firm with demonstrable expertise in United Kingdom financial services regulation that the activities to be performed by that person, taking into account that person's proposed category of Membership, could lawfully be performed by that person under the law of their home jurisdiction and under the law of the United Kingdom, notwithstanding that such person is not an authorised person within the meaning of Part III of the FSMA; and
- (c) following that person's admission to Membership, promptly following a request by the Exchange:
 - (1) (where the person has previously provided a legal opinion pursuant to (b) above) provide to the Exchange an updated reasoned legal opinion, from a law firm meeting the requirements in (b), confirming the continuing validity of the opinion provided under (b); and
 - (2) (where the person has not previously provided a legal opinion pursuant to (b) above) provide to the Exchange a reasoned legal opinion that satisfies the requirements in (b) above.

The Exchange shall be entitled to refuse to accept a legal opinion provided pursuant to this Regulation 7.5 in the event that the Exchange, in its absolute discretion, is not satisfied that the law firm selected by the Candidate or Member has sufficient and appropriate expertise in United Kingdom financial services regulation or where the Exchange, in its absolute discretion, disagrees with the conclusions set out in the legal opinion.

7.6 Notwithstanding Regulations 7.1, 7.2 or 7.5, the Exchange may:

- (a) refuse to admit a Candidate for Membership that is seeking admission on the basis of Regulation 7.1(d) or Regulation 7.2(b) (as applicable) in the event that:
 - (1) the Exchange is not satisfied that the Candidate has demonstrated beyond all reasonable doubt that it is able to lawfully perform the activities that it may, or may be required to, perform as a Member of the Exchange notwithstanding that it is not an authorised person within the meaning of Part II of the FSMA; or
 - (2) the Exchange has reasonable grounds for concern as to the ability of the Candidate to ensure that the activities that it performs as Member in relation to the Exchange shall always fall within the scope of an appropriate exclusion under the RAO;
- (b) where a Member is admitted on the basis of Regulations 7.1(d) or 7.2(b), suspend or terminate a Member's Membership, or change the category of a Member's Membership in the event that:
 - (1) the Member fails to comply with Regulations 7.4(b) or 7.5(a) or (c); or
 - (2) the Exchange has reasonable grounds to believe that the Member may not be able to lawfully continue to perform the activities that it may, or may be required to, perform as a Member of the Exchange with the Member's category of Membership.

7.7 Each Member is responsible for ensuring that it and its agents have secured all regulatory approvals needed by them in any jurisdiction in order to perform the activities that the Member may conduct on or in connection with the Exchange and for complying with all applicable laws and regulations applying to such activities.

8. **CHANGE IN OWNERSHIP OF A MEMBER**

8.1.1 A Member which is a body corporate shall notify the Exchange in writing of the name of any person for the time being holding, or having a beneficial interest in, 10% or more of any class of the equity share capital of the Member or of any Parent Undertaking of the Member, and of any change in such a holding or interest, within seven days of the holding or interest, or a change therein, coming to the Member's notice.

8.1.2 The members of a partnership or an unincorporated association who are joint Members shall notify the Exchange in writing of the name of any person who becomes or ceases to be a partner of that partnership or member of that unincorporated association (as the case may be) within seven days of that event coming to that joint Member's notice.

8.2 Upon receipt by the Exchange of any notice from a Member under Regulation 8.1.1 or 8.1.2 the Directors may review the suitability of the Member for Membership of the Exchange. The Directors may require the Member to furnish such additional information as the Directors may from time to time consider material in the course of such review. If upon completion of the review the Directors are not satisfied that the Member continues to satisfy the criteria for Membership of the relevant class they shall consider whether to suspend the rights of the Member.

9. DESIGNATION OF MEMBERS

Members may only describe their Membership of the Exchange on any letter heading, advertisements, brochures, or other written material in the following terms:

Type of Member	Description
Category 1 Member	"Ring Dealing Member" or "Category 1 Member" of the London Metal Exchange.
Category 2 Member	"Associate Broker Clearing Member" or "Category 2 Member" of the London Metal Exchange.
Category 3 Member	"Associate Trade Clearing Member" or "Category 3 Member" of the London Metal Exchange.
Category 4 Member	"Associate Broker Member" or "Category 4 Member" of the London Metal Exchange.
Category 5 Member	"Associate Trade Member" or "Category 5 Member" of the London Metal Exchange.
Category 6 Member	"Individual Member" or "Category 6 Member" of the London Metal Exchange.
Category 7 Member	"Honorary Member" or "Category 7 Member" of the London Metal Exchange.
LMEprecious General Clearing Member	"LMEprecious General Clearing Member" of the London Metal Exchange.
LMEprecious Individual Clearing Member	"LMEprecious Individual Clearing Member" of the London Metal Exchange.
LMEprecious Non-Clearing Member	"LMEprecious Non-Clearing Member" of the London Metal Exchange.

The words London Metal Exchange may be abbreviated to LME.

10. WITHDRAWAL FROM MEMBERSHIP

- 10.1 Subject to Regulation 10.2 to 10.7, a Member may at any time withdraw from Membership of the Exchange and, where the Member participates in both the LME Base Service and the LMEprecious Service, from any individual service.
- 10.2 A Member desiring to withdraw from Membership must lodge a notice in writing to that effect (a "**resignation notice**") with the Secretary. If the resignation notice is not received by the Secretary on or before the 30th day of November of the year in which the Member intends his Membership to cease, he will be liable for payment of the subscription for the following year.
- 10.3 A Member who gives the Exchange a resignation notice must provide the Exchange with such information concerning the circumstances of the resignation as, in the opinion of the Directors, is necessary for the Directors to determine whether:

- (a) to accept the resignation;
 - (b) to postpone the effective date of the resignation;
 - (c) without prejudice to the courses of action available to the Directors under subparagraphs (a) and (b) above, any other measures should be taken by the Exchange before or after the resignation takes effect.
- 10.4 The Directors may, in their absolute discretion, refuse to accept a resignation notice given by a Member or may postpone the effective date if they consider it necessary for the protection of Clients, or otherwise in the interests of the market.
- 10.5 A Member who ceases to be a Member by virtue of Regulations 10 or 15 (a "**former member**") shall remain subject to the Rules and to the jurisdiction of the Exchange including, inter alia, those Rules relating to the retention of records and provision of information, in respect of acts and omissions while he was a Member and in respect of any investigation or disciplinary proceedings relating thereto (including the payment of any fine or application of any other sanction imposed) as if he were a Member, for the longer of:
- (a) the period of six years from the date on which he ceased to be a Member; or
 - (b) the period during which any disciplinary proceedings continue against him, being proceedings started by the Exchange no later than twelve months after the date on which he ceased to be a Member, subject to any extension of the period under Regulation 10.7; or
 - (c) the period until such time as all his obligations under any Contract entered into by him prior to his ceasing to be a Member shall have been discharged.
- 10.6 Disciplinary proceedings following a Member's resignation may be started by giving notice to the former member of an investigation no later than twelve months after the date on which he ceased to be a Member.
- 10.7 In the event that a Disciplinary Committee concludes that there are, or may be additional matters which should be investigated and in respect of which disciplinary proceedings may be taken, the period referred to in Regulation 10.5 shall be extended until such time as such additional disciplinary proceedings are completed (including the payment of any fine or application of any other sanction imposed).
- 10.8 Where a Category 5 or Category 6 Member does not pay any Membership fee due to the Exchange and such fee remains unpaid for more than sixty (60) calendar days, the Exchange may deem this to be an indication of the Member's intention to resign from Membership of the Exchange. In such circumstances, the Directors may at their absolute discretion accept such resignation and confirm in writing to the Member, the effective date of such resignation, and the Membership of the relevant Category 5 or Category 6 Member shall terminate on such date.
- 10.9 Where a Member resigns from an individual service, and remains a Member of any other service, Regulations 10.6 and 10.7 shall be construed to apply only in respect of the service from which the Member has resigned.

11. **COMMITTEES**

- 11.1 The Directors shall appoint such committees with such terms of reference as they may from time to time determine.
- 11.2 The persons to serve on committees shall be drawn from Category 7 Members, Category 6 Members, directors and employees of other Members and such other persons with relevant experience as the Directors may select.
- 11.3 No person serving on any committee shall, in the absence of bad faith or wilful default, be under any liability whatsoever whether in contract, in tort or otherwise to any Member for any decision taken or other act or omission of the relevant committee.

12. **PROVISION OF INFORMATION AND OBLIGATIONS OF MEMBERS**

- 12.1 Each Member (other than Category 6 and Category 7 Members) shall provide the following financial and trading information to the Exchange:
- 12.1.1 annual audited accounts (including balance sheet, profit and loss account and cash flow statement) within four months of the end of its financial year and those of its ultimate Parent Undertaking (if any) as soon as they are sent to any person entitled to receive them; and
- 12.1.2 such further information in relation to commercial matters as may be required by the Chief Executive or those empowered by him generally or in any specific case; and
- 12.1.3 such further information in relation to regulatory and compliance matters as may be required by the Head of Market Operations or those empowered by him generally or in any specific case. Where the Head of Market Operations or those empowered by him have cause to suspect the existence or to anticipate the development or likely development of an undesirable situation or undesirable or improper trading practice, the information which may be required shall include information relating to the over-the-counter business of a member or any of its affiliates in metals, including any index thereon, traded on the Exchange.
- 12.2 The Chief Executive in relation to commercial matters and the Head of Market Operations in relation to regulatory and compliance matters and those empowered by each of them generally or in any specific case may request trading or other information regarding any Clearing Member from the Clearing House and the Clearing House shall provide the same.
- 12.3 The Chief Executive in relation to commercial matters and the Head of Market Operations in relation to regulatory and compliance matters and those empowered by each of them generally or in any specific case shall be entitled at any time to inspect and take copies of the records, trading information, books of account and other documentation, in whatsoever medium retained, of Members (including, in whatsoever medium retained, any documentation maintained by or in the possession of the Member for any other person) for the purpose of ensuring compliance with the Rules. Where documentation of a Member is maintained for it by a third party, the Member shall procure that access is provided to such documentation as if it were in the possession of the Member.
- 12.4 The Chief Executive in relation to commercial matters and the Head of Market Operations and those empowered by each of them generally or in any specific case shall be entitled at any time to attend at the premises of any Member for the purpose of inspecting any of the

matters referred to in Regulations 12.1 and 12.3 and the Member shall ensure that all cooperation is afforded.

12.5 The Chief Executive and the Head of Market Operations and those empowered by each of them generally or in any specific case may cooperate with any governmental or international agencies, any investment exchanges, any clearing houses and self-regulatory and other regulatory or enforcement organisations in such manner as each of them think fit and shall, in particular, be permitted to divulge to any of the aforesaid persons or bodies any information for the time being in the possession of the Exchange regarding any Member's financial condition or trading activity including any information obtained pursuant to Regulations 12.1 to 12.4.

12.6 A Member shall:

- (a) observe high standards of integrity and fair dealing, and observe high standards of market conduct as reflected in the FCA Principles and Guidance Releases as published from time to time;
- (b) organise and control its internal affairs in a responsible and effective manner, with appropriate and adequate risk management systems;
- (c) ensure its internal record-keeping is appropriate and adequate;
- (d) ensure that it has appropriate and adequate business continuity plans;
- (e) ensure that all of its Dealers, staff and directors involved in the conduct of business on the Exchange are fit and proper, suitable, appropriately and adequately trained, properly supervised, and, where appropriate, suitably qualified;
- (f) ensure that any business conducted on the Exchange complies with the Member's obligations under the Rules;
- (g) ensure that any business conducted by it, or by or through any of its Dealers or staff shall not cause the Member, its Dealers or staff of the Exchange to be in breach of any applicable laws and/or regulations;
- (h) ensure that it does not enter orders into or make trades on LME Select in or from a jurisdiction where the Exchange does not have the relevant regulatory licences or approvals (if such regulatory licence or approval is required) if to do so would bring the Exchange into disrepute with the regulatory authority within such jurisdiction or put the Exchange in breach of any legal or regulatory obligations to which it might be subject within that jurisdiction. A Member shall observe the requirements relating to participants from jurisdictions other than the UK, as set out in the document headed "Jurisdictions" which shall be available on the website of the Exchange, as such document is updated from time to time;
- (i) ensure that any hardware, information technology or any online services provided to it, or any of its Dealers or staff, or made available to it, or any of its Dealers or staff, pursuant to its Membership of the Exchange shall only be used for the purposes of conducting its business and activities as a Member of the Exchange, in accordance with these Regulations;

- (j) retain all relevant documentation, and provide the Exchange with copies thereof on request, in relation to all Contracts entered into by them and also in relation to all other contracts entered into by them for the purchase and sale of primary aluminium, aluminium alloy, cobalt, copper, lead, molybdenum, nickel, steel, tin, zinc, including:
- any option for the purchase and sale of any such metal; and
 - any contract for difference, swap, or similar contract based on the price of any such metal.
- (k) deal with the Exchange in an open and cooperative manner and keep the Exchange promptly informed of anything concerning the Member which might reasonably be expected to be disclosed to it.

12.7 No Member shall:

- (a) manipulate or attempt to manipulate the market;
- (b) create or attempt to create a disorderly market; or
- (c) assist its Clients, or any other person, to do either (a) or (b) above.

12.8 Where applicable under Regulation 7.5, a Member shall provide to the Exchange a legal opinion that satisfies the requirements of that Regulation, which shall be updated at such frequency as may be required pursuant to that Regulation.

13. **INVESTIGATION**

13.1 Investigation into alleged acts of misconduct must be authorised by the Head of Market Operations.

13.2 In the context of this Regulation 13 and the following Regulation 14, the expression "the Exchange" shall, where appropriate, be taken to mean the Head of Market Operations or any other person or persons being part of the Executive, authorised by the Head of Market Operations to undertake any of the functions described herein.

13.3 In the course of conducting an investigation, the Exchange may appoint professional, legal or accounting advisors to assist, or enlist the assistance of any other external advisor as it thinks fit. Any external adviser appointed by the Exchange shall be required to treat all information obtained in the course of the investigation as confidential and to disclose it only to the Exchange.

13.4 The Exchange shall issue a Notice of Investigation (NoI) notifying the Member concerned that an investigation has been commenced. The NoI shall be in writing to the Member's Compliance Officer, and shall contain a brief description of the matter under investigation.

13.5 Members shall co-operate fully with all investigations (whether or not they are the Member under investigation). In particular, and without limitation, Members shall:

13.5.1 Make available for interview such of their officers, employees or agents as may be reasonably requested in order that they may answer questions and explain any matter that the Exchange considers relevant to the investigation;

- 13.5.2 Comply fully with their obligation to provide information in accordance with Regulation 12;
- 13.5.3 Permit an authorised representative of the Exchange to visit their offices at any time, for the purpose of the investigation.
- 13.6 A report detailing the findings of the investigation shall be passed to the Head of Market Operations who may, or may not, recommend to the Enforcement Committee that disciplinary proceedings should be commenced.
- 13.7 Where some or all of the findings of an investigation may be of relevance to the market in general, the Head of Market Operations may publish such findings as he deems appropriate.

14. **DISCIPLINE**

Institution of Proceedings

- 14.1 The Enforcement Committee may institute disciplinary proceedings against any Member in respect of any act of misconduct by a Member or employee thereof or any other person for whom the Enforcement Committee deems the Member to be responsible. For the purposes of this Regulation, an act of misconduct is:
- (i) any violation or attempted violation of these Rules and Regulations or participation in conduct by a third party which would be a violation or attempted violation of these Rules and Regulations if that third party were subject to these Rules and Regulations;
 - (ii) a failure to pay an automatic fine or a fine or order for costs imposed by a Disciplinary Committee that has not been overturned by an Appeal Committee;
 - (iii) conduct which has brought or may be likely to bring the Exchange or any of its markets into disrepute;
 - (iv) provision to the Exchange of information (including information for the purpose of obtaining Membership) which is false, misleading or inaccurate in a material particular;
 - (v) ceasing to meet eligibility criteria for Membership as set out in Regulations 1 to 4 without notifying the Exchange;
 - (vi) any other matter of which the Exchange may, from time to time, notify Members through Notices.
- 14.2 Where the Enforcement Committee decides to institute disciplinary proceedings, a Notice, approved by it setting out the alleged act of misconduct together with a summary of the facts relied upon ("the Notice") shall be served on the Member concerned.

Defence

- 14.3 The Member has twenty working days from service of the Notice in which to serve a statement of defence ("the Defence") responding to all or any of the allegations, stating its intended pleas and what admissions of fact, if any, it makes.

- 14.4 Where no defence has been served pursuant to Regulation 14.3, and no settlement has been reached, the Member will be deemed to have accepted the facts and matters alleged in the Notice.
- 14.5 Having seen and considered the Defence, the Enforcement Committee, if it deems it appropriate, may choose to discontinue disciplinary proceedings.

Pre-hearing Review

- 14.6 Unless decided otherwise by the Disciplinary Committee, and subject to Regulation 14.7, a pre-hearing review shall be convened not later than twenty working days after service of the Defence.
- 14.7 Unless required by the Disciplinary Committee, the Exchange and the Member can agree in writing to postpone or dispense with a pre-hearing review. In the event that they dispense with the pre-hearing review Regulation 14.10 shall apply.
- 14.8 At the pre-hearing review, the Disciplinary Committee may give all such directions and take such other steps as it considers appropriate for the clarification of the facts and issues and for the just and expeditious determination of the case.
- 14.9 The Exchange and the Member shall attend the pre-hearing review and may be legally represented.
- 14.10 Without restriction on its general power to give directions, the Disciplinary Committee may, at the pre-hearing review (or where there is no pre-hearing review, may in writing to the parties):
- 14.10.1 fix a time and place or make arrangements for the hearing;
 - 14.10.2 direct the hearing or any part of the hearing proceed by way of written submissions and written evidence;
 - 14.10.3 direct the Exchange or the Member to disclose and serve copies of any document;
 - 14.10.4 direct the Exchange or the Member to provide the names of all witnesses to be called at the hearing and their statements or an outline of proposed evidence;
 - 14.10.5 make time limits for complying with directions and orders or for any other purpose of the proceedings;
 - 14.10.6 grant leave to the Exchange or the Member to amend any formal documents referred to in these Regulations. Within such period of time of the grant of leave to amend as shall be specified by the Disciplinary Committee, the party granted such leave shall serve the amended document on the other party;
 - 14.10.7 extend or abridge time limits;
 - 14.10.8 make any order for the payment of costs of or in connection with pre-hearing preparation or any pre-hearing review.
- 14.11 In the event that the Member fails to comply with any direction, the Exchange may apply to the Disciplinary Committee for an order that the Member be precluded from contesting the case unless the direction is complied with. In addition, failure by the Member to

comply with any direction may be adduced by the Exchange before the Disciplinary Committee for such inferences to be drawn as are proper in all the circumstances. Failure to comply with any direction may render the Member liable for costs, whether or not any charge is found proved.

- 14.12 In the event that the Exchange fails to comply with any direction, the Member may apply to the Disciplinary Committee for an order that the Exchange be precluded from pursuing the case unless the direction is complied with, or an order that the case be dismissed.

The Hearing

- 14.13 The date of the hearing shall be set at the pre-hearing review, where held. Where no pre-hearing review has taken place, the hearing shall take place no later than 20 working days after service of the Defence, or on such other date as the Disciplinary Committee shall require.
- 14.14 All parties attending the hearing, including any witnesses to be called by either party, shall be given reasonable notice of the date, time and venue.
- 14.15 The Disciplinary Committee shall determine the procedure to be followed at the hearing having regard to the following:
- 14.15.1 the Exchange to open the case;
- 14.15.2 the Exchange to adduce evidence and to call witnesses whom the Member may then cross-examine, the Exchange re-examine, and who may be asked questions by the Disciplinary Committee;
- 14.15.3 the Member to adduce evidence and to call witnesses whom the Exchange may cross-examine, the Member re-examine and who may be asked questions by the Disciplinary Committee;
- 14.15.4 the Exchange to address the Disciplinary Committee;
- 14.15.5 the Member to address the Disciplinary Committee.

The Determination

- 14.16 The Disciplinary Committee shall announce its findings to the parties as soon as practicable.
- 14.17 Where the Disciplinary Committee is satisfied that the Member has committed an act of misconduct it shall provide the parties with an opportunity to make representations before determining the penalty to be imposed.
- 14.18 The Disciplinary Committee shall announce the penalty to be imposed as soon as possible.
- 14.19 Any penalty imposed shall take into account any representations made by the parties, all the circumstances of the offence and may take into account any previous disciplinary record before deciding the penalty to be imposed and the costs to be ordered.
- 14.20 Within twenty business days of announcing its findings, the Disciplinary Committee shall serve on the parties a written decision comprising its findings of fact, its findings as to whether any charges not admitted are proved, the reasons for its decision and any penalties

to be imposed on the Member together with an indication as to whether any part of the penalty is compensatory for the benefit of the market generally or of specified individuals, and what part is purely punitive.

- 14.21 Subject to appeal, and unless the Disciplinary Committee determines otherwise, any penalty imposed shall take effect ten business days after service of the written decision.

Penalties

- 14.22 The Disciplinary Committee may impose one or more of the following penalties:
- 14.22.1 a reprimand;
 - 14.22.2 a fine;
 - 14.22.3 an order that the Member make restitution to any person when the Member has profited from an act of misconduct at that person's expense;
 - 14.22.4 an order that the Member forfeit to the LME any gains made as a result of a proven Regulation breach;
 - 14.22.5 a requirement to comply with such terms and conditions as appropriate;
 - 14.22.6 temporary or permanent withdrawal of Dealer or Clerk status or admission rights to the Exchange rooms from any individual;
 - 14.22.7 suspension or expulsion from Membership subject to ratification by the Directors.

Indicative Penalties

- 14.23 Where appropriate, the Enforcement Committee may submit proposals to the Disciplinary Panel (referred to in Regulation 14.47) for indicative penalties to be attached to certain offences covered by these Regulations. These indicative penalties shall represent the level of penalty the Enforcement Committee considers appropriate for an offence given no aggravating or extenuating circumstances.
- 14.24 Such indicative penalties as are approved by the Disciplinary Panel shall be notified from time to time to all Members, and where relevant Warehouse Companies, by way of an administrative notice.
- 14.25 Penalties so notified shall be indicative only and shall not fetter the discretion of a disciplinary committee or appeal committee to set the penalty it deems appropriate in all the circumstances of the case in question.

Costs

- 14.26 Costs are at the discretion of the Disciplinary Committee. It may order any party to pay such costs as it thinks appropriate, including, but not limited to, administration costs, costs incurred in the investigation, preparation and presentation of the case.

Appeal

- 14.27 Within ten days of service of the Disciplinary Committee's decision, the Member may appeal to the Disciplinary Appeal Committee ("the Appeal Committee") by serving a Notice of Appeal on the Chairman of the Appeal Panel.

- 14.28 Within ten days of service of the Disciplinary Committee's decision, the Exchange may appeal to the Appeal Committee by serving a Notice of Appeal on the Chairman of the Appeal Panel and the Member.
- 14.29 A Notice of Appeal shall set out the grounds of the appeal and shall contain a brief statement of all matters relied upon by the appellant.
- 14.30 The grounds of the appeal may be any one or more of the following:
- 14.30.1 the Disciplinary Committee misdirected itself;
- 14.30.2 the Disciplinary Committee's decision was
- (a) one which no reasonable Disciplinary Committee could have reached;
 - (b) unsupported by the evidence or was against the weight of the evidence;
 - (c) based on an error of law, or misinterpretation of the Rules.
- 14.30.3 the penalty imposed by the Disciplinary Committee was either excessive or insufficient;
- 14.30.4 new evidence is available and that, had it been adduced, the Disciplinary Committee could reasonably have come to a different decision provided that this will not apply if the evidence could have been adduced before the Disciplinary Committee by the exercise of reasonable diligence.
- 14.31 The Appeal Committee shall determine the procedure at the appeal having regard to the following:
- 14.31.1 the appellant will open the appeal;
- 14.31.2 any witnesses called may be cross-examined and re-examined by the parties and questioned by the Appeal Committee;
- 14.31.3 the other party may make submissions in response;
- 14.31.4 the appellant may make closing submissions.
- 14.32 The Appeal Committee shall announce its decision to the parties as soon as practicable.
- 14.33 The Appeal Committee may dismiss or allow the appeal and may increase or decrease the penalty imposed upon such terms and conditions as it considers appropriate.
- 14.34 Within 20 business days of the conclusion of the hearing, the Appeal Committee shall serve on the parties a written decision setting out its reasons.
- 14.35 Regulation 14.26 in relation to costs shall apply to the Appeal Committee *mutatis mutandis*.

Settlements

- 14.36 The Exchange and the Member may agree a settlement of disciplinary proceedings at any time up to the commencement of the disciplinary hearing.
- 14.37 A Member wishing to enter into settlement negotiations must submit written proposals for settlement to the Exchange and the Enforcement Committee.

- 14.38 Settlement negotiations shall be on a without prejudice basis.
- 14.39 Any settlement agreement shall be submitted to the Enforcement Committee for ratification. The Enforcement Committee may ratify or refuse to ratify any settlement agreement. A settlement agreement shall not take effect unless ratified by the Enforcement Committee. A settlement agreement so ratified shall have the same status as a decision by a Disciplinary Committee.
- 14.40 Once the hearing has commenced, the Exchange and the Member may reach an agreed finding. Any agreed finding shall be submitted to the Disciplinary Committee for ratification.
- 14.41 The Disciplinary Committee may ratify or refuse to ratify the agreed finding. An agreed finding shall not take effect unless ratified by the Disciplinary Committee. Where the Disciplinary Committee refuses to ratify the agreed finding, the hearing shall proceed as if no agreed finding was reached.

Publication of Findings and Penalties

- 14.42 Subject to appeal, where the Disciplinary Committee finds that there has been an act of misconduct, notification of such findings and of any sanction shall be made (once the same has taken effect) by means of a notice to the relevant parties.
- 14.43 Where disciplinary proceedings have been concluded by way of settlement ratified by the Enforcement Committee or an agreed finding ratified by a Disciplinary Committee, notification of the settlement agreement or the agreed finding shall be made by means of notice to the relevant parties. Such notice to be drafted by the Exchange in consultation with the Member.
- 14.44 Relevant parties in this context shall mean:
- 14.44.1 the person or Member found to have committed the act of misconduct;
- 14.44.2 where the misconduct was on the part of a warehouse company or agent thereof, all Members, approved warehouses and their agents;
- 14.44.3 where the misconduct was on the part of any Member or person deemed to be the responsibility of a Member, to all Members;
- 14.44.4 as an exception to Regulation 14.44.3, where the finding is by the Ring Disciplinary Committee or the Ring Discipline Supervisory Committee, all Category 1 Members;
- 14.44.5 in all cases the appropriate regulatory or other authorities, as the Exchange deems appropriate.
- 14.45 The outcome of disciplinary proceedings being notified to all Members shall also be made public by such means as the Exchange shall think fit.
- 14.46 Where the Appeal Committee upholds the finding of the Disciplinary Committee (even in the event that the penalty is altered), the above rules on publication shall apply.

Procedural Provisions applicable to the Exchange Disciplinary Process

Membership of the Disciplinary Committee and the Appeal Committee

- 14.47 The Exchange, in consultation with the Chairman of the Appeal Panel, shall from time to time appoint persons, who may be Directors or other persons, to a panel ("the Disciplinary Panel"). A member of the Enforcement Committee cannot be appointed to the Disciplinary Panel. Membership of particular Disciplinary Committees shall be drawn only from the Disciplinary Panel.
- 14.48 The Exchange, in consultation with the Chairman of the Appeal Panel, shall from time to time appoint persons, who shall not be Directors, to a panel ("the Appeal Panel"). Membership of particular Appeal Committees shall be drawn only from the Appeal Panel.
- 14.49 Membership of the Disciplinary Panel and the Appeal Panel shall be notified to Members from time to time by means of a Notice.
- 14.50 Membership of the Disciplinary Panel shall be for a period of 5 years (the term) renewable. A member of the Disciplinary Panel may not be removed from the Panel prior to the expiration of the term save in the event that he or she ceases to be a Director of the LME, or in the event that he or she is guilty of conduct which has brought or may be likely to bring the Exchange or any of its markets into disrepute.
- 14.51 Membership of the Appeal Panel shall also be for a period of 5 years (the term) renewable. A member of the Appeal Panel may not be removed from the Panel save in the event that he or she is guilty of conduct which had brought or may be likely to bring the Exchange or any of its markets into disrepute.
- 14.52 The Exchange shall appoint one member of the Disciplinary Panel to be the Chairman of the Disciplinary Panel. The Exchange shall appoint one member of the Appeal Panel to be the Chairman of the Appeal Panel.
- 14.53 No person shall be eligible to serve as a member of the Disciplinary Committee or Appeal Committee in relation to any particular case if he has any material interest in the matter under consideration either personally or through any Undertaking with which he may be concerned.
- 14.54 At least one member of the Appeal Committee must be a qualified lawyer.
- 14.55 At the request of the Head of Market Operations, the Chairman of the Disciplinary Panel shall nominate three members of the Disciplinary Panel to sit on a Disciplinary Committee and shall notify the Member and the Exchange of such nomination. The Chairman may nominate himself. If the Member does not agree to one or more of the nominated Disciplinary Committee, the Chairman, if satisfied that the grounds of objection are reasonable, shall nominate a replacement, or replacements, from the Disciplinary Panel, subject to such replacement, or replacements, being willing and able to sit on that Disciplinary Committee.
- 14.56 On receipt of a Notice of Appeal, the Chairman of the Appeal Panel shall nominate three members of the Appeal Panel to sit on an Appeal Committee and shall notify the Member and the Exchange of such nomination. The Chairman may nominate himself. If the Member does not agree to one or more of the nominated Appeal Committee, the Chairman, if satisfied that the grounds of objection are reasonable, shall nominate a replacement, or replacements, from the Appeal Panel, subject to Regulation 14.54 and subject to such replacement, or replacements, being willing and able to sit on that Appeal Committee.

- 14.57 In the case of a matter set out in Regulations 11.3 to 11.10 of the Trading Regulations (by way of appeal or otherwise) the Appeal Committee shall not include any member of the Ring Discipline Supervisory Panel who was involved in that capacity in the matter.

Composition

- 14.58 The Disciplinary Committee or the Appeal Committee shall appoint one of their number to be the Chairman.
- 14.59 The quorum of a Disciplinary Committee or Appeal Committee shall be three, unless decided otherwise by the Disciplinary Committee or Appeal Committee.
- 14.60 The Disciplinary Committee may decide that any pre-hearing review shall be heard by the Chairman sitting alone.

Legal Adviser

- 14.61 A legal adviser, who shall be a barrister or solicitor, may be appointed by the Disciplinary Committee or the Appeal Committee to sit throughout the hearing (including any pre-hearing review) and provide legal advice to the Committee.
- 14.62 The same legal adviser may not be appointed to advise both the Disciplinary Committee and Appeal Committee on the same case.

Hearings in private

- 14.63 Disciplinary Committee hearings and Appeal Committee hearings shall be held in private, unless the Member elects to hold the hearing in public.

Representation

- 14.64 Parties to disciplinary proceedings may be represented.
- 14.65 Where disciplinary action is taken against an individual, he or she may represent himself or herself, or may be represented by his or her employer or may be legally represented.
- 14.66 Where disciplinary proceedings are taken against a Member, it may be represented by one of its officers, employees or may be legally represented.
- 14.67 The Exchange may be represented by one of its officers, employees or may be legally represented.
- 14.68 The availability of a particular legal representative shall not be conclusive when fixing a date for a pre-hearing review or a tribunal.

Failure to attend

- 14.69 If either party fails to attend, the hearing may proceed in its absence.

Record of hearing

- 14.70 A record shall be made of the hearing, electronically or otherwise. The Member shall be entitled to a transcription or copy of the record on payment of the costs.

Burden and standard of proof

- 14.71 The burden of proof shall be on the Exchange. The Disciplinary Committee shall not find a charge proved unless it is satisfied on the balance of probability.

Evidence

- 14.72 The Disciplinary Committee may admit any evidence whether oral or written, whether direct or hearsay and whether or not the same would be admissible in a court of law.

Notice periods

- 14.73 Any notice periods specified in these rules may be amended by agreement in writing between the Exchange and the Member, unless such notice periods have been set by the Disciplinary Committee or the Appeal Committee.

Convictions and findings by other authorities

- 14.74 The findings of fact of any court in the United Kingdom or of the Financial Services Tribunal, which have not been set aside on appeal or otherwise shall be conclusive evidence of the facts so found.
- 14.75 A criminal conviction by any court in the United Kingdom which has not been set aside on appeal or otherwise shall be conclusive evidence of the commission of that offence.
- 14.76 The findings of fact of the following bodies, which have not been set aside on appeal or otherwise, shall be prima facie evidence of the facts so found:
- 14.76.1 any court of competent jurisdiction outside the United Kingdom;
- 14.76.2 any committee or tribunal of the Financial Conduct Authority, and self-regulating organisation, recognised professional body, recognised investment exchange or recognised clearing house or any overseas regulatory authority which the Exchange considers to be relevant exercising regulatory or disciplinary functions;
- 14.76.3 the Monopolies and Mergers Commission;
- 14.76.4 any other body exercising a regulatory or disciplinary jurisdiction over any persons engaged in financial services business whether in the United Kingdom or elsewhere.

15. **DISQUALIFICATION AND EXPULSION**

- 15.1 The criteria for Membership are continuing requirements and if a Member shall cease at any time to satisfy any of the criteria for Membership of his class the Directors may in their discretion re-categorise his Membership to a class the criteria for which he is able to satisfy or, subject to Regulation 15.4, suspend his Membership until such time as he is able to satisfy the criteria, or may seek to expel him from Membership.
- 15.2 Upon the happening of any of the following events the Directors may resolve, with immediate effect, that the Member concerned be suspended from Membership, and, where appropriate, subject to Regulation 15.5, expelled from Membership:-
- 15.2.1 A Member pursuant to disciplinary proceedings held in accordance with these Regulations is found to have committed a serious breach or persistent breach of the Regulations and the Disciplinary Committee has suspended or expelled the Member subject to ratification by the Directors, provided that the Disciplinary Committee's decision has been upheld by an

Appeal Committee, or the time for lodging an appeal has elapsed and no appeal has been made;

- 15.2.2 A Member fails to meet his material contractual obligations to another Member and the obligation or the obligations concerned are not being disputed in good faith;
- 15.2.3 A Member is declared a Defaulter pursuant to the Default Regulations;
- 15.2.4 An Event of Default (as defined in the Default Regulations) occurs in relation to a Member and is continuing.
- 15.3 The Directors shall have the power to suspend a Member where it is considered necessary to ensure an orderly market, or otherwise to enable the Exchange to comply with its statutory obligations.
- 15.4 Save in the case of Regulation 15.2.1, the power to suspend a Member is subject to a right of appeal by the Member to an Appeal Committee convened pursuant to Regulation 14. The Appeal Committee shall, in such circumstance, have full jurisdiction to review the facts of the case as if it were a Disciplinary Committee. Any appeal shall be heard swiftly.
- 15.5 Save in the case of Regulation 15.2.1, where the Directors believe expulsion is warranted, they shall request that an Appeal Committee be convened, pursuant to Regulation 14, to consider the case for expulsion. Such an Appeal Committee shall be convened swiftly. The Directors may suspend the Member with immediate effect pending the outcome of the Appeal Committee so convened. The Appeal Committee shall, in such circumstance, have full jurisdiction to review the facts of the case as if it were a Disciplinary Committee. Where the Appeal Committee agrees that expulsion is justified, the Member shall be expelled with immediate effect.

16. **FORFEITURE OF RIGHTS ON CESSATION OF MEMBERSHIP**

- 16.1 A Member who shall have been expelled or shall otherwise have ceased to be a Member shall not be entitled to any refund of subscription or fees.
- 16.2 All rights and privileges of being a Member and all Cards of Admission issued to a Member or to a Member's directors or employees on his application and all rights appertaining thereto shall ipso facto be cancelled upon the Member's ceasing for any reason to be a Member or losing in any other way the right of entry to the Exchange.

17. **DISPUTES BETWEEN MEMBERS**

Upon the Secretary receiving a notice in writing from a Member that a dispute exists between him and another Member arising out of or in connection with a Contract, he shall send a Notice to Members to this effect. Such memorandum shall be removed by the Secretary when he shall receive notification in writing by the party or parties reporting the existence of such dispute that it has been settled or has been referred to arbitration in accordance with Part 8 of the Rules or otherwise disposed of.

18. **INTELLECTUAL PROPERTY RIGHTS**

- 18.1 As between the Members and the Company, all right, title, interest and Intellectual Property Rights in:-
 - (a) the Rules and Administrative Procedures; and

(b) LME Data;

shall be the property of the Company. To the extent a Member acquires any right, title, interest or Intellectual Property Rights in the same it hereby assigns all such right, title, interest and Intellectual Property Rights (including by way of a present assignment of any future copyright or similar rights) to the Company for the full duration of such right, title, interest and Intellectual Property Rights.

18.2 For the avoidance of doubt, the Company hereby expressly reserves any and all rights (including Intellectual Property Rights and any rights of confidentiality), licences and permissions in and to the LME Data, the Trade Marks and the Product Specifications.

18.3 Unless explicitly permitted in writing between the Member and the Company, the Member shall not:

- (a) remove the Trade Marks from the LME Data or alter them (unless not practicable to display the Trade Marks and LME Data together);
- (b) use the Trade Marks in conjunction with any other mark, name, logo, symbol or device;
- (c) use the Trade Marks other than in relation to:
 - (i) Contracts; or
 - (ii) any contract to which the Financial OTC Booking Fee Policy applies, and in respect of which the Member shall report such contract to the Company in accordance with the Financial OTC Booking Fee Policy;
- (d) use the Trade Marks in such a way as to damage the goodwill or reputation attaching to such Trade Marks or the name of the Company or to otherwise prejudice the validity or enforceability of any such Trade Marks;
- (e) permit access to, distribute, sub-licence or publish the LME Data or Trade Marks to any third party;
- (f) use the LME Data as a Benchmark or in connection with the determination of a Benchmark or pass the Data to an Administrator in connection with the determination of a Benchmark;
- (g) manipulate the LME Data in any way and/or use the LME Data to create any Derived Data;
- (h) use the LME Data or Trade Marks, or any part of them:
 - (i) in breach of these Rules or the Financial OTC Booking Fee Policy or other applicable laws or regulations;
 - (ii) for any unlawful purpose; or
 - (iii) in any way that may in the Company's absolute opinion be considered to bring the Company, its Affiliates, the LME Data and/or the Trade Marks into disrepute.

18.4 Each Member acknowledges and agrees that LME Data may be provided by the Company to any Member and any third party, and may be used by the Company or such other persons for any commercial or other purpose, subject to any restrictions applicable to particular categories of LME Data in Regulation 21 (Confidentiality). The Company may from time to time grant a licence to Members or third parties to use, copy, modify, distribute or otherwise exploit the LME Data, but, subject to Regulation 18.5 below, in the absence of such a licence, Members may not use, copy, modify, distribute or otherwise exploit the LME Data.

18.5 The Company hereby grants to each Member a non-exclusive, worldwide, perpetual, royalty-free licence, with the right to sub-licence, to use, copy, modify, distribute and otherwise exploit the LME Data relating solely to that Member for any commercial or other purpose, subject in each case to the restrictions in Regulation 21 (Confidentiality).

19. **FINANCIAL OTC BOOKING FEE POLICY**

19.1 Each Member shall comply with the Financial OTC Booking Fee Policy. Without prejudice to the generality of the foregoing, each Member shall:

- (a) register with the Exchange, pursuant to the requirements of the Financial OTC Booking Fee Policy;
- (b) report to the Exchange, any trades undertaken by the Member which are required to be reported pursuant to the Financial OTC Booking Fee Policy; and
- (c) pay to the Exchange, any fees due to the Exchange pursuant to the Financial OTC Booking Fee Policy in relation to trades undertaken by the Member.

19.2 Each Member shall procure and otherwise take steps to ensure that their Affiliates comply with the Financial OTC Booking Fee Policy. Where the Affiliate fails to comply with the Financial OTC Booking Fee Policy, whether: (a) registering with the Exchange; (b) reporting any trades undertaken by the Affiliate to the Exchange; or (c) paying to the Exchange, any fees due pursuant to the Financial OTC Booking Fee Policy; or (d) otherwise, the Member shall be liable to the Exchange for any non-compliance by Affiliate with the Financial OTC Booking Fee Policy.

19.3 Without prejudice to any additional rights of the Exchange under the Financial OTC Booking Fee Policy to require information from any Member or its Affiliate, each Member shall, and shall ensure that its Affiliates shall, within 5 Business Days of any request by the Exchange:

- (a) permit the Exchange and its representatives to have access to any records and information maintained by the Member and/or its Affiliates (as the case may be) in respect of any transactions undertaken by the Member or its Affiliates for the purposes of assessing compliance with the Financial OTC Booking Fee Policy; and
- (b) respond to any reasonable questions from the Exchange which are relevant to assessing the compliance by the Member and its Affiliates with the Financial OTC Booking Fee Policy.

19.4 For the avoidance of doubt, a Member or its Affiliate shall only be entitled to benefit from an exemption from compliance with any aspect of the Financial OTC Booking Fee Policy

in the event that such exemption has been granted by the Exchange in accordance with the terms of the Financial OTC Booking Fee Policy.

20. RESTRICTIONS ON USE OF LME PROPERTY OR SYSTEMS FOR NON-EXCHANGE CONTRACTS

20.1 The facilities of the Exchange may not be used to facilitate the execution, clearing or settlement of any Non-LME Platform Contract. Without limitation to the foregoing:

- (a) no Member may use any LME Data, Product Specifications or any other Intellectual Property Rights of the Exchange, or any part of them for the formation, trading, pricing, clearing or settlement of any Non-LME Platform Contract;
- (b) LME Warrants may not be used for the purpose of settling any Non-LME Platform Contract;
- (c) the Ex-Cleared settlement functionality of LMEsword may not be used to facilitate the settlement of any Non-LME Platform Contract;
- (d) no Member may use the inter-office market to facilitate the submission to the Matching System of any Non-LME Platform Contract as an Agreed Trade; and
- (e) no Member may bring-onto, or allow its Client to bring-onto, the Exchange any Non-LME Platform Contract, including pursuant to the OTC Bring-On category within the Matching Rules, the submission to the Matching System of an Agreed Trade, or otherwise.

20.2 The Exchange may, in its absolute discretion, by Notice dis-apply any of the restrictions specified in this Regulation 20 in respect of Non-LME Platform Contracts traded on, executed on, or otherwise arranged or agreed via any specific Non-LME Multi Dealer Trading System. Such Notice:

- (a) shall specify the identity of the specific Non-LME Multi Dealer Trading System that is approved by the Exchange as a venue for the formation of Agreed Trades that may be brought-onto the Exchange; and
- (b) may specify the categories of Contracts to which such approval shall apply.

20.3 The Exchange shall issue a Notice pursuant to Regulation 20.2 above, publicising the situation where, as determined by the LME in its sole discretion and acting reasonably, any Non-LME Multi Dealer Trading System is lawfully making use of the Intellectual Property Rights of the Exchange, including, without limitation, where such Non-LME Multi Dealer Trading System has: (i) entered into a licence agreement for the use of Intellectual Property Rights belonging to the Exchange; or (ii) been granted open access rights pursuant to prevailing applicable legislation.

21. CONFIDENTIALITY

21.1 Subject to Regulation 21.2, the Company shall treat as confidential all information received from a Member that concerns the business and affairs of a Member or Client (including any information relating to any Contract).

21.2 The Company may disclose any information which is subject to the confidentiality obligations in Regulation 21.1:-

- (a) to any regulator that has responsibility for regulating the Exchange or the Clearing House;
- (b) to any regulator that has responsibility for regulating the Member;
- (c) to the Clearing House, to the extent that such information is relevant to the performance by the Clearing House of its functions under its own rules or terms of service, or its obligations under applicable law, or its contractual obligations to the Company;
- (d) to the Member itself;
- (e) where the Company acquires or develops the information independently of any information or document provided by the Member;
- (f) to any member of the Company's group, or to any employees, officers, consultants, professional advisers or agents of any of them, in connection with the operation of the Exchange, risk management processes or for the purposes of internal group control or accounting, subject to appropriate confidentiality requirements;
- (g) to any other Member for the purposes of a potential transfer of a Contract to such Member in accordance with the Rules;
- (h) to third parties appointed or engaged by the Company or a Member in connection with the operation of the Company's complaint-handling or discipline processes, where and to the extent that such third parties reasonably need to receive such information in order to discharge their functions in support of such processes;
- (i) with the consent of the Member;
- (j) to potential acquirers (and their advisers) of the Company or an holding company of the Company or of the businesses of the Company, provided that each such potential acquirer has entered into a confidentiality undertaking with respect thereto;
- (k) in a document in relation to a takeover offer conducted under the rules of The Panel on Takeovers and Mergers or any equivalent body in any other relevant jurisdiction;
- (l) if and to the extent the information has come into the public domain through no fault of the Company;
- (m) to the Company's insurer(s), provided that any such insurer has entered into a confidentiality undertaking with respect thereto;
- (n) where necessary for the discharge of the Company's obligations under applicable law;
- (o) where the Company considers it appropriate to disclose such information for the purpose of discharging the Company's obligations under the Rules having due regard to the confidential nature of the information, and taking reasonable care to ensure that the recipient of such information is aware of its confidential nature; or

- (p) where and to the extent that such disclosure is necessary or permitted pursuant to any other Regulation or Administrative Procedure, including for the avoidance of doubt, any Regulation permitting the Company to issue Notices in respect of a Member,

and for the avoidance of doubt, nothing in this Regulation 21 shall prevent the Company from providing LME Data to any third party in accordance with Regulation 18.4 above where and to the extent that any such LME Data that is provided to a third party in respect of a Member is anonymised and/or aggregated with LME Data in respect of other Members.

21.3 Subject to Regulation 21.4, each Member shall treat as confidential all information concerning the business and affairs of the Company.

21.4 A Member may disclose any information which is subject to the confidentiality obligations in Regulation 21.3:-

- (a) to any regulator that has responsibility for regulating the Member where required to do so pursuant to any direction, rule or requirement of the regulator or by applicable law;
- (b) to the Company itself;
- (c) where the Member develops the information independently of any information or document provided by the Company;
- (d) to the Member's group, or to employees, officers, consultants, professional advisers or agents of the Member or its group solely to the extent that such persons need to receive such information in order to assist the Member in properly performing its obligations or exercising its rights under these Rules, and subject, in all cases to their agreement to treat such information as strictly confidential;
- (e) with the consent of the Company;
- (f) if and to the extent the information has come into the public domain through no fault of the Member;
- (g) where necessary for the discharge of the Member's obligations under applicable law; or
- (h) where the Member considers it appropriate to disclose such information for the purpose of discharging the Member's obligations under the Rules having due regard to the confidential nature of the information, and taking reasonable care to ensure that the recipient of such information is aware of its confidential nature.

22. **FEES & INCENTIVE PROGRAMMES**

22.1 Members shall pay such fees to the Exchange as the Exchange shall specify by Administrative Procedure from time to time.

22.2 The Exchange may, from time to time, make available to Members incentive, rebate or market-making programmes that shall operate to provide certain specified benefits and/or modify the fees payable in respect of specified types of Contracts (each such programme being an "**Incentive Programme**").

22.3 The Exchange shall specify, by way of notice issued on the public website maintained by the Exchange:

- (a) the eligibility criteria to be satisfied by any Member and, where applicable, any Client of such Member wishing to participate in each Incentive Programme;
- (b) any information and/or application documentation to be submitted to the Exchange by the Member in respect of itself and, where applicable, any Client of such Member wishing to participate in each Incentive Programme;
- (c) the technical and operational procedures to be followed by any Member and, where applicable, any Client of such Member, in order to qualify for the benefits available under an Incentive Programme;
- (d) any conditions, commitments, minimum transaction volumes, or requirements as to the types of transactions executed that are to be satisfied by any Member and, where applicable, any Client of such Member, in order to qualify for the benefits available under an Incentive Programme;
- (e) any information reporting requirements or other obligations that must be complied with by any Member participating in an Incentive Programme;
- (f) the specific benefits available under an Incentive Programme for any Member that complies with the requirements specified in accordance with (a) to (e) above; and
- (g) any other information, descriptions, explanations or details that the Exchange considers relevant to the manner in which the Exchange intends to operate the Incentive Programme,

such criteria, procedures, conditions and requirements under (a) to (e) being the "**Incentive Programme Requirements**" and such benefits under (f) being the "**Incentive Programme Benefits**". The Exchange may, from time to time, amend, add to or replace any Incentive Programme Requirements and/or Incentive Programme Benefits applying to or under any Incentive Programme, and any other information published pursuant to (h), by updating or replacing the relevant notice published on the public website of the Exchange.

22.4 Any Member wishing to participate in an Incentive Programme must satisfy the Incentive Programme Requirements for such Incentive Programme that may be specified by the Exchange, in accordance with Regulation 22.3 above, from time to time.

22.5 The Exchange may, in its absolute discretion:

- (a) reject any request by a Member:
 - (1) to participate in any Incentive Programme; or
 - (2) to allow a Client to participate in any Incentive Programme; or
 - (3) to apply the Incentive Programme to the activities of any Client; or
- (b) terminate the application of any Incentive Programme to any:
 - (1) Member; or
 - (2) Client, or to the activities of any Client, of a Member.

22.6 For the avoidance of doubt, the Incentive Programme Benefits available in respect of any Incentive Programme may include:

- (a) the specification of a rebate to any fees payable by a Member in respect of any specified type of Contract; or
- (b) the specification of a reduction to any fees payable by a Member in respect of any specified type of Contract; or
- (c) the specification of any other form of monetary or non-monetary benefit that the Exchange may make available to a Member,

and any such Incentive Programme Benefit may be specified as being limited in duration, or applicable only to specific Contracts or Transactions that satisfy certain Incentive Programme Requirements.

22.7 Where any Incentive Programme makes the availability of Incentive Programme Benefits subject to any Incentive Programme Requirements applying to the trading activity of any Client of a Member, or the nature, identity or behaviour of any such Client:

- (a) it shall be the responsibility of the Member to ensure that the relevant Incentive Programme Requirements are satisfied; and
- (b) it shall be the sole responsibility of the Member to notify its Clients of its participation in the Incentive Programme, and the features of such Incentive Programme, together with the satisfaction of any other disclosure requirements that may be applicable under any relevant law or regulation or the terms of any agreement between the Member and any Client; and
- (c) for the avoidance of doubt, the Exchange has no responsibility to any Client for ensuring that any of the Incentive Programme Benefits are made available by the Member to the relevant Client; any such arrangement shall be governed solely by the arrangements established between the Member and the Client.

For the avoidance of doubt, any reference in these Rules to any "participation" by a Client in any Incentive Programme does not create, imply or infer the creation of any contractual relationship between the Exchange and any Client in relation to such Incentive Programme, nor confer on any Client any entitlement to receive any benefits (including Incentive Programme Benefits) from the Exchange. If and to the extent that the Exchange provides an Incentive Programme that is intended to provide an entitlement for a Client to receive Incentive Programme Benefits, such entitlement shall be established pursuant to separate contractual documentation between the Exchange and the relevant Client that explicitly establishes the basis for such entitlement.

22.8 Any Clearing Member that participates in any Incentive Programme shall ensure that it shall not, and that any Client shall not, through its participation in the Incentive Programme:

- (a) affect or distort the proper market in any Contract; or
- (b) commit or permit the commission of any market abuse or any other breach of any applicable law or regulation applying to the Member, Client or the trading of any Contract; or

- (c) enter into any Contract that is not compliant with any applicable Incentive Programme Requirements.

- 22.9 The Exchange may, at any time and from time to time, request from a Member such evidence as the Exchange may consider necessary or appropriate to determine the compliance by the Member, or any Client of the Member, with the Incentive Programme Requirements applicable to any Incentive Programme in which the Member or its Client is participating, and the Member shall, upon receipt of such request, promptly provide such evidence.
- 22.10 The Exchange may publish the names of any Member or Client participating in any Incentive Programme.
- 22.11 The Exchange may withdraw any Incentive Programme, together with any Incentive Programme Benefits available thereunder, at any time in its sole discretion. The withdrawal of any Incentive Programme shall not affect any Incentive Programme Benefits that have accrued to a Member prior to the time of such withdrawal.
- 22.12 Subject to Trading Regulation 21, a Member must not pursue, or permit any Client of the Member to pursue, a Market Making Strategy on the Exchange without first notifying the Exchange and entering into such agreements as the Exchange may specify, including any agreement required to satisfy any applicable legal or regulatory requirement. The Member must ensure that any activity it undertakes on the Exchange in pursuing a Market Making Strategy complies with the term of any such agreement, the Rules, including but not limited to the applicable requirements in Trading Regulation 21, and any relevant administrative procedure.
- 22.13 Regulation 22.12 above shall apply with effect from 3 January 2018.

23. **RECORDING OF TELEPHONE CALLS**

- 23.1 The Exchange may record:
 - (a) telephone calls between representatives of Members and the Exchange; and
 - (b) the telephone number from which representatives of Members call the Exchange, together with the time, date and content of the call,

and may maintain records relating to (a) and (b) above, in each case in accordance with the Exchange's policy on telephone recording from time to time and applicable law.

PART 3
TRADING REGULATIONS

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PART 3: TRADING REGULATIONS

1. GENERAL

- 1.1 Members who wish to access any of the Exchange's systems must meet all prescribed connectivity requirements, as amended by the Exchange from time to time. Members must ensure that any connectivity solutions that are utilised have the appropriate degree of resiliency.
- 1.2 The Exchange may fix and from time to time alter the hours of opening and closing the Exchange, the hours for trading by open outcry in the Ring and the hours for trading on LME Select.
- 1.3 The Exchange may, at its absolute discretion, acting reasonably suspend trading on one or more of the Exchange trading venues for such period it considers necessary in the interests of maintaining a fair and orderly market. Trading will be resumed as soon as reasonably practicable following any such suspension of a trading venue.
- 1.4 Members may enter into Agreed Trades at any time on a Business Day notwithstanding that the Exchange may not be open at the time.
- 1.5 The Exchange may implement procedures to establish the maximum price fluctuations on the market for each Metal Contract, which may as a consequence lead to the restriction or suspension of business.
- 1.6 The making by a Trading Member of Contracts shall be subject to the Rules of the Exchange (of which the Trading Regulations form a part). Cleared Contracts shall in addition be subject to the Clearing House Rules.
- 1.7 Contracts may be written only by Trading Members and accordingly at least one party to every Contract must be such a Member. LME Base Contracts may be written only by Category 1, 2, 3 or 4 Members. LMEprecious Futures may be written only by LMEprecious Members.
- 1.8 All Contracts shall be governed by the Rules including:
 - (a) the Trading Regulations;
 - (b) the Contract Regulations;
 - (c) the Traded Options Regulations,
 - (d) the Monthly Average Future Regulations;
 - (e) the Special Rules for the relevant metal, LMEmini Contract, Ferrous Future or for the Construction of the Index;
 - (f) the Premium Contract Regulations;
 - (g) the LMEprecious Regulations; and
 - (h) (in respect of Cleared Contracts) the Clearing House Rules,as effectively as if the same had been expressly inserted therein.

2. **PERMITTED CONTRACTS AND CONTRACT FORMATION**

2.1 **Permitted Contracts**

2.1.1 Members may act only as principals. In all dealings with non-Members they shall comply with the provisions contained in the Rules which refer to relations with Clients and to dealings with Clients.

2.1.2 All dealing by Members in Metal Contracts, LMEmini Contracts, Index Contracts, Ferrous Futures, Monthly Average Futures, Premium Contracts and LMEprecious Futures made subject to the Rules of the Exchange must be evidenced by:

- (a) a Cleared Contract; and/or
- (b) one or more Cleared Contracts and one or more Client Contracts,

and the details of the Agreed Trade that results in the formation of such Contract(s) must be input into the Matching System by the Member. This Regulation shall not impose on the Clearing House any obligation which is not imposed on it by the Clearing House Rules.

2.1.3 Any Contract, except Index Contracts, Ferrous Futures, LMEmini Contracts, Monthly Average Futures, Premium Contracts and LMEprecious Futures, may be written with the price or premium payable in any one of the following currencies and no other: US dollar, euro, Japanese yen or sterling. Index Contracts, Ferrous Futures, LMEmini Contracts, Monthly Average Futures, Premium Contracts and LMEprecious Futures shall be written with the price or premium payable solely in US dollars.

2.2 **Contract Formation**

2.2.1 The basis on which Contracts shall be formed shall be as set out in this Trading Regulation 2.

2.2.2 Agreed Trades may be made:

- (a) in the Ring; or
- (b) in LME Select; or
- (c) in the inter-office market,

(and each of (a), (b) and (c) shall be an "**Execution Venue**"), subject to any restrictions regarding the permissible trading venues for any type of Contract specified in these Rules.

2.2.3 An Agreed Trade shall constitute the agreement of the terms of a transaction for the purpose of enabling Contracts to be formed between each Clearing Member that is:

- (a) party to the Agreed Trade; or
- (b) responsible for the clearing of the Agreed Trade,

and the Clearing House, subject to and in accordance with the Acceptance Criteria of the Clearing House. An Agreed Trade shall not itself constitute a binding contractual agreement between the parties to the Agreed Trade (whether as a Cleared Contract or otherwise) unless and to the extent otherwise specified in these Rules.

- 2.2.4 A Clearing Member shall be "**responsible for the clearing of an Agreed Trade**" where:
- (a) one party to the Agreed Trade is a Client of the Clearing Member; and
 - (b) the Client and the Clearing Member have established arrangements for such Agreed Trade to be cleared by the Clearing Member.
- 2.2.5 An Agreed Trade shall result in the formation of one or more Contracts when it is Executed, in accordance with the applicable Rules governing Execution for the Execution Venue within which the Agreed Trade was agreed.
- 2.3 **Execution of trades in the Ring**
- 2.3.1 Where an Agreed Trade is made in the Ring and satisfies the Acceptance Criteria, the following shall apply.
- (a) The time of such agreement between two Clearing Members shall be the Execution Time.
 - (b) At the Execution Time, Cleared Contracts shall be automatically and immediately formed between the Clearing House and each Member that is party to the Agreed Trade, subject to and in accordance with the Clearing House Rules.
- 2.4 **Execution of trades in LME Select**
- 2.4.1 Where an Agreed Trade is made in LME Select, the following shall apply.
- (a) The Agreed Trade made in LME Select shall, provided that it satisfies the Acceptance Criteria, be Executed at the time that LME Select confirms that the Agreed Trade is matched and that all Pre-Execution Checks are satisfied (and such time shall be the Execution Time).
 - (b) At the Execution Time, Cleared Contracts shall be automatically and immediately formed between the Clearing House and each Member that is party to, or responsible for the clearing of, the Agreed Trade, subject to and in accordance with the Clearing House Rules.
- 2.5 **Execution of trades in the inter-office market**
- 2.5.1 Where an Agreed Trade is made in the inter-office market, the following process shall apply.
- (a) Upon the agreement of an Agreed Trade in the inter-office market, the parties to the Agreed Trade shall become bound to a Contingent Agreement to Trade.
 - (b) The obligations of the parties to the Contingent Agreement to Trade shall be as specified in Regulation 2.10 below.
 - (c) The Agreed Trade shall, provided that it satisfies the Acceptance Criteria, be Executed at the time that the Matching System confirms that the Agreed Trade is matched and that all Pre-Execution Checks are satisfied (and such time shall be the Execution Time).
 - (d) At the Execution Time:

- (i) Cleared Contracts shall be automatically and immediately formed between the Clearing House and each Member that is party to, or responsible for the clearing of, the Agreed Trade, subject to and in accordance with the Clearing House Rules; and
- (ii) the Contingent Agreement to Trade shall be discharged.

2.6 **Formation of Client Contracts**

2.6.1 Where an Agreed Trade is made between:

- (a) a Clearing Member and its Client; or
- (b) a Client of a Clearing Member and any other person, pursuant to an arrangement where the Clearing Member is to be responsible for the clearing of the Agreed Trade,

and upon Execution of the Agreed Trade, one or more Cleared Contracts are formed between the Clearing House and the Clearing Member, then a back-to-back Client Contract shall automatically and immediately come into effect between the Clearing Member and the Client having the same terms as the Cleared Contract and having the same direction as the Cleared Contract, such that:

- (i) where the Member is the Buyer under the Cleared Contract, it shall be the Seller under the Client Contract; and
- (ii) where the Member is the Seller under the Cleared Contract, it shall be the Buyer under the Client Contract.

2.6.2 Where the Client is a Category 4 Member or an LMEprecious Non-Clearing Member, and the Agreed Trade is made by the Category 4 Member or LMEprecious Non-Clearing Member with its own Client, then, in addition to the Client Contract formed pursuant to Regulation 2.6.1 above, an additional back-to-back Client Contract shall automatically and immediately come into effect between the Category 4 Member or LMEprecious Non-Clearing Member and its Client, having the same terms and direction as the Client Contract formed under Regulation 2.6.1, such that:

- (a) where the Member is the Buyer under the Client Contract formed under Regulation 2.6.1 it shall be the Seller under the Client Contract formed under this Regulation 2.6.2; and
- (b) where the Member is the Seller under the Client Contract formed under Regulation 2.6.1, it shall be the Buyer under the Client Contract formed under this Regulation 2.6.2.

2.6.3 A Client Contract shall be deemed to come into effect pursuant to this Regulation 2.6 where both parties to the Client Contract are Members.

2.6.4 Where any party to a Client Contract is not a Member, the back-to-back Client Contract shall come into effect pursuant to the terms of business between the Member and the Client. Any Member seeking to enter into Client Contracts with Clients that are not Members must ensure that its terms of business with such Clients contain provisions giving effect to this Regulation 2.6, and which provide that such Client Contracts shall incorporate and be subject to these Rules.

2.7 **LME Select API**

2.7.1 In the event that a Member makes available to a Client the order-routing facility of the LME Select API and due to any use by a Client of the order-routing facility of the LME Select API:

- (a) one or more Cleared Contracts come into effect between the Clearing House and a Clearing Member; and
- (b) one or more Client Contracts comes into effect between:
 - (i) the Clearing Member and the Client (in accordance with Regulation 2.6.1); and / or
 - (ii) the Clearing Member and a Category 4 Member or LMEprecious Non-Clearing Member (in accordance with Regulation 2.6.1); and / or
 - (iii) a Category 4 Member or LMEprecious Non-Clearing Member and its Client (in accordance with Regulation 2.6.2)

then :

- (1) such Client Contract(s) shall be on the same commercial terms as the Cleared Contract, save that the price of the back-to-back Client Contract(s) may be marked-up or down to reflect a commission payable by the Client to the relevant Member, provided that such mark-up or mark-down to the price has been input into the Matching System prior to the Execution Time;
- (2) when the particulars of the Agreed Trade are input into the Matching System, the Clearing Member that is to become party to the Client Contract must ensure that the particulars of the Agreed Trade that will result in the Client Contract are also input into the Matching System, including the identification of the accounts to which the resulting Cleared Contract(s) should be allocated and the identification of any details reflecting the arrangements specified in (1) above, in accordance with Administrative Procedures; and
- (3) Members are reminded that a Metal Future or Premium Contract is a promise by one party to deliver metal to the other party on the specified Prompt Date and a promise by the other party to pay for that metal on the Prompt Date, and that the obligations to take and to deliver metal must remain open until such specified Prompt Date, subject to any provision of these Rules that specifies otherwise.

2.8 **Pre-Execution Checks**

2.8.1 The Exchange and/or the Clearing House will conduct the following checks prior to allowing an Agreed Trade made in LME Select or the inter-office market to be Executed:

- (a) the Agreed Trade is for a valid Contract, including having a valid Prompt Date (if applicable);

- (b) each Member that is to be party to a Cleared Contract upon Execution of the Agreed Trade is permitted to clear such Cleared Contract;
- (c) any Member that is to be party to a Client Contract upon Execution of the Agreed Trade is permitted to issue such Client Contract;
- (d) the transaction price or, in the case of a Traded Option, premium, is within an acceptable range, as specified by the Exchange from time to time;
- (e) the Agreed Trade is within any parameters (with respect to the number of Lots and notional value) specified by the Member within the pre-trade risk management functionality within the Matching System;
- (f) the transaction details identifying the correct position keeping account(s) at the Clearing House to which the resulting Cleared Contracts should be allocated have been entered into the Matching System;
- (g) (in respect of Agreed Trades made in the inter-office market), the Clearing Member responsible for the Agreed Trade meets the Acceptance Criteria; and
- (h) such other checks as the Exchange and/or the Clearing House may deem prudent or appropriate from time to time.

2.9 **Post-Execution Checks**

- 2.9.1 The Exchange and/or the Clearing House will conduct the checks specified in Trading Regulation 2.8.1(a) to (h) above following the Execution of an Agreed Trade made in the Ring.
- 2.9.2 The Exchange and/or the Clearing House, will following the Execution of an Agreed Trade made in LME Select, check that the Clearing Member responsible for the Agreed Trade has sufficient collateral with the Clearing House to cover the additional risk(s) represented by the Cleared Contract(s) resulting from the Execution of the Agreed Trade.
- 2.9.3 For the avoidance of doubt, where an Agreed Trade falling within Trading Regulations 2.9.1 or 2.9.2 above fails any of the checks specified therein, such failure shall not affect the validity of the Execution of the Agreed Trade or the Contracts that have come into effect upon such Execution.

2.10 **Contingent Agreement to Trade**

- 2.10.1 The terms of a Contingent Agreement to Trade shall be as set out below:
 - (a) where both parties to the Contingent Agreement to Trade are Members:
 - (i) the Contingent Agreement to Trade shall be deemed to come into effect at the time of agreement between the Members of the particulars of the Agreed Trade, and shall be subject to, and governed by, these Rules; and
 - (ii) the obligations of the parties to the Contingent Agreement to Trade shall be to submit the particulars of the Agreed Trade to the Matching System within the timescales specified in Regulation 3.5 below;

- (b) where only one party to the Contingent Agreement to Trade is a Member, the Member shall:
 - (i) be responsible for submitting the particulars of the Agreed Trade into the Matching System in accordance with Regulation 2.10.1(a)(ii);
 - (ii) ensure that its terms of business with the other party (being a Client):
 - (1) specify that any Contingent Agreement to Trade shall come into effect pursuant to such terms of business, and shall incorporate and be subject to, these Rules; and
 - (2) oblige the other party to become bound to the Contingent Agreement to Trade on the basis that the other party's obligations shall be to become bound to, and perform, the Client Contract that shall come into effect in accordance with Regulation 2.6 upon Execution of the Agreed Trade.
- 2.10.2 A Member that is party to a Contingent Agreement to Trade must not submit the particulars of the Agreed Trade into the Matching System if such Member has been declared a Defaulter under these Rules.
- 2.10.3 In the event that a Member that is party to a Contingent Agreement to Trade fails to fulfil its obligations to submit the particulars of the Agreed Trade into the Matching System within the timescales specified in Regulation 3.5:
 - (a) the Member may be subject to disciplinary action for an act of misconduct in accordance with Membership Regulation 14;
 - (b) the Member shall be in breach of the Contingent Agreement to Trade and the Member acknowledges that it shall be liable to the other party to the Contingent Agreement to Trade for any loss suffered by such party as a consequence of such breach; and
 - (c) in the event that the Member becomes a Defaulter after entering into the Contingent Agreement to Trade, the Contingent Agreement to Trade shall automatically and immediately be terminated for all purposes, without prejudice to any liability that may have accrued pursuant to Regulation 2.10.3(b) above. For the avoidance of doubt, and in the absence of any specific agreement to the contrary, the references to "all purposes" above shall include the possible existence of any bilateral (OTC) contract.
- 2.10.4 Any dispute between the parties to a Contingent Agreement to Trade shall, unless resolved between the parties, be referred by either party to arbitration in accordance with the Arbitration Regulations.
- 2.10.5 For the avoidance of doubt, a Contingent Agreement to Trade shall not itself be a derivative contract for the purpose of EMIR or MiFID II, although the Cleared Contracts and any Client Contracts that arise pursuant to the Execution of the Agreed Trade to which the Contingent Agreement to Trade relates may be derivative contracts for such purposes.

2.11 Give-Ups

2.11.1 In the event that a Member agrees an Agreed Trade that is to be the subject of a give-up, such Member must comply with such technical, procedural and timing requirements as may be specified in Administrative Procedures, including any requirements relating to: (i) the specification of the accounts at the Clearing House to which the Cleared Contract(s) resulting from the Execution of the Agreed Trade should be allocated; and (ii) any subsequent cancellation or reversal of such Cleared Contract(s) upon acceptance of the give-up by another Clearing Member.

2.11.2 Where a Clearing Member accepts a give-up:

- (a) such Clearing Member shall comply with such technical, procedural and timing requirements as may be specified in Administrative Procedures to facilitate the acceptance of the give-up; and
- (b) the acceptance of the give-up shall, at the time that the Matching System confirms that the Agreed Trade represented by such acceptance satisfies the Acceptance Criteria and that all Pre-Execution Checks are satisfied (such time being the Execution Time), be deemed to result in the Execution of an Agreed Trade between the Clearing Member and the Client which shall result in the formation of a Client Contract between the Clearing Member and the Client, in accordance with Regulation 2.6 above.

3. THE MATCHING SYSTEM AND RECORDING OF TRADES

3.1 Responsibility for Trade Input

3.1.1 Each Trading Member shall be responsible for the input into the Matching System of all Agreed Trades by him in relation to Contracts.

3.1.2 For the purpose of input of Agreed Trades, Trading Members shall install and maintain within their offices such electronic data input and capture systems as may be required and approved by the Exchange for the purpose of using the Matching System. They shall ensure the operational capability of such systems at all times and operate the same in accordance with any terms as may be prescribed by the Exchange.

3.2 Form for Recording of Trades

3.2.1 Agreed Trades made in the Ring shall be recorded as they are agreed on such form as may be approved by the Exchange, and shall also be input into the Matching System.

3.2.2 All other Agreed Trades made by Trading Members shall be recorded on Trading Members' own recording documentation and shall also be input into the Matching System.

3.2.3 All Agreed Trades required to be input into the Matching System shall be input in such form and within such time as may be prescribed by the Exchange from time to time.

3.3 Identification of Clearing House Accounts

3.3.1 Each Clearing Member must, in respect of each Agreed Trade that it inputs to the Matching System specify to which account at the Clearing House the resulting Cleared Contracts should be allocated. It is the sole responsibility of the Clearing Member to ensure that any Cleared Contract that is to be allocated to a "client account" (whether it is an "omnibus"

client account, an "individually segregated" client account or an "indirect" client account) is so allocated through the input of the relevant information into the Matching System. Where an Agreed Trade is entered into by a Category 4 Member or an LMEprecious Non-Clearing Member, such Member and the Clearing Member that is responsible for clearing the Agreed Trade shall comply with the Administrative Procedures with respect to the requirements for identifying the account(s) at the Clearing House to which the resulting Cleared Contracts should be allocated.

3.3.2 Members shall comply with any requirements specified by the Clearing House and any requirements under applicable law (including EMIR) regarding the identification and allocation of Cleared Contracts to accounts at the Clearing House.

3.3.3 Where:

- (a) an Agreed Trade relates to an LME Base Contract:
 - (i) an Agreed Trade between two Clearing Members shall be allocated to each Clearing Member's house account at the Clearing House;
 - (ii) an Agreed Trade between a Client and the Clearing Member responsible for clearing the Agreed Trade shall result in the allocation of Cleared Contracts to both:
 - (1) the Clearing Member's house account; and
 - (2) the Clearing Member's appropriate client account at the Clearing House;
 - (iii) an Agreed Trade between a Client and any other person shall result in the allocation of Cleared Contracts to both:
 - (1) the house account of the Clearing Member responsible for clearing the Agreed Trade; and
 - (2) the client account of the Clearing Member responsible for clearing the Agreed Trade;
- (b) an Agreed Trade relates to an LMEprecious Future:
 - (i) an Agreed Trade that is a proprietary trade of an LMEprecious Clearing Member shall be allocated to the house account of the LMEprecious Clearing Member at the Clearing House; and
 - (ii) an Agreed Trade made by a Member, and for which an LMEprecious LMEprecious General Clearing Member is responsible for clearing such Agreed Trade may be allocated to a house account of the LMEprecious General Clearing Member (where the Agreed Trade is a proprietary trade of the LMEprecious General Clearing Member falling within (i) above) or a client account of the LMEprecious General Clearing Member (in any other circumstance).

3.3.4 In the event that a Cleared Contract is allocated by the Clearing House to an administrative account due to any determination by the Clearing House that the details of the Agreed Trade submitted by a Member have incorrectly identified the account at the Clearing

House to which the Cleared Contract should be allocated, the Member must, within the Opening Hours on the Business Day following the agreement of the Agreed Trade, submit corrected instructions to LME Clear, specifying the correct account to which the Cleared Contract should be allocated.

3.4 **Matching**

3.4.1 For the purpose of matching Agreed Trades the Exchange shall divide each Business Day into "Matching Periods". The Administrative Procedures shall specify the application of the Matching Periods.

3.4.2 Any dispute or difference between Trading Members as to matching of any Agreed Trade or alleged Agreed Trade may be referred to arbitration in accordance with the Rules of the Exchange by either such Trading Member.

3.5 **Deadlines**

3.5.1 Each Member responsible for the input of an Agreed Trade and all relevant particulars of the Agreed Trade into the Matching System must do so within the following timescales:

- (a) where the Agreed Trade is made in LME Select, at the time of the input of the order for the Agreed Trade in LME Select;
- (b) where the Agreed Trade is made in the inter-office market:
 - (i) (except where (ii) below applies) within 10 minutes of the Contingent Agreement to Trade in respect of the Agreed Trade having been agreed; or
 - (ii) where the Contingent Agreement to Trade in respect of the Agreed Trade is agreed:
 - (1) during the last 10 minutes of the Opening Hours of the Matching System; or
 - (2) outside the Opening Hours of the Matching System,
within such timeframe as is specified by the Exchange from time to time;
and
- (c) where the Agreed Trade is made in the Ring, within 10 minutes of the close of the Ring trading-period in which the Agreed Trade was Executed.

Any failure by a Member to comply with this Regulation 3.5 shall be an act of misconduct for the purposes of Regulation 14 of the Membership Regulations, and may result in disciplinary action against the Member by the Exchange.

3.5.2 Where an Agreed Trade is made in the inter-office market and its particulars are not entered into the Matching System:

- (a) (except where (ii) below applies) by the close of the Opening Hours for the Business Day on which the Contingent Agreement to Trade in respect of the Agreed Trade has been agreed; or
- (b) where the Contingent Agreement to Trade in respect of the Agreed Trade is agreed outside the Opening Hours, by the next following close of the Opening Hours,

the Matching System will not accept the Agreed Trade.

3.6 Presentation of Particulars

3.6.1 Only Agreed Trades which have been agreed in accordance with these Rules, and which satisfy the Acceptance Criteria of the Clearing House, may give rise to Contracts.

3.6.2 Particulars of an Agreed Trade presented to the Clearing House by the Matching System shall be deemed to be presented by the Clearing Members in whose names it is presented and accordingly, under the Clearing House Rules, presentation of the particulars by the Matching System shall constitute confirmation of the Agreed Trade by those Clearing Members.

3.6.3 Upon such presentation of particulars the Clearing House shall, subject as provided in the Clearing House Rules, send to each Clearing Member in whose name they are confirmed a member-registration statement showing the date and other particulars of each accepted Agreed Trade and the resulting Cleared Contract or a summary thereof. If the Clearing House does not accept an Agreed Trade particulars of which have been presented to it, it shall notify the contracting parties within a reasonable time. This provision is without prejudice to, and subject to, the rights and obligations of the Clearing House under the Clearing House Rules.

3.7 Maintenance of Records

3.7.1 Every Trading Member shall keep such records, with such content and in such form, as may be required to demonstrate compliance by the Member with the Rules.

In particular, such Members shall keep records of all Agreed Trades and resulting Contracts in such form as the Exchange may approve and such records shall include the following details:-

- (a) name of the other party;
- (b) whether the Member has bought or sold or, in the case of a Traded Option, granted or taken;
- (c) the metal or Precious Metal or Index or Ferrous Index;
- (d) whether the Contract is an LMEmini Contract;
- (e) Prompt Date (if applicable) and, in the case of a Traded Option, maturity or declaration month, Strike Price, and whether the Traded Option is a put or a call,
- (f) whether the Contract is a Monthly Average Future and, if so (i) the tradeable month which is to be used to calculate the Monthly Average Settlement Price; and (ii) the fixed price agreed between the buyer and the seller in the Contract;
- (g) whether the Contract is a Premium Contract;
- (h) in relation to any Premium Contract:
 - (i) the Premium Warrant Jurisdiction; and
 - (ii) the Premium Contract Price; and

- (iii) any other details specified in the Premium Contract Regulations;
- (i) whether the Contract is an LMEprecious Contract;
- (j) quantity;
- (k) transaction price or, in the case of a Traded Option, premium; and
- (l) date and time of transaction; and
- (m) in relation to any Cleared Contract, the account of the Clearing House to which the Cleared Contract has been allocated by the Clearing Member, which may include for the avoidance of doubt, the Clearing Member's "house" or "proprietary" account, or a relevant "client" account, being either segregated on an "omnibus" basis or an "individual" basis with respect to the Clearing Member's Clients and, where relevant, Indirect Clients of the Clearing Member.

3.7.2 The time of a transaction effected by open outcry in the Ring shall be recorded by denoting the Ring-trading period in which the transaction is effected, using the appropriate abbreviation from below:-

"R1" for the first Ring of the first session;

"R2" for the second Ring of the first session;

"K1" to "K6" for the ensuing kerb;

"R3" for the first Ring of the second session;

"R4" for the second Ring of the second session;

"K7" to "K9" for the ensuing kerb.

3.8 **Post-Compression Contracts**

3.8.1 For the avoidance of doubt, nothing in this Regulation 3 shall require a Post-Compression Client Contract to be separately input into the Matching System as a consequence of its creation pursuant to Compression. The input of the original trade that gave rise to the Contract that was subject to Compression is sufficient to ensure that such trade (and any Contracts and Post-Compression Contracts resulting therefrom) is recorded in the Matching System.

3.9 **Pre-Requisites to Contract Formation**

3.9.1 Upon entry into the Matching System of the particulars of any Agreed Trade, each Member that is party to the Agreed Trade must:

- (a) specify the Clearing Member that is responsible for the clearing of the Agreed Trade for such Member;
- (b) specify the relevant account of such Clearing Member at the Clearing House to which the Cleared Contract(s) that will result from the Execution of the Agreed Trade must be allocated;

- (c) have ensured that such Clearing Member has agreed to clear the Agreed Trade and to the allocation of the Cleared Contract(s) in accordance with (b) above;
- (d) have ensured that such Agreed Trade is not agreed or entered into the Matching System unless any prior requirements specified by the Clearing House in accordance with the Clearing House Rules have been satisfied;
- (e) where any Client is to be party to any Client Contract to be formed pursuant to these Rules upon Execution of the Agreed Trade, and such Client is not a Member, have agreed terms of business with such Client providing for:
 - (i) the agreement of such Client that the formation and performance of such Client Contract shall be subject to and in accordance with these Rules, as if such Rules were incorporated into such terms of business; and
 - (ii) where any such Agreed Trade is made in the inter-office market, the formation of a Contingent Agreement to Trade between the Member and the Client, having the terms described in Trading Regulation 2.10 above.

3.9.2 Each Member must ensure that it has systems and controls in place to ensure that, before it enters into an Agreed Trade:

- (a) where the Member is a Clearing Member, it can; or
- (b) where the Member is not a Clearing Member, its Clearing Member can

at all times comply with any requirements imposed by, and systems operated by, the Exchange or the Clearing House regarding the verification that the Clearing Member has sufficient collateral.

3.10 **Corrections**

3.10.1 In the event that the Matching System determines that an Agreed Trade made in LME Select or the inter-office market has failed to satisfy any Pre-Execution Checks on the basis of the checks (any such failed check being a "**Failed Check**") applied to any Member that is party to the Agreed Trade or that would be party to any Cleared Contract resulting from the Execution of such Agreed Trade, the Member shall comply with the requirements of the Administrative Procedures regarding the correction of such Failed Checks.

3.10.2 Where, as a consequence of a Member having submitted incorrect information to the Matching System in respect of an Agreed Trade, the resulting Cleared Contract(s) are allocated by the Clearing House to the incorrect account of the Clearing Member, the Member must promptly submit corrected information to the Matching System.

3.11 **Failure to Input Ring Trade**

3.11.1 In the event that:

- (a) a Member has Executed an Agreed Trade in the Ring;
- (b) the Member subsequently becomes a Defaulter; and

- (c) prior to becoming a Defaulter, the Member has failed to input the particulars of the Agreed Trade into the Matching System, or has input particulars that are incorrect in any respect,

then the Exchange may, where it has evidence of the particulars of the Agreed Trade, input such particulars into the matching system on behalf of the Member in order to ensure that such particulars are recorded within the systems of the Exchange and the Clearing House, and to enable the Clearing House to identify the Cleared Contract(s) that have come into effect from the Execution Time. The Exchange may use such information as it has available to it to determine the relevant particulars, including any information available from recordings of the dealings in the Ring.

3.12 **Agreed Trades as Gross Transactions**

Each Member shall ensure that the details of each Agreed Trade arranged in the inter-office market that is input by or on behalf of the Member into the Matching System shall constitute the details of a single, distinct transaction, without the application of any netting, compression or aggregation by the Member of multiple transactions or Agreed Trades, except where:

- (a) the Member has aggregated Agreed Trades representing either multiple buy or multiple sell transactions (being transactions in the same direction); and/or
- (b) where Agreed Trades representing multiple buy or multiple sell transactions (being transactions in the same direction) have their Prompt Date adjusted to another date in accordance with the Rules.

For the avoidance of doubt, this provision is without prejudice to the ability of a Member to participate in the OTC Backloading Service in accordance with the Matching Rules and the Clearing House Rules.

3.13 **Administrative Procedures**

3.13.1 Administrative Procedures shall apply to determine how Members shall effect certain trading operations using the facilities of the Exchange. The Administrative Procedures containing the "Matching Rules" shall be supplemental to these Trading Regulations.

3.13.2 In the event of any conflict between these Rules and the Administrative Procedures, these Rules shall prevail.

4. **PRICE INFORMATION**

4.1 For the purpose of disseminating information as to prices obtaining at any time during business hours of any Business Day:-

4.1.1.1 the Exchange shall, during Ring and kerb trading, input current prices for all types of contract traded in the Ring to the Exchange's price-reporting service;

4.1.1.2 the Exchange shall, during LME Select trading hours, input the current best bid and best offer prices shown on LME Select and the aggregated volumes for each, together with the price and volume of each trade transacted, to the Exchange's price-reporting service;

4.2 Representatives of the Exchange shall be in attendance during Ring and kerb trading on each Business Day for the purpose of maintaining a record of trends in prices bid, offered and traded for all Contracts and, in respect of Carries, of price spreads.

- 4.3 Members shall not supply the aforementioned pricing-information in the form of a video- or data-feed directly or indirectly to any financial information service provider other than the Exchange or any of its authorised agents without prior written consent of the Exchange.

5. SETTLEMENT PRICES AND OTHER OFFICIAL PRICES

- 5.1.1 At the close of the morning Ring trading session for each metal (for which there is a Ring trading session) and before commencement of kerb trading the Quotations Committee shall determine and post in the Exchange as soon as possible thereafter Official Prices for that metal in its Major Currency. Such prices shall be at the levels which the Quotations Committee determines to have been the last bid and offered prices in the second Ring or, where it determines there were not such prices, at such other level as it may in its discretion decide for Cash, three months and:-

- (a) fifteen months forward in the case of Steel Billet, Cobalt, Molybdenum and Tin;
- (b) the third Wednesday in December of the following calendar year in the case of Aluminium Alloy and North American Special Aluminium Alloy; and
- (c) the third Wednesday in December of each of the following three calendar years in the case of all other metals.

- 5.1.2 At the close of the morning Ring trading session for Premium Contracts and before commencement of kerb trading the Quotations Committee shall determine and post in the Exchange as soon as possible thereafter the Official Prices for Premium Contracts. Such prices shall be at the levels which the Quotations Committee determines to have been the last bid and offered prices in the second Ring or, where it determines there were not such prices, at such other level as it may in its discretion decide for the third Wednesday in the first, fourth and fifteenth months forward for each type of Premium Contract.

- 5.2 The Official Prices so determined shall immediately be reported by the Exchange to the Clearing House.

- 5.3 If the second succeeding Business Day is a Prompt Date:

- (a) the Official Prices for metals as determined under Regulation 5.1.1 above shall be the Settlement Prices for the relevant metal for that Prompt Date; and
- (b) the Official Prices for Premium Contracts as determined under Regulation 5.1.2 above shall be the Settlement Prices for the relevant Premium Contract for that Prompt Date.

- 5.4 At the same time as the Quotations Committee determines official Settlement Prices, it shall in addition determine Official Prices for all metals in their respective Major Currencies for the Prompt Dates three months and:-

- (a) fifteen months forward in the case of Steel Billet, Cobalt, Molybdenum and Tin;
- (b) the third Wednesday in the December of the following calendar year in the case of Aluminium Alloy and North American Special Aluminium Alloy;
- (c) the third Wednesday in December of each of the following three calendar years in the case of all other metals.

The said prices shall be determined on the basis of trading during the second of that morning's Ring trading-sessions or on such other basis as the Quotations Committee shall, in its discretion, decide.

5.5 At the close of the afternoon Ring trading-session the Quotations Committee shall determine prices for metals in the same manner as provided in Regulation 5.1.1 and 5.1.2 but on the basis of trading in the fourth Ring. Such prices shall be known as "Unofficial Closing Prices" and shall be posted in the Exchange.

5.6 After the close of the afternoon Ring-trading session on the Prompt Date of each Index Contract, the Quotations Committee shall determine and publish the level of the Index based upon the Closing Prices of the Constituent Metals determined and published for that day in accordance with Regulation 6.1 of these Trading Regulations. The level of the Index so determined shall immediately be reported by the Company to the Clearing House and shall be the Settlement Price for the Index for such Index Contracts and for Cleared Contracts that have come into effect pursuant to the registration of Index Contracts by the Clearing House.

5.7 **Settlement Prices for Ferrous Futures and LMEprecious Futures**

5.7.1 The Ferrous Daily Settlement Price and the LMEprecious Daily Settlement Price shall be calculated using a volume weighted average price ("VWAP") from transactions on LME Select between such periods as shall be specified by way of Notice.

The Exchange may specify a minimum volume threshold with respect to each Contract that is subject to this daily Settlement Price process, which shall be advised to the market from time to time by way of Notice.

5.7.2 In the event that the minimum volume threshold requirement is not reached, then the Ferrous Daily Settlement Price or LMEprecious Daily Settlement Price (as applicable) shall be determined as follows:

- (a) it shall be the last traded price within the bid/offer on the close of the pricing period, unless any of the following apply;
- (b) if the last traded price is outside of the bid/offer on the close of the pricing period, then the closest price to the last trade that falls within the bid/offer will be used;
- (c) if no trades have occurred during the pricing period, then the mid-point of the bid/offer on the close of the pricing period will be used;
- (d) if no trades have occurred during the pricing period and no bid/offer exists on the close of the pricing period, then the last traded price may be used but there is no obligation on the Exchange to determine that Ferrous Daily Settlement Price or LMEprecious Daily Settlement Price (as applicable) at that level;
- (e) if no trades have occurred during that day and no bid/offer exists, then the Ferrous Daily Settlement Price or LMEprecious Daily Settlement Price (as applicable) will be determined with reference to market activity in related Prompt Dates and/or market activity during the pricing period on the previous Business Day; and

- (f) where no such pricing information exists, then the Ferrous Daily Settlement Price or LMEprecious Daily Settlement Price (as applicable) will be determined by the Exchange in its absolute discretion.
- 5.7.3 The Ferrous Final Settlement Price shall be determined with reference to the Monthly Ferrous Index.
- 5.7.4 Errors in the Ferrous Index
 - (a) If, not later than 30 minutes after the Ferrous Final Settlement Price has been published by the Exchange, any Member of the Exchange notifies the Exchange of, or it otherwise comes to the attention of the Exchange that there is an alleged or apparent error in the Ferrous Index, then the Exchange shall promptly request the index provider investigate such alleged or apparent error. If in the index provider's opinion an error has been made, the index provider shall correct any Ferrous Index value affected thereby and the Exchange shall as soon as reasonably practicable publish a correction to the Ferrous Final Settlement Price, as required.
 - (b) No correction to the Ferrous Index shall be made other than may be allowed for in Regulation 5.7.4(a).
 - (c) Without prejudice to the generality of Regulation 19 (*Liability*) of these Trading Regulations, neither the Exchange nor its officers, employees, agents or representatives shall have any liability whatsoever in respect of any decision as to whether or not to correct the Ferrous Index, or as to whether or not to re-determine the Ferrous Final Settlement Price.
- 5.7.5 The LMEprecious Final Settlement Price shall be the last LMEprecious Daily Settlement Price calculated for the relevant Prompt Date that is specified by way of Notice as being determinative of such LMEprecious Final Settlement Price. This price will be established on the Business Day prior to the relevant Prompt Date.
- 5.7.6 Any reference in these Rules to an LMEprecious Final Settlement Price determined for, pertaining to, or in respect of, a Prompt Date means the last LMEprecious Final Settlement Price determined prior to such Prompt Date in accordance with Regulation 5.7.5 above.
- 5.8 **The Daily Settlement Price for Metal Options, Traded Average Price Options and Index Options**
- 5.8.1 The daily Settlement Price for Metal Options, Traded Average Price Options and Index Options shall be determined in accordance with the following, with the Clearing House having overall responsibility for the determination of the daily Settlement Price for Metal Options, and the Exchange having day-to-day responsibility for the determination of such daily Settlement Price on a delegated basis.
- 5.8.2 For Traded Average Price Options, the Exchange shall input to the screen information service and display thereon the daily Settlement Price, Moving Monthly Average Settlement Price and Monthly Average Settlement Price for the relevant metal during the relevant tradeable month according to the currency in which the Traded Average Price Option is denominated.
- 5.8.3 For the purpose of enabling the Clearing House to determine Metal Option, Traded Average Price Option, and Index Option daily Settlement Prices pursuant to the Clearing

House Rules, the Exchange shall, on each Business Day, use such options valuation methodology as may be agreed between the Exchange and the Clearing House from time to time for the purposes of its valuations. Without prejudice to the generality of the foregoing, the Exchange may determine the volatilities prevailing in the Market at or around 17:15 hours, for the Strike Price nearest the Closing Price and for such other Strike Prices as may be required by the Exchange in agreement with the Clearing House, of the relevant Metal Option, Traded Average Price Option, and Index Option Contract and each relevant month in which the relevant Metal Option, Traded Average Price Option, and Index Option is traded, and communicate the above to the Clearing House at or around 18:30 hours. The determination of the Closing Prices will take into account contributions from Members, voluntary contributions from Members and/or Clients and trading activity throughout the day.

5.8.4 If a Member is active in a particular Metal Option, Traded Average Price Option, and/or Index Option at any particular time as determined by the Exchange, it shall be obliged to submit closing volatilities to the Exchange (in consultation, where appropriate, with the Clearing House), for the purpose of the Clearing House valuations if requested by the Exchange, unless the Exchange expressly states in its request that such contribution would be voluntary. If a Member fails to comply with such a request, or provides inaccurate or unreflective submissions, such Member may be subject to Exchange disciplinary procedures.

5.8.5 If a Client (who is not also a Member) is active in a particular Metal Option, Traded Average Price Option, and/or Index Option at any particular time, such Client may choose to submit closing volatilities to the Exchange on a daily basis for the purpose of the Clearing House valuations. The Exchange (in consultation with the Clearing House) will have absolute discretion to stop using voluntary submissions from any particular Client if they are deemed to be inaccurate or unreflective of volatilities prevailing in the market. Neither Clients nor Members shall be liable for any inaccurate or unreflective submissions made under this Rule 5.8.5.

6. CLOSING PRICES AND MARGIN

6.1 After the close of the afternoon Ring-trading session on each Business Day the Quotations Committee shall determine and publish Closing Prices in the Major Currency for each metal (for which there is a Ring trading session) for each Prompt Date, and the Index Futures Closing Price for each month forward, and the Premium Contract Closing Prices and the Company shall communicate the same to the Clearing House within a reasonable time after close of kerb trading. The Quotations Committee shall at the same time advise the Clearing House of such quoted values of Metal Contracts and Premium Contracts for such other Prompt Dates as may be necessary to enable current prices for all Prompt Dates to be calculated.

6.2 For the purposes of Initial and Variation Margin, Carries shall comprise two or more separately identifiable Contracts each with a different Prompt Date.

6.3 Where in any documentation issued by the Exchange in relation to LMEprecious Futures refers to the "Closing Price" of such Contract(s), such reference shall be construed to mean the LMEprecious Daily Settlement Price.

7. **PAYMENT SYSTEM**

Every Clearing Member shall make such arrangements as may be requisite for his participation in the payment system administered by the Clearing House.

8. **PROMPT DATES**

8.1 Metal Futures may have any of the following Prompt Dates (but subject, where relevant, to sub-paragraph 8.2 and 8.4 of this Regulation):-

- (a) Cash Today;
- (b) Cash;
- (c) each other day forward from Cash to the day which is three months forward from the date upon which the Contract is made (the "three-months date");
- (d) each Wednesday falling after the three-months date until and including the last Wednesday in the sixth calendar month after the calendar month in which the Contract is made;
- (e) each third Wednesday in each calendar month from and including the seventh calendar month to and including the fifteenth calendar month in the case of Contracts for Cobalt, Molybdenum, Steel Billet and Tin, or the twenty-seventh month in the case of Contracts for Aluminium Alloy and North American Special Aluminium Alloy, or the sixty-third month in the case of Lead, Primary Nickel and Special High Grade Zinc, or the one hundred and twenty-third month in the case of High Grade Primary Aluminium and Copper – Grade A, after the calendar month in which the Contract is made; or
- (f) the second Business Day of each calendar month from and including the fourth calendar month to and including:
 - (i) the twenty fourth calendar month after the calendar month in which the Contract is made, in the case of Contracts for Aluminium Alloy, North American Special Aluminium Alloy, High Grade Primary Aluminium, Copper – Grade A, Primary Nickel and Special High Grade Zinc; or
 - (ii) the fifteenth calendar month after the calendar month in which the Contract is made, in the case of Lead and Tin.

8.2 Index Contracts may have as their Prompt Dates (but subject, where relevant, to sub-paragraph 8.4 of these Trading Regulations) the second Wednesday in each permitted expiry month.

8.3 No Metal Contract in which the price is denominated in a currency other than sterling, US dollars or euro may be made for Cash Today or with a Prompt Date falling on a day which the Exchange shall have declared to be a day on which commercial banks in the principal financial centre for the currency concerned will not be open for the transaction of foreign exchange business. No Metal Option Contract may be made which, on declaration, would result in a Futures Contract with such a Prompt Date.

8.4.1 Except in relation to Monthly Average Futures, if any Prompt Date would fall on a day which is not a Settlement Business Day it shall instead fall on the next succeeding day which is a Settlement Business Day except:-

- (a) if the Prompt Date would fall on a Saturday and the preceding Friday is a Settlement Business Day;
- (b) if the Prompt Date would fall on Good Friday;
- (c) if the Prompt Date would fall on Christmas Day (and Christmas Day is on a Tuesday, Wednesday, Thursday or Friday); or
- (d) if the Prompt Date would fall on any other day which the Directors have specially declared is not a Business Day.

In the case of (a), (b) and (c) above, the Prompt Date shall instead fall on the preceding Settlement Business Day. In the case of (d) above the Prompt Date shall instead fall on such day as the Exchange in its absolute discretion shall determine.

8.4.2 If any Prompt Date falling within Trading Regulation 8.1(c) would, in spite of or by reason of the provisions of Trading Regulation 8.4.1, fall in the fourth calendar month after the calendar month in which the contract was made, it shall instead fall on the last Settlement Business Day in the third such calendar month.

8.4.3 The Chief Executive or the Head of Market Operations shall be empowered to declare, by way of Administrative Procedure given on such notice as is reasonably practicable, that a particular date shall not be a Prompt Date, for the purposes of facilitating the migration to an alternative Clearing House or for any other reason. In such cases, where trading has already taken place for a Prompt Date which is subsequently declared not to be a Prompt Date, then any open positions will be rolled to the next available Prompt Date or such other date as the Exchange may determine in its absolute discretion.

8.5 LMEmini Futures may have the following Prompt Dates:

- (a) if, in any calendar month, the Contract is made on or before the LMEmini Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of that calendar month and on the third Wednesday of each calendar month thereafter for eleven months, subject, where relevant, to Trading Regulation 8.4.1; or
- (b) if, in any calendar month, the Contract is made after the LMEmini Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of the next eleven calendar months thereafter, subject, where relevant, to Trading Regulation 8.4.1.

8.6 Monthly Average Futures may have the following Prompt Dates:

- (a) two Business Days following the last Business Day in the tradeable month which is to be used to calculate the Monthly Average Settlement Price; or
- (b) where (a) is not a Settlement Business Day, the next Business Day which is a Settlement Business Day.

- 8.7 Ferrous Futures Contracts may have the Prompt Dates specified in the Special Contract Rules for Ferrous Futures.
- 8.8 Premium Contracts may have the following Prompt Dates:
- (a) if, in any calendar month, the Contract is made on or before the Premium Contract Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of that calendar month and on the third Wednesday of each calendar month thereafter for fifteen months, subject, where relevant, to Trading Regulation 8.4.1; or
 - (b) if, in any calendar month, the Contract is made after the Premium Contract Last Trading Time for that calendar month, that Contract may have a Prompt Date on the third Wednesday of the next fifteen calendar months thereafter, subject, where relevant, to Trading Regulation 8.4.1.
- 8.9 LMEprecious Futures may have the Prompt Dates specified in the LMEprecious Regulations.
- 8.10 Except as otherwise provided in these Trading Regulations, the Contract Regulations, the Traded Options Regulations and the Default Regulations each Contract shall be settled on its Prompt Date and, except as aforesaid, Metal Contracts and Premium Contracts shall not be settled earlier notwithstanding that an offsetting Contract for the same tonnage and Prompt Date may have been made. For the avoidance of doubt, this Trading Regulation 8.10 is subject to, and shall be construed in accordance with Regulation 4.4 of the Contract Regulations.
- 8.11 This Trading Regulation 8 is subject to Regulation 3.4.3 of the Default Regulations.

9. SETTLEMENT OF CONTRACTS

9.1 Cleared Contracts - General:

- 9.1.1 In Trading Regulations 9.1 to 9.4, references to "Cleared Contracts", "Cleared Metal Contracts", "Cleared LMEmini Contracts", "Cleared Index Futures", "Index Options", "Monthly Average Futures", "Cleared Monthly Average Futures", "Cleared Ferrous Futures", "Cleared Premium Contracts" and "Cleared LMEprecious Futures" shall be construed to include any Cleared Contract that arises pursuant to the Clearing House Rules upon the Execution of any Agreed Trade pursuant to these Rules and the Clearing House Rules.
- 9.1.2 Settlement of all Cleared Metal Contracts whether by offset or by delivery and settlement of differences shall be made on the relevant Prompt Date by reference to the Settlement Price determined for that Prompt Date in the currency of the relevant Cleared Metal Contract. Where the currency of the Cleared Metal Contract is not the Major Currency of the relevant metal, settlement shall be made by reference to the Settlement Price translated into the currency of the Cleared Metal Contract at the rate determined by the Company. Settlement of accrued rent and weight differences shall be made by reference to the Settlement Price applicable for that Prompt Date and in the Major Currency of the contract concerned.
- 9.1.3 Settlement of all Cleared LMEmini Contracts shall be made in cash on the relevant Prompt Date by reference to the Settlement Price determined for that Prompt Date for the relevant

underlying metal, provided that only the difference between the Settlement Price of the underlying metal on the Prompt Date and the price of the underlying metal agreed in the Contract shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract size.

- 9.1.4 In addition to their settlement on the Prompt Date, all Cleared LMEmini Contracts shall be subject to settlement to market in accordance with the Clearing House Rules.
- 9.1.5 Settlement of all Cleared Index Futures shall be made in cash on the Settlement Business Day following the Prompt Date. Settlement shall be made by reference to the Settlement Price of the Index, determined as provided in Trading Regulation 5.6, provided that only the difference between the Settlement Price of the Index and the Contract price shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract size.
- 9.1.6 In addition to their settlement on the Settlement Business Day following the Prompt Date, all Cleared Index Futures shall be subject to settlement to market in accordance with the Clearing House Rules.
- 9.1.7 Settlement of Index Options exercised in accordance with the Index Options Regulations shall be made in cash on the Settlement Business Day following the Prompt Date. The Granter shall pay to the Taker an amount in cash equal to the difference between the Settlement Price of the Index and the Strike Price multiplied by the Contract size.
- 9.1.8 Settlement of all Monthly Average Futures shall be made in cash on the relevant Prompt Date. Settlement shall be made by reference to the Monthly Average Settlement Price for the relevant tradeable month for the relevant underlying metal, provided that only the difference between the Monthly Average Settlement Price for the relevant tradeable month for the relevant underlying metal and the fixed price agreed by the buyer and seller in the relevant Contract shall be payable by or to the buyer or seller, as the case may be, multiplied by the Contract Size.
- 9.1.9 In addition to their settlement on the Prompt Date, all Cleared Monthly Average Futures shall be subject to daily marking to market in accordance with the Clearing House Rules.
- 9.1.10 Settlement of all Cleared Ferrous Futures shall be made in cash on the Settlement Business Day following the Prompt Date. Settlement shall be made by reference to the Ferrous Final Settlement Price, determined in accordance with the process specified in the Special Contract Rules for Ferrous Futures.
- 9.1.11 In addition to their settlement on the Settlement Business Day following the Prompt Date, all Cleared Ferrous Futures shall be subject to daily settlement to market in accordance with the Clearing House Rules.
- 9.1.12 Cleared Ferrous Futures shall settle in accordance with the Special Contract Rules for Ferrous Futures.
- 9.1.13 Cleared Premium Contracts shall settle in accordance with the Premium Contract Regulations.
- 9.1A **Cleared LMEprecious Futures – Settlement by Delivery**

- 9.1A.1 Settlement of all Cleared LMEprecious Futures shall be made by delivery of the relevant Lots of Precious Metal on the relevant Prompt Date in exchange for payment in US Dollars, calculated by reference to the LMEprecious Final Settlement Price determined for that Prompt Date and in accordance with the Clearing House Rules.
- 9.1A.2 In addition to their settlement on the Prompt Date, all Cleared LMEprecious Futures shall be subject to daily settlement to market in accordance with the Clearing House Rules.
- 9.1A.3 If a Clearing Member fails duly to deliver any amount of Precious Metal due to be delivered to the Clearing House:
- (a) the Clearing House may take such action as may be specified under the Clearing House Rules;
 - (b) such failure shall constitute an act of misconduct for the purposes of Regulation 14 of the Membership Regulations; and
 - (c) notwithstanding any application of the disciplinary process in Regulation 14 of the Membership Regulations, the Exchange shall co-ordinate with the Clearing House to determine the level of any fine or other penalty to be levied on the Clearing Member and the basis on which such fine or penalty may be imposed. For the avoidance of doubt, any failure by the Exchange to levy a fine or other penalty on the Clearing Member in respect of any failure to deliver Precious Metal shall not prevent the Clearing House from levying any fine or other penalty on the Clearing Member in accordance with the Clearing House Rules (and vice versa).

9.2 **Cleared Metal Contracts - Settlement of Differences:**

Differences shall be established on the relevant Prompt Date, in respect of all Cleared Metal Contracts, between the contract price and the Settlement Price determined for that Prompt Date. The Clearing House shall account to Clearing Members for differences thus established by placing the same to their credit or debit as the case may require in accordance with the Clearing House Rules.

9.3 **Cleared Metal Contracts - Closing by Offset:**

Bought and sold Cleared Metal Contracts of a Clearing Member for the same metal and Prompt Date and in the same currency shall, to the extent that they match each other, be closed on their Prompt Date by offsetting.

9.4 **Cleared Metal Contracts - Settlement by Delivery:**

- 9.4.1 The net Lots covered by Cleared Metal Contracts remaining following offset under Trading Regulation 9.3 shall be settled on their Prompt Date by payment subject to the Clearing House Rules.
- 9.4.2 The Clearing House shall raise invoices or credit notes for the contract weight of the net Lots covered by such Cleared Metal Contracts at the Settlement Price and in the currency of the relevant Cleared Metal Contract and shall deliver the same to the relevant Clearing Members. Such invoices and credit notes shall be for the contract weight without allowance for storage rent accrued and differences between contract weight and Warrant weight.

- 9.4.3 Payments and receipts in respect of the invoices and credit notes raised by the Clearing House under Trading Regulation 9.4.2 shall be effected through the payment system or, in the case of payments to sellers, in such other form as shall be specified by the Clearing House.
- 9.4.4 The net Lots covered by Cleared Metal Contracts following offset under Trading Regulation 9.3 which match as to metal and tonnage but not as to currency, shall be offset for the purposes of establishing the nett number of Warrants to be settled by delivery subject to the Clearing House Rules. Subject to Trading Regulation 17.8, such delivery of Warrants shall, from the date prescribed by the Exchange for the relevant metal, be effected pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures and the Clearing House Rules.
- 9.4.5 On the Business Day following the Prompt Date the Clearing House shall call on seller or buyer as requisite in order that allowances for accrued storage rent, and any difference between Warrant weight and contract weight be accounted for in respect of Warrants transferred to the buyer in accordance with the Clearing House Rules.
- 9.4.6 If a Clearing Member fails duly to deliver a Warrant due to be delivered to the Clearing House, the Clearing House may, without prejudice to its rights under the Clearing House Rules:
- 9.4.6.1 without prejudice to the accrued rights for damages of the Clearing House and the affected buying Clearing Member(s), direct the Warrant be delivered to and by the Clearing Member on the Business Day next following the Prompt Date, that the Contract terms be adjusted accordingly and the parties' payment obligations and entitlements thereunder be adjusted to give such rate of compensation to the buyer as the Exchange may from time to time direct; or
- 9.4.6.2 Invoice Back the metal due to be delivered in accordance with Trading Regulation 10.4.
- This Trading Regulation 9.4.6 shall apply subject to any directions of the Exchange made under Trading Regulation 17.1 or 17.2 below. The Exchange may prescribe such penalties for non-delivery of Warrants as it may from time to time deem fit in the Operating Procedures or by Notice.
- 9.4.7 The Exchange may prescribe dates in advance of the dates prescribed under Trading Regulation 9.4.4, following which Clearing Members may deliver only Warrants issued utilising LMEsword and bearing an LMEsword generated barcode.

9.5 **Client Contracts – General**

The provisions of this Trading Regulation 9.5 apply to the settlement of Client Contracts as between the Member and its Client. Any Cleared Contract that arises between a Clearing Member and the Clearing House pursuant to the Clearing House Rules that corresponds to a Client Contract, shall be settled in accordance with (i) Trading Regulations 9.1 to 9.4 above and (ii) the provisions of the Clearing House Rules.

9.6 **Client Metal Contracts**

- 9.6.1 Client Metal Contracts shall settle by offset or delivery.

Client Metal Contracts - by Offset:

- 9.6.2 Offsetting bought and sold Client Metal Contracts with the same Prompt Date and currency shall be settled on contract (round) weights, buyer and seller paying or receiving as the case may be any difference between the Contract prices of the Contracts so offset.

Client Metal Contracts - by Delivery:

- 9.6.3 Delivery of Warrants and settlement in respect of unmatched Client Metal Contracts shall be effected in accordance with the terms of the Client Metal Contract between the parties and the Contract Regulations. Such terms must require Warrants to be delivered by no later than 09.00 hours on the Prompt Date when a Category 4 Member or non-Member is the seller and transferor, and no later than 13.30 hours (so far as enabled by the seller's best endeavours) when a Clearing Member is the seller and transferor of the Warrants. Delivery shall be effected either pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers or (until further notice) by delivery of the physical Warrant. The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the seller's option.

9.7 Daily Settling Client Contracts

- 9.7.1 This Regulation 9.7 of the Trading Regulations shall apply to:

- (a) Client Index Futures;
- (b) Client LMEmini Futures;
- (c) Client Ferrous Futures;
- (d) Client LMEprecious Futures

(each being a type of "**Daily Settling Client Contract**").

- 9.7.2 The Daily Settling Client Contracts listed in Regulation 9.7.1 above shall settle on the following basis:

- (a) Client Index Futures shall settle in cash on the Settlement Business Day following the Prompt Date in the same way as Cleared Index Futures as described in Trading Regulation 9.1.5.
- (b) Client LMEmini Futures shall settle in cash on the Prompt Date in the same way as Cleared LMEmini Futures as described in Trading Regulation 9.1.3.
- (c) Client Ferrous Futures shall settle in cash on the Settlement Business Day following the Prompt Date in the same way as Cleared Ferrous Futures as described in Trading Regulation 9.1.10.
- (d) Client LMEprecious Futures shall settle by the delivery of Precious Metal from the Seller to the Buyer on the Prompt Date.
- (e) Such Daily Settling Client Contracts shall also be subject to daily settlement to market or daily marking to market as agreed between the Member and its Client on the basis set out below.

- 9.7.3 As agreed between the Member and its Client, the Member shall effect the daily settlement to market of all open Daily Settling Client Contracts of each type. Regulations 9.7.4 to

9.7.6 below shall be subject to the application of Regulations 9.7.7 and 9.7.8, where applicable.

Calculation of Daily Settlement Amounts

9.7.4 In order to create a daily settlement amount, the Member shall, in respect of each open Daily Settling Client Contract of each type, effect between it and its Client a settlement contract, being a book-entry Contract on the same terms (except as to price) as the open Contract, save that where the Client is a buyer under the terms of the Contract, the Client shall be a seller under the terms of the settlement contract and vice versa, at the relevant price, being:

- (a) in respect of Client Index Futures, the Index Futures Closing Price;
- (b) in respect of LMEmini Futures, the LMEmini Futures Closing Price;
- (c) in respect of Ferrous Futures, the Ferrous Daily Settlement Price;
- (d) in respect of LMEprecious Futures, the LMEprecious Daily Settlement Price,

(each being the "**Relevant Daily Settlement Price**").

For the avoidance of doubt, the settlement contract shall not be registered in the Matching System.

9.7.5 The Member shall, upon completion of the procedure in Trading Regulation 9.7.4 above, calculate the daily settlement amounts and the Member and its Client shall (unless otherwise agreed) settle any daily settlement amounts arising.

Daily Settlement to Market and Marking to Market

9.7.6 Subject to the application of Regulation 9.7.7, where applicable, the Member shall, upon completion of the calculation of daily settlement amounts pursuant to Trading Regulation 9.7.5 above:

- (a) In respect of those open Contracts in a Client's name which have been settled pursuant to Trading Regulation 9.7.4 and which are subject to daily settlement to market, enter into and record in its books at the Relevant Daily Settlement Price referred to in Trading Regulation 9.7.4 above, book-entry Contracts in the Client's name as open Contracts on the same terms (except as to price) as the settled open Contracts, save that the Member shall not enter into and record in its books Contracts in the name of the Client if to do so would result in the Client being the purchaser under one type of Daily Settling Client Contract and the seller under another Daily Settling Client Contract of the same type, each such Daily Settling Client Contract having the same maturity month. For the avoidance of doubt, these book-entry Contracts shall not be registered in the Matching System.
- (b) In respect of those open Contracts in a Client's name which have been settled pursuant to Trading Regulation 9.7.4 above and which are subject to daily marking to market enter into and record in its books at the Relevant Daily Settlement Price referred to in Trading Regulation 9.7.4 above, new book-entry Contracts in the Client's name as open Contracts on the same terms (except as to price) as the settled open Contracts. For the avoidance of doubt, these book-entry Contracts shall not be registered in the Matching System.

Position Management where netting, aggregation or close out is applied to Client-Related Cleared Contracts

9.7.7 In the event that any Client-Related Cleared Contracts that are allocated to a client account of a Clearing Member at the Clearing House are subject to Position Netting at the Clearing House, and the corresponding Underlying Client Contracts are Daily Settling Client Contracts, such Underlying Client Contracts shall also be automatically and simultaneously subject to Position Netting under the Exchange Rules, on the following basis:

- (a) the Clearing Member and the Client (each acting as principal) shall be released from further obligations towards one another under such Underlying Client Contracts and their respective rights against one another under such Contracts shall be cancelled; and
- (b) simultaneously, new Client Contracts shall, by operation of this Regulation, come into full force and effect between the Clearing Member and the Client, such that the Clearing Member and the Client (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another under such new Client Contracts; and
- (c) such new Client Contracts shall represent back-to-back Contracts to each post-netting Cleared Contract that is in effect following the Position Netting at the Clearing House, such that:
 - (i) for each post-netting Cleared Contract, there shall be a corresponding new Client Contract, having:
 - (1) the same direction; and
 - (2) the same commercial terms, including in relation to the amount of underlying metal and prices; and
 - (ii) the Variation Margin applicable to such a new Client Contract shall be the the Variation Margin amounts applicable to the post-netting Cleared Contracts or such larger sum as may be agreed between the parties,

save that Position Netting at the Exchange shall not affect any terms or contractual rights or obligations between the Clearing Member and the Client that were not comprised in the terms of any Underlying Client Contract that was subject to Position Netting under the Exchange Rules; and

- (d) where Position Netting results in the close out by netting of Client-Related Cleared Contracts, the Underlying Client Contracts corresponding to such Client-Related Cleared Contracts shall also be automatically and simultaneously closed out by netting.

9.7.8 Each Clearing Member that, under the Clearing House Rules, maintains Client-Related Cleared Contracts allocated to any of its client accounts at the Clearing House on the basis of the application of Position Netting at the Clearing House must:

- (a) have ensured that, prior to the implementation of any Position Netting at the Clearing House, its terms of business or other contractual arrangements with the relevant Clients contain provisions that operate in a manner that is consistent with

Regulation 9.7.7 and this Regulation 9.7.8, and do not contain provisions which would conflict with or frustrate the Position Netting of any Underlying Client Contract in accordance with Regulation 9.7.7 and this Regulation 9.7.8;

- (b) ensure that any Client that is party to an Underlying Client Contract that is or may be subject to Position Netting under the Exchange Rules:
 - (i) is notified of the fact that such Position Netting may occur, and when such Position Netting will take effect; and
 - (ii) upon Position Netting under the Exchange Rules, is promptly notified of the effect of Position Netting, such that the Client is at all times on notice of the Client Contracts (including the post-netting Client Contracts) that are in force between the Clearing Member and the Client;
- (c) ensure that its books and records relating to the Client Contracts and Cleared Contracts to which it is a party are at all times reconciled and up to date, such that it is at all times possible to identify which Cleared Contract (including a post-netting Client Contract) represents the clearing of which Client Contract (including a post-netting Cleared Contract); and
- (d) promptly upon request by the Exchange or Clearing House provide a copy of such books and records described in (c) above, in such a format that would easily enable reconciliation of the Client Contracts with the corresponding Cleared Contracts (including the post-netting Cleared Contracts).

9.8 **LMEprecious Client Contracts - Delivery**

Delivery of Precious Metal and settlement in respect of Client LMEprecious Futures shall be effected in accordance with the terms of the Client LMEprecious Future between the parties and the Contract Regulations. Such terms must require Precious Metal to be delivered by no later than:

- (a) no later than 16:00 hours on the Prompt Date when an LMEprecious Non-Clearing Member or non-Member is the Seller and transferor of the Precious Metal, and
- (b) no later than 16:00 hours (so far as enabled by the Seller's best endeavours) when an LMEprecious Clearing Member is the Seller and transferor of the Precious Metal,

or such other time as the Clearing House may prescribe from time to time.

Delivery shall be effected by delivery of the unallocated Precious Metal to the Buyer's account at a Precious Metal Clearer or by such other means as the parties may agree. The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the Seller's option.

9.9 **Client Index Options**

In the Money Client Index Options shall be subject to automatic exercise and settlement in the same way as In the Money Cleared Index Options.

9.10 **Client Premium Contracts**

Client Premium Contract shall settle in accordance with the Premium Contract Regulations.

9.11 **Settlement Facility**

Members may designate an alternative settlement facility to the Clearing House for the settlement of a Contract provided that:

- (a) such links and arrangements exist between the designated settlement facility and any other settlement facility as are necessary to ensure the efficient and economic settlement of the Contract; and
- (b) the Exchange is satisfied that the smooth and orderly functioning of the financial markets will be maintained.

9.12 **Compression**

This Regulation 9 of the Trading Regulations shall be read and construed in accordance with Regulation 4.4 of the Contract Regulations.

9.13 **Client Clearing and Indirect Clearing Arrangements**

9.13.1 It shall be the responsibility of a Member, and not the Exchange, to ensure that any client clearing or indirect client clearing arrangement established by a Member is compliant with the Member's obligations under MiFID II, MiFIR and/or EMIR and/or any other applicable law or regulation.

9.13.2 Without prejudice to the specific requirements in Trading Regulations 2.6 and 3.9.1, a Member must not cause or facilitate any Agreed Trade to be made with or for a Client of such Member unless such Member is satisfied that such Client has established appropriate direct and/or indirect clearing arrangements to become counterparty to the cleared transaction resulting from the Execution of such Agreed Trade.

10. **DELIVERY - GENERAL**

10.1 Acceptance and delivery of documents including Warrants or Premium Warrants under the foregoing procedure shall be without prejudice to any question or dispute relating thereto being referred to arbitration. If any Clearing Member shall have any complaint whatsoever in respect of delivery or acceptance of delivery under a Cleared Contract with the Clearing House, he shall give written notice and particulars of his complaint to the Clearing House in conformity to the Clearing House Rules.

10.2 If there appears to the Clearing House to be a default by either party to a Cleared Contract with the Clearing House in respect of or arising out of a delivery, the Clearing House shall as soon as practicable take such steps as it deems appropriate to achieve an amicable settlement of the issue between the parties. If it appears to the Clearing House that such steps have not led and are not likely to lead to a settlement within a reasonable time, the Clearing House shall refer the dispute to the Directors.

10.3 If upon reference made to them by the Clearing House the Directors are of the opinion that the default is of minor significance, they may thereupon determine the issue upon such evidence before them as they may deem relevant and convey their determination to the

parties. All parties shall forthwith accept such determination and shall implement its terms without question, provided that such acceptance and implementation shall be without prejudice to the right of any party to refer the dispute or any related dispute to arbitration under the Rules.

- 10.4 Where the Clearing House determines to Invoice Back metal in accordance with Trading Regulation 9.4.6.2 or (in the case of a Premium Contract) Premium Contract Regulation 3.9(f) or otherwise in accordance with the Clearing House Rules, it shall Invoice Back the metal in question to the seller at the price fixed by the Exchange. The Exchange may fix such a price as an applicable daily rate generally for the purposes of the Invoicing Back of the metal in question or for the specific case, at their absolute discretion, and such prices or rates may take account of any compensation that the Exchange consider should be paid by either party to the other. This Trading Regulation 10.4 shall apply subject to any directions issued in accordance with Trading Regulation 17.1 or 17.2 below.
- 10.5 An Invoicing Back price fixed under these Trading Regulations shall be binding on the parties. No dispute as to the price may be referred to arbitration but the completion of Invoicing Back shall be without prejudice to the right of any party to refer any other issue to arbitration under the Rules.
- 10.6 References in the Rules to the delivery of Warrants or Premium Warrants shall include a delivery of Warrants or Premium Warrants by way of a transfer within LMEsword in accordance with the LMEsword Regulations and Operating Procedures.
- 10.7 Where, as a consequence of a failure by a Member to deliver Precious Metal in respect of any Cleared Contract that is an LMEprecious Future, the Clearing House determines that it shall postpone its own delivery obligation in respect of such Precious Metal under any Client-Related Cleared Contract that is an LMEprecious Future, the Prompt Date in respect of the Underlying Client Contract that corresponds to such Client-Related Cleared Contract shall be postponed to the same date as revised date for delivery by the Clearing House under the Client-Related Cleared Contract.

11. DEALINGS IN THE RING

- 11.1 Business in the Ring shall be by open outcry and shall be confined within the times laid down for dealings in individual metals and Contract-types and for kerb dealings. Each Category 1 Member must ensure they have a Dealer in each Ring. Dealings shall be for Prompt Dates in accordance with Trading Regulation 8.1 subject to the provisions of any applicable administrative procedures. Those present in the Exchange during Ring and kerb dealings shall at all times conduct themselves in an orderly manner.
- 11.2 The following rules of Ring procedure shall at all times be observed:-
 - 11.2.1 Dealings must cease as soon as the bell commences to ring.
 - 11.2.2 Offers and bids must be addressed to the Ring at large and not to individuals, and must be clearly audible to the Ring as a whole.
 - 11.2.3 There must be no discrimination either in favour of or against any Dealer or the Ring Member for whom he is dealing.

- 11.2.4 Any bid or offer remains valid at the price unless or until there has been a change in price or the bid or offer has been expressly withdrawn. In accordance with this Trading Regulation:
- 11.2.4.1 a change in price occurs when the price that is offered trades and is then bid, or vice versa, or when the price is bid higher or offered lower in conformity with the requirements of Trading Regulation 11.2; and
- 11.2.4.2 if a Dealer who is bidding at a price wishes to offer at a lower price to his current bid, he must withdraw his current bid and immediately offer that same price before quoting a different price, unless a different price is quoted by another Dealer between the withdrawal by the Dealer and the new offer by that Dealer; and
- 11.2.4.3 if a Dealer who is offering at a price wishes to bid at a higher price to his current offer, he must withdraw his current offer and immediately bid that same price before quoting a different price, unless a different price is quoted by another Dealer between the withdrawal by the Dealer and the new bid by that Dealer; and
- 11.2.4.4 if a Dealer wishes to offer a price that is lower than the current bid price, he must sell all the Lots available at the bid price. He must then immediately offer that same price before quoting a different price, unless a different price is quoted by another Dealer between the trade at the bid price and the new offer by that Dealer; and
- 11.2.4.5 if a Dealer wishes to bid a price that is higher than the current offered price, he must buy all the Lots available at the offered price. He must then immediately bid that same price before quoting a different price unless a different price is quoted by another Dealer between the trade at the offered price and the new bid by that Dealer; and
- 11.2.4.6 any Dealer who is trading by open outcry will be deemed to have withdrawn his bid and/or offer should he leave the Ring.
- 11.2.5 Minimum price fluctuations shall be at such levels as the Exchange may from time to time prescribe.
- 11.2.6 Dealers should avoid using such terms as "I will sell only...." or "I will buy only...." if on acceptance they increase the number of Lots so specified, at the same price.
- 11.2.7 The Dealer who says "Yes" must be prepared to deal 50 Lots. Any unfilled balance up to this limit must be sold to or taken from other Dealers if immediately bid or offered. A response to "Yes" must be quantified by tonnage.
- 11.2.8 Bids or offers deemed by the Ring Disciplinary Committee to be frivolous are prohibited and may be deemed to be a prohibited practice pursuant to Trading Regulation 14.
- 11.2.9 The Dealer who is the first to bid or offer at a price must be given priority and is entitled to buy or sell all the Lots available at the price until his requirements are satisfied.
- 11.2.10 A Dealer who simultaneously offers to buy and to sell must be prepared to deal either way.
- 11.2.11 A Dealer must not:
- 11.2.11.1 bid at or more than the offered price nor offer at or below the bid price at the time of his offer or bid;

- 11.2.11.2 bid below the bid price nor offer above the offered price at the time of his offer or bid.
- 11.2.12 During each Ring and kerb all opening bids and/or offers for Cash and 3 months in the case of all Contracts must be all the digits of the full price that is quoted.
- 11.2.13 The term "0", when it is in the last digit of the full price, must not be used.
- 11.2.14 During all Ring and kerb trading Dealers must ensure that:-
 - 11.2.14.1 in the case of Copper - Grade A, High Grade Primary Aluminium, Special High Grade Zinc, Lead, North American Special Aluminium Alloy, Steel Billet and Aluminium Alloy the last two digits of the full price are quoted;
 - 11.2.14.2 in the case of Cobalt, Molybdenum, Primary Nickel, Tin and Index Futures the last three digits of the full price are quoted; and
 - 11.2.14.3 in the case of Premium Contracts, the last three digits of the full price is quoted.
- 11.2.15 Dealers must act with due skill, care and diligence at all times whilst dealing by open outcry.
- 11.2.16.1 The Dealer who discloses the tonnage or Lots he is prepared to buy or sell is obliged to trade the full tonnage or Lots unless expressly withdrawn; and
- 11.2.16.2 the Dealer who is bidding and/or offering at a price for Cash or three months for Copper, High Grade Primary Aluminium, Special High Grade Zinc, Lead, Nickel, North American Special Aluminium Alloy and Aluminium Alloy during the second Ring must be prepared to deal 20 lots unless the tonnage is stated. In the case of Tin the Dealer must be prepared to deal 5 lots unless the tonnage is stated. Any unfilled balance up to these limits must be sold or taken from other dealers who immediately respond to the bid or offer.
- 11.2.17 Dealers must ensure that trades are completed in a timely and orderly manner. This applies in particular (but without prejudice to its general application) to business transacted towards the close of any Ring.
- 11.2.18.1 Dealers must not bid or offer at a price which is unknown at the time the bid or offer is made; and
- 11.2.18.2 during the second Ring for each metal and, in respect of each metal, during the last five minutes of kerb trading before that metal ceases to trade, Dealers may not trade behind the Ring at an unknown price for any Prompt Date other than for Carries.
- 11.2.19 Dealers must remain seated at all times whilst dealing by open-outcry in the Ring.
- 11.2.20 It is the duty of sellers or lenders to check their deals not later than 10 minutes after the close of the respective Ring trading session for each metal. kerb deals are to be checked before leaving the Exchange. It is the duty of buyers or borrowers to co-operate.
- 11.2.21 During kerb trading no Dealer may stand behind the Ring in order to trade by open-outcry if there are no Dealers from the same Member seated in the Ring unless the express permission of an employee of the Exchange who is properly authorised by the Chief Executive is obtained. During the last five minutes of kerb trading for the close of each metal:

- 11.2.21.1 only the Dealer from a Member seated in the Ring may trade that metal; and
- 11.2.21.2 the Dealer who is bidding and/or offering at a price for a Carry between any two Prompt Dates must be prepared to deal 50 lots unless the tonnage for the Carry is stated. The Dealer who is bidding and/or offering at a price for Cash or three months for Copper, High Grade Primary Aluminium, Special High Grade Zinc, Lead, Nickel, North American Special Aluminium Alloy and Aluminium Alloy must be prepared to deal 20 lots unless the tonnage is stated. In the case of Tin the Dealer must be prepared to deal 5 lots unless the tonnage is stated. Any unfilled balance up to these limits must be sold to or taken from other Dealers who immediately respond to the bid or offer.
- 11.2.22 A dealer must not commit any other act of misconduct of a kind which two or more members of the Ring Disciplinary Committee deem to be a dealing offence.
- 11.2.23 Any breach of Trading Regulation 11.2 will be deemed to be a dealing offence.
- 11.3.1 The Chief Executive and in the event of a fire or similar emergency any two employees of the Executive authorised by the Chief Executive, shall have the power to suspend or interrupt Ring dealings during any session if in their discretion they consider that such action is in the best interests of the Exchange.
- 11.3.2 An employee of the Executive who is properly authorised by the Chief Executive may take other action relating to discipline on the premises of the Exchange with the approval of any two members of the Ring Disciplinary Committee if in his view it is necessary to prevent a breach of any rule and to ensure the proper running of the market. Similarly, such action may be taken by any member of the Ring Discipline Supervisory Panel or the Chief Executive without the requirement for approval by two members of the Ring Disciplinary Committee.
- 11.4.1 Breaches by Dealers or other persons of the provisions of the Trading Regulations may be categorised by the Ring Disciplinary Committee as minor offences, dealing offences or serious offences.
- 11.4.2 The Ring Disciplinary Committee may refer to the Exchange's video and audio surveillance system of the Ring in determining if any offence has been committed.
- 11.4.3 Where the Ring Disciplinary Committee considers that a Dealer or other person may have committed an offence:
 - 11.4.3.1 the Ring Disciplinary Committee shall notify such person in writing;
 - 11.4.3.2 not later than close of business on the Business Day following receipt of written notice in accordance with Trading Regulation 11.4.3.1, such person and/or their nominated representative shall, on request to the Ring Disciplinary Committee, be entitled to inspect at the Exchange during business hours any relevant video or audio surveillance footage which is available, and the Ring Discipline Committee shall comply with such request.
- 11.4.4 Where, following expiration of the inspection period referred to in Trading Regulation 11.4.3.2, the Ring Disciplinary Committee has determined that a Dealer or other person has committed an offence:
 - 11.4.4.1 the Ring Disciplinary Committee shall notify such person in writing;

- 11.4.4.2 not later than close of business on the Business Day following receipt of written notice in accordance with Trading Regulation 11.4.4.1, such person and/or their nominated representative shall, on request to the Ring Disciplinary Committee and if they have not already done so in accordance with Trading Regulation 11.4.3.2, be entitled to inspect at the Exchange during business hours any relevant video or audio surveillance footage which is available, and the Ring Disciplinary Committee shall comply with such request; and
- 11.4.4.3 Where no appeal is lodged by such person in accordance with 11.10.1, the Ring Disciplinary Committee shall notify in writing all Category 1 Members to the nature and circumstances of the offence and any penalty imposed.
- 11.5 Any member of the Ring Disciplinary Committee may impose a penalty for minor offences in accordance with the tables of fines and penalty points listed below:-
- 11.5.1 Conduct of an unprofessional nature:-

		Fine	Penalty Points
1st offence	up to	£500	20
2nd offence	up to	£1000	40
3rd offence	up to	£2000	80
4th offence	up to	£4000	160

Examples of such acts of misconduct are:-

- (a) Failure to observe the Exchange Dress Code;
- (b) Failure to observe the Exchange Food/Beverages Code;
- (c) Chewing whilst dealing by open-outcry;
- (d) The sale and/or display of non-LME products in the Dealing Area;
- (e) The use of foul and abusive language;
- (f) Reading newspapers or magazines etc. in the Dealing Area;
- (g) Unacceptable behaviour such as slovenly behaviour, overzealous behaviour and drunken behaviour;
- (h) Sitting down in the Dealing Area (other than when dealing in the Ring or using the seat provided in each member's booth);
- (i) Smoking on Exchange premises at any time;
- (j) The use of mobile telephones in the Dealing Area (the use of mobile telephones is prohibited at all times in the Dealing Area);
- (k) Excessive noise from behind the Ring whilst dealings are in progress or the Official Prices are being announced;

- (l) Any other act of misconduct of which the Exchange may, from time to time, notify to Members through Notices.

11.5.2 Conduct likely to interfere with trading activity or to cause disorder or offence or damage on Exchange premises:-

		Fine	Penalty Points
1st offence	up to	£1000	20
2nd offence	up to	£2000	40
3rd offence	up to	£4000	80
4th offence	up to	£8000	160

Examples of such acts of misconduct are:-

- (a) Failure to comply with the Exchange security procedures or misuse of LME Identity Badges;
- (b) Abuse of the Visiting Regulations;
- (c) The throwing of projectiles;
- (d) The harassment of Exchange staff;
- (e) Any other act of misconduct of which the Exchange may, from time to time, notify to Members through Notices.

11.6 Any two or more members of the Ring Disciplinary Committee may impose a penalty for dealing offences in accordance with the table of fines and penalty points listed below:

		Fine	Penalty Points
1st offence	up to	£5000	20
2nd offence	up to	£10000	40
3rd offence	up to	£20000	80
4th offence	up to	£50000	160

11.7.1 After a period of six calendar months has elapsed from the time of an offence the number of points accumulated for that offence for that individual will be cancelled.

11.7.2 Any person who accumulates 100 or more penalty points within a period of three calendar months or 180 or more penalty points within a period of six calendar months will be reported to two or more members of the Ring Discipline Supervisory Panel.

11.7.3 Any person who accumulates 60 or more penalty points within a period of three calendar months or 140 or more penalty points within a period of six calendar months shall automatically be suspended from trading in the Ring for two Business Days. In such case,

the Ring Disciplinary Committee shall inform the person of the fact of his suspension and the date it shall commence by notice in writing.

11.8.1 Where a serious offence is alleged to have been committed the Ring Disciplinary Committee shall be obliged to refer the matter to two or more members of the Ring Discipline Supervisory Panel.

11.8.2 Examples of such acts of misconduct are:-

- (a) Violent conduct or conduct likely to cause injury to another person on Exchange premises;
- (b) The unauthorised removal of or damage to the Exchange structure or equipment;
- (c) Disobedience in failing to comply with the lawful instruction of a properly authorised employee of the Exchange or a Member of the Ring Disciplinary Committee;
- (d) The wilful disregard of the Rules;
- (e) Aggravated harassment of Exchange staff, including physical contact with Exchange staff or threatening Exchange staff;
- (f) Preventing Exchange staff from carrying out their duties;
- (g) Any other act of misconduct of a kind which the Ring Disciplinary Committee deems to fall into this category.

11.8.3 Any member of the Ring Disciplinary Committee who believes in good faith in his absolute discretion that a serious offence has been committed by any person may request that such person immediately leave the Exchange premises for the remainder of the trading day, and such person shall comply with any such request.

11.9.1 Any two or more members of the Ring Discipline Supervisory Panel may impose a fine of up to £100,000 and suspension of up to twenty Business Days on a person referred to them and/or on the Member which employs him. The provisions of Regulation 11 of the Membership Regulations shall apply *mutatis mutandis* to the procedure of the Ring Discipline Supervisory Panel (save that for the avoidance of doubt, any appeal shall be in accordance with Trading Regulations 11.10.2 and 11.10.3 below, rather than Regulations 14.27 to 14.35 of the Membership Regulations).

11.9.2 Any such matter referred to two or more members of the Ring Discipline Supervisory Panel may, at their discretion, be referred to the Enforcement Committee for consideration for disciplinary action pursuant to Regulation 11 of the Membership Regulations.

11.9.3 Where two or more members of the Ring Discipline Supervisory Panel find that there has been an act of misconduct, notification of such findings and of any sanction shall be made (once the same have become conclusive and binding after any appeal in accordance with procedures in Regulation 11 of the Membership Regulations) by means of a notice sent by the Secretary to:

11.9.3.1 the person found to have committed the act of misconduct;

- 11.9.3.2 any other person to whom in the Ring Discipline Supervisory Panel's opinion in the circumstances such copy should be sent; and
- 11.9.3.3 all Members and appropriate regulatory or other authorities.
- 11.9.4 Where the Ring Discipline Supervisory Panel (or, as the case may be an Appeal Committee) find that any allegation of misconduct has not been substantiated, notification of such finding shall be made by means of a notice sent by the Secretary to the persons alleged to have committed the act of misconduct and the persons specified in 11.10.3.2 above and shall, if the Defendant so requests (but not otherwise), be sent to Members and appropriate regulatory or other authorities.
- 11.10.1 Any person who is subject to a finding by the Ring Disciplinary Committee and who is dissatisfied with that finding or with any penalty imposed may, by the close of the Business Day following the day of receiving notice thereof, lodge an appeal in writing with the Chairman of the Enforcement Committee, who shall refer the same to the Ring Discipline Supervisory Panel. Pending determination of any such appeal, the decision of and any sanction imposed by the Ring Disciplinary Committee shall be suspended. The Ring Discipline Supervisory Panel may at its discretion and in the event it determines the findings of the Ring Disciplinary Committee be upheld, review the penalty imposed and award the costs of the appeal to the unsuccessful appellant.
- 11.10.2 Any person who is subject to a finding by the Ring Discipline Supervisory Panel and who is dissatisfied with that finding or with any penalty imposed may, by the close of the Business Day following the day of receiving notice thereof, lodge an appeal in writing with the Chairman of the Enforcement Committee, who shall refer the same to a Disciplinary Committee constituted and acting in accordance with Regulation 11 of Part 2. Pending determination of any such appeal, the decision and any sanction imposed by the Ring Discipline Supervisory Panel shall be suspended.
- 11.10.3 In the event that the Ring Disciplinary Committee is dissatisfied with a finding or with any penalty imposed by the Ring Discipline Supervisory Panel it may, by the close of the Business Day following the day of receiving notice thereof, lodge an appeal in writing with the Chairman of the Enforcement Committee, who shall refer the same to a Disciplinary Committee constituted in accordance with Regulation 11 of Part 2. Pending determination of any such appeal, the decision and any sanction imposed by the Ring Discipline Supervisory Panel shall be suspended.

12. DEALINGS ON LME SELECT

- 12.1 Business for LME Select shall be in accordance with the Rules.
- 12.2 Only LME Select Participants may have direct access to LME Select and such LME Select Participants must have entered into relevant contractual agreement as stipulated by the Exchange from time to time.
- 12.3 LME Select Participants are required to maintain adequate internal procedures and controls to maintain the confidentiality and anonymity of LME Select trading activity, and to ensure that only internally authorised personnel are able to access data relating to the identity of trading counterparties.
- 12.4 LME Select Participants must advise the Exchange in writing if any Dealer leaves the employment of an LME Select Participant. Until such time as a Dealer's access to LME

Select has been revoked, the relevant LME Select Participant shall remain responsible for all activity undertaken by such Dealer.

- 12.5 The Exchange reserves the right, acting reasonably and in its absolute discretion, to suspend or revoke access to LME Select for any Dealer or LME Select Participant as it deems necessary.
- 12.6 LME Select Participants must ensure that appropriate and adequate training has been provided to all staff that has access to LME Select. All relevant staff should be regularly reviewed, and additional training provided if required or if the Exchange notifies the LME Select Participant that further training of a particular staff member is required.
- 12.7 LME Select Participants and Clients may not distribute, disseminate or share LME Select price, volume, trade and/or any other data, unless they have entered into the appropriate licence agreement with the Exchange to do so.
- 12.8 The following rules of trading procedure shall apply at all times when the central order book is open for order matching:-
 - 12.8.1 bids or offers deemed by the Executive to be frivolous are prohibited and may be deemed to be a prohibited practice pursuant to Trading Regulation 14;
 - 12.8.2 orders will be matched on a price/time priority basis or such other method as otherwise advised or defined by a Notice issued by the Exchange;
 - 12.8.3 an order entered into the central order book will lose priority if the tonnage against any bid or offer is increased or the price is changed;
 - 12.8.4 an order entered into the central order book will not lose priority if the tonnage against any bid or offer is reduced and the price remains unchanged;
 - 12.8.5 orders entered into LME Select must be in multiples of Lots and with minimum price fluctuations as shall be prescribed by the Exchange from time to time;
 - 12.8.6 dealers must act with due skill care and diligence at all times whilst dealing on LME Select; and
 - 12.8.7 permitted orders shall be in accordance with those prescribed by the Exchange from time to time.

Order routing services (Direct Electronic Access)

- 12.9 LME Select Participants may offer order-routing facilities (also known as direct electronic access under MiFID II) to a Client, but in such cases the LME Select Participant retains responsibility for, and remains liable for, all trading activity conducted by such Client, including all orders submitted and trades executed using the order-routing facility.
- 12.10 LME Select Participants must have in place appropriate pre-trade risk controls and procedures for all orders submitted to LME Select. LME Select Participants offering order-routing facilities to Clients must ensure that all orders submitted by Clients are subject to appropriate pre-trade risk controls and procedures that have been implemented by the LME Select Participant concerned. LME Select Participants may not rely upon any pre-trade risk controls or procedures that Clients may have implemented themselves to satisfy this Regulation.

- 12.11 LME Select Participants offering order-routing facilities to Clients must:
- (a) comply with the relevant requirements under MiFID II regarding the provision of Direct Electronic Access services;
 - (b) ensure that Clients using their order-routing services comply with MiFID II and all relevant Rules; and
 - (c) meet all of the requirements prescribed by the Exchange for providing order-routing services, including conditions established by Notice, as amended by the Exchange from time to time.
- 12.12 Any LME Select Participant offering order-routing facilities to its Clients must monitor such Clients' use of such facilities and any transactions executed through such facilities in order to identify infringements of the requirements in MiFID II and/or the Rules. In the event that an LME Select Participant identifies any such infringement, it must notify the Exchange.
- 12.13 The Exchange will monitor trading activity carried on via order-routing facilities and may, in the event of (i) an infringement of MiFID II, the Rules, or the requirements prescribed by the Exchange for order-routing services or (ii) any other situation where the Exchange may deem it necessary, acting reasonably and at its absolute discretion:
- (a) stop orders or trading by a person using order-routing services; and/or
 - (b) suspend or terminate the provision of order-routing services by the relevant LME Select Participant.
- 12.14 Trading Regulations 12.10, 12.11 and 12.12 shall apply with effect from 3 January 2018.

LME Select API Client Trades

- 12.15 Trading Regulation 2.7 shall apply in the event that:
- (a) a Member makes available to a Client the order-routing facility of the LME Select API; and
 - (b) due to any use by a Client of the order-routing facility of the LME Select API, one or more Cleared Contracts come into effect between the Clearing House and a Clearing Member.

Identification of Clearing House Accounts

- 12.16 LME Select Participants must, when submitting orders into LME Select, correctly identify the appropriate account of the Clearing Member for the resulting Agreed Trade at the Clearing House.
- 12.17 Any failure by:
- (a) an LME Select Participant to comply with Trading Regulation 12.16 above; or
 - (b) a Clearing Member to comply with its obligation to correct an incorrectly allocated Cleared Contract in accordance with the Administrative Procedures,

shall be an act of misconduct for the purposes of Regulation 14 of the Membership Regulations, and may result in disciplinary action against the Member by the Exchange.

Transparent Reporting of Orders to LME Select

12.18 Where any LME Select Participant:

- (a) submits its own orders into LME Select; or
- (b) offers Direct Electronic Access services to enable Clients to submit orders into LME Select,

such LME Select Participant must ensure that:

- (i) all such orders are submitted into LME Select without delay; and
- (ii) no such order is withheld from submission into LME Select for the purpose of offsetting such order against any other order or orders that would ordinarily be submitted into LME Select, including but not limited to offsetting one Client order against another Client order.

Use of LME Information through LME Select API

12.19 The Exchange hereby consents, subject to Regulation 12.20 and 12.21 below, to allow a Member to:

- (a) transmit LME Information to Member API Clients;
- (b) permit Member API Clients to transmit LME Information to their Member API Member API Sub-Clients;
- (c) use LME Information for Non-Display Usage by such Member; and
- (d) transmit LME Information to Member API Clients for use by the Member API Clients and/or Member API Sub-Clients for Non-Display Usage by such Member API Client and/or Member API Sub-Client.

12.20 It is prohibited for any Member, Member API Client or Member API Sub-Client to:

- (a) store, manipulate or use for Non-Display Usage any LME Information for commercial purposes; and
- (b) to transmit LME Information to, or otherwise permit access to LME Information by, a Non-LME Multi-Dealer Trading System (without the express prior consent of the Exchange),

and the Member shall be:

- (i) responsible for procuring compliance by any Member API Client or Member API Sub-Client with such prohibitions; and
- (ii) liable to the Exchange for any breach of such prohibitions by any Member API Client or Member API Sub-Client as if such breach had been committed by the Member itself;

12.21 The consent given pursuant to Regulation 12.19 above is given subject to the following conditions (and the Member shall comply, and be responsible for procuring compliance, with such requirements):

- (a) no Member may transmit LME Information to any Member API Client or permit any Member API Client to transmit LME Information to any Member API Sub-Client unless the following conditions are satisfied:
 - (i) Member API Clients to which LME Information is transmitted by a Member must have entered into a formal client engagement agreement with the Member, reflecting the requirements, conditions and limitations set out in Regulations 12.19 to 12.21 (including, for the avoidance of doubt, the requirement to comply with Regulation 12.21(a)(ii) below); and
 - (ii) Member API Sub-Clients to which LME Information is transmitted must have entered into a formal client engagement agreement with a Member API Client reflecting the requirements, conditions and limitations set out in Regulation 12.21 (including, without limitation, the prohibitions specified in Regulation 12.20 above);
- (b) without limitation to (a) above, the Member shall procure that each Member API Client that has access to LME Information via the LME Select API shall have entered into an agreement with the Member (to be produced to the Exchange on request) whereby the Member API Client:
 - (i) agrees:
 - (1) to treat such LME Information as confidential information of the Exchange; and
 - (2) that it shall not distribute LME Information to any other person (except as expressly permitted under these Regulations 12.19 to 12.21 or as required by applicable law or regulation);
 - (ii) agrees to comply with the Financial OTC Booking Fee Policy as:
 - (1) an Affiliate of the Member (where such Member API Client is an Affiliate of the Member); or
 - (2) as a Licensee, as such term is defined in the Financial OTC Booking Fee Policy (where such Member API Client is not an Affiliate of the Member);
 - (iii) agrees and confirms that, where the Member API Client intends to transmit LME Information to any Member API Sub-Client, it has in place agreements with such Member API Sub-Client (a “Member API Sub-Client Agreement”):
 - (1) under which the Member API Sub-Client agrees to treat such LME Information as confidential information of the Exchange; and
 - (2) that prohibits such Member API Sub-Client from re-distributing LME Information to any other person (except as required by applicable law or regulation);

- (iv) agrees to include in every Member API Sub-Client Agreement, an agreement by the Member API Sub-Client to comply with the Financial OTC Booking Fee Policy as:
 - (1) an Affiliate of the Member (where such Member API Sub-Client is an Affiliate of the Member); or
 - (2) as a Licensee, as such term is defined in the Financial OTC Booking Fee Policy (where such Member API Sub-Client is not an Affiliate of the Member);
- (v) acknowledges that only Category 1 Members and Category 4 Members may issue a Client Contract that is an LME Base Contract;
- (vi) acknowledges that only LMEprecious General Clearing Members and LMEprecious Non-Clearing Members may issue a Client Contract that is an LMEprecious Contract;
- (vii) confirms that, if the Member API Client trades with Member API Sub-Clients, those Member API Sub-Clients have been made to understand that they do not receive Client Contracts;
- (c) the Member shall pay to the Exchange such fees in respect of the access permitted pursuant to Regulation 12.19 as the Exchange shall specify by Notice (as may be amended or updated by the Exchange from time to time);
- (d) the Member shall send to the Exchange such reports, in respect of the access and use of LME Information by the Member and any Member API Clients and/or Member API Sub-Clients, as the Exchange may specify by Notice, in accordance with such requirements as may be specified in such Notice;
- (e) the Member shall comply with the requirements of the Exchange in relation to the identification of Member API Clients and Member API Sub-Clients as notified by the Exchange to the Member from time-to-time;
- (f) (without prejudice to the prohibitions specified in Regulation 12.19, and the Member's liability for any breach by a Member API Client or Member API Sub-Client of any such prohibition) the Member shall use its reasonable endeavours to ensure that each Member API Client and Member API Sub-Client who has access to LME Information does not copy, distribute or transmit it without the prior consent of the Exchange or except as explicitly permitted by these Regulations 12.19 – 12.21, and the Member shall cease to make available LME Information to any Member API Client whom it knows or has reasonable cause to suspect is copying, distributing, transmitting or permitting to be made available LME Information without the consent of the Exchange or except as explicitly permitted by this Regulations 12.19– 12.21;
- (g) the Member shall retain all documents, books and records relevant to the making available of LME Information to Member API Clients as contemplated by these Regulations 12.19 – 12.21 (including a list of the names and address of each Member API Client to whom LME Information is available and the number of Terminals, Users and Applications of that Member API Client, a list of identities of end users and access identifications and such other information as may be required

by the LME from time to time) during the currency of the Member's Membership and for a period of six (6) years following the termination of the Member's Membership;

- (h) for the purposes of ensuring compliance by the Member with the terms of these Regulations 12.19 – 12.21, the Member shall permit the Exchange and its representatives to have access on reasonable notice to such of the Member's documents, books and records (including those referred to in paragraph (g)) and personnel as it may reasonably require for audit purposes. This is without prejudice to any other rights of the Exchange, contained elsewhere in the Rules, to inspect documents, books and records of Members;
- (i) the Member undertakes that it will at all times be in compliance with all local, legal and regulatory requirements regarding the arrangements that it has with each Member API Client that the Member permits to transmit LME Information to Member API Sub-Clients;
- (j) subject to paragraph (k) below, the consent granted under Regulation 12.19 shall be automatically withdrawn upon termination of the Member's Membership; and
- (k) the Exchange may withdraw its consent under Regulation 12.19, in whole or in part (including in respect of individual Member API Clients and/or Member API Sub-Clients), on 7 days' written notice to the Member.

13. TRADE INVALIDATION AND CANCELLATION

- 13.1 The Exchange may, in certain circumstances, invalidate transactions in accordance with the relevant procedures established by Notice.
- 13.2 Where an LME Select Participant has made an error in the execution of a transaction undertaken on LME Select, such LME Select Participant may request that the Exchange contact the counterparty(ies) to determine whether such counterparty(ies) would agree to the transaction being cancelled. In the event that the counterparty(ies) do not agree to the request, then the transaction will not be cancelled.
- 13.3 Notwithstanding Trading Regulation 13.2, the Exchange may in its absolute discretion review any transaction undertaken on LME Select and invalidate or adjust the price of any trade in accordance with any policy that the Exchange issues from time to time on erroneous trades.

14. PROHIBITED PRACTICES

- 14.1 No person shall manipulate or attempt to manipulate or otherwise abuse or attempt to abuse the market or create or attempt to create an artificial market.
- 14.2 No person shall enter into or attempt to enter into a transaction or series of transactions designed to create an artificial market whereby prices and turnover do not truly reflect the business transacted.
- 14.3 No person shall undertake or attempt to undertake wash or bogus transactions.
- 14.4 No person shall demonstrate or attempt to demonstrate that a trade has taken place when it has not in fact occurred nor shall any person mislead or attempt to mislead Exchange staff as to the nature of any transaction.

- 14.5 No person shall, either intentionally or unintentionally, create or attempt to create a disorderly market.
- 14.6 No person shall trade, place orders to trade or encourage any other person to trade in the same direction (purchase or sale) as a Client order with a view to realising a profit or avoiding a loss, pursuant to any price movement brought about by such Client order.
- 14.7 No person shall mislead or attempt to mislead Exchange staff as to the nature of any orders or transactions.
- 14.8 No person shall manipulate or attempt to manipulate any prices or indices set or published by the Exchange.
- 14.9 No person shall undertake, attempt to undertake, procure that another person undertakes or attempts to procure that another person undertakes any behaviour that is contrary to applicable law or regulation preventing market abuse.

15. WHEN THE CLEARING HOUSE MAY FIX PRICES

- 15.1 If the Quotations Committee fails at any time to determine or announce to the Clearing House a Closing Price or a Settlement Price in accordance with the Trading Regulations, the Clearing House may fix a Closing Price or Settlement Price as the case may require, of such amount as it may in its absolute discretion determine, and may apply the same in accordance with the Trading Regulations and the Clearing House Rules as if it had been determined by the Quotations Committee.
- 15.2 If the Exchange fails to fix an Invoicing Back price under Trading Regulation 10.4 or Trading Regulation 17.7, then the Closing Price (or, where bid and offered prices are fixed as the Closing Price, the mean of the two) or Settlement Price last fixed under these Trading Regulations (whichever was fixed the later) shall be the Invoicing Back price and such Invoicing Back price shall be deemed to have been fixed by the Exchange.
- 15.3 A Closing Price, or a Settlement Price or an Invoicing Back price fixed under Trading Regulation 15.1 or 15.2 above shall be binding on the parties to a Contract. No dispute as to such price may be referred to arbitration but, in the case of an Invoicing Back price, the completion of Invoicing Back shall be without prejudice to the right of either party to refer an issue between them to arbitration under the Rules.

16. WHO MAY TRADE IN THE RING OR ON LME SELECT

- 16.1 Every Category 1 Member shall nominate one or more Dealers to trade in the Ring on its behalf, and shall at all times be bound by the actions of such Dealer.
- 16.2 Names and particulars of proposed Dealers shall be submitted in writing to the Exchange which shall have the right to approve or refuse every such application after such consultation with the Ring Committee as it thinks fit.
- 16.3 A list of Dealers together with the names of the Category 1 Members whom they represent shall be posted in the Exchange together with names of any Dealers authorised since compilation of such list.
- 16.4.1 There shall be two categories of Dealer, viz Authorised Dealers and Probationary Dealers. Unless the express permission is obtained from the Executive no Probationary Dealer may trade in the Ring save under the supervision of an Authorised Dealer from the same

Member as the Probationary Dealer who has been authorised for a period of not less than one year.

- 16.4.2 A Probationary Dealer cannot apply for full authorisation until he has dealt in the ring for a period of not less than six months.
- 16.4.3 If a Probationary Dealer has not gained full authorisation to deal after a period of eighteen months he will be re-registered as a Registered Clerk subject to the discretion of the Ring Committee.
- 16.5 Qualification requirements for Authorised and Probationary Dealers shall be as prescribed by the Exchange after consultation with the Ring Committee and shall be available on application to the Secretary.
- 16.6 The names of proposed Authorised and Probationary Dealers shall be posted in the Exchange not less than 10 Business Days before each application for authorisation is due for consideration by the Exchange, and during this period any Category 1 Member having any objection to the nominee may communicate the same to the Exchange stating the reasons therefor.
- 16.7 Any withdrawal of, or withdrawal of authority from, a nominated Dealer of a Category 1 Member shall likewise be communicated immediately to the Exchange, which shall forthwith advise all other Category 1 Members.
- 16.8 No more than one Authorised Dealer representing a Category 1 Member may trade in the Ring at any one time during official Ring trading sessions.
- 16.9 No person other than a Dealer or other representative of a Category 1 Member shall be admitted to the Ring or the area adjacent thereto for the purposes of or incidental to trading during Ring or kerb trading sessions unless expressly authorised by, or under the authority of, the Chief Executive.
- 16.10 Every LME Select Participant shall nominate one or more Dealers to trade on LME Select on its behalf, and at all times shall be bound by the actions of such Dealers.
- 16.11 The Exchange will grant each Dealer access to LME Select provided such Dealer has met all the requirements for LME Select access that are set out in the Rules.
- 16.12 Applications for Dealer authorisation to trade on LME Select shall be submitted by the relevant LME Select Participant, in writing, to the LME who shall have the right to approve or refuse every such application after such due diligence as it deems appropriate.
- 16.13 Any withdrawal of, or withdrawal of authority from, a nominated Dealer shall likewise be communicated immediately to the Exchange.

17. **EMERGENCIES**

- 17.1 In the event of the Special Committee or the Clearing House having cause to suspect the existence or to anticipate the development or likely development of a corner or undesirable situation or undesirable or improper trading practice which in their opinion has affected or is likely to affect the market, the Special Committee after consultation with the Clearing House may take such steps as in their absolute discretion they deem necessary to contain or rectify the situation and they may give directions to Members accordingly. Such directions to a Member may include, but are not limited to:-

- (a) trading out Client Contract positions with one or more particular Clients;
 - (b) trading out Cleared Contract positions or positions otherwise related to Cleared Contracts; and
 - (c) reducing its net trading position.
- 17.2 Without prejudice to the generality of this Trading Regulation, such steps may include the suspension or curtailment of trading for such period or for such Prompt Dates in such metals or Contracts as may be specified or the direction that trading be limited to the liquidation of open Contracts and deferral of settlement of some or all Contracts with Prompt Dates in the current month or in the two succeeding months thereafter, subject to such compensation (if any) as the Special Committee may determine being paid to sellers or buyers.
- 17.3 Any decision of the Special Committee pursuant to this Trading Regulation shall be effective on the posting of an appropriate Notice in the Exchange and it shall thereafter be incumbent upon the Exchange to ensure that all steps are taken to ensure that normal trading is resumed with the least delay.
- 17.4 Any Member contravening or failing to comply with any direction or instruction issued under the provisions of Trading Regulations 17.1 to 17.3 above shall be liable to the same sanctions as if a breach of the Rules had been committed by him.
- 17.5 The Exchange may at its absolute discretion suspend or remove a Contract from trading, including where the Exchange has determined that the Contract no longer complies with the Rules or for any other reason.
- 17.6 Upon the occurrence of any event outside the Exchange which is outside the control of the Exchange, including the commencement of a state of war, revolution, political or economic disturbance or the enactment of legislation or the commencement, suspension or determination of any international agreement, such as may in the opinion of the Directors prevent free trading in any Contract or so distort the same or the price of any metal (including any Precious Metal), Monthly Average Future, Premium Contract, Warrant, Ferrous Future or Ferrous Index or the level of the Index as no longer to be truly representative of conditions in the international market in any metal, the Directors shall have the authority to order a complete cessation of trading in such metal, LMEmini Contract, Monthly Average Future, Premium Contract, Warrant, Ferrous Future, LMEprecious Future or Index Contract until such time as they in their absolute discretion deem it appropriate to resume, or to take any of the steps set out in Trading Regulations 17.1 to 17.3 above as they deem necessary at the time. The Directors shall not take such action as aforesaid without first consulting the Clearing House.
- 17.7 In the event that a cessation or suspension or limitation of trading in any metal, LMEmini Contract, Monthly Average Future, Premium Contract, Warrant, Ferrous Future, LMEprecious Future or Index Contract imposed by the Directors in accordance with Trading Regulations 17.1 to 17.3 or 17.5 above be such as to prevent delivery of the said metal (including any Precious Metal) or settlement of the said LMEmini Contract, Monthly Average Future, Premium Contract, Warrant, Ferrous Future, LMEprecious Future or Index Contract or to prevent the closing of an open position, any open Contracts so affected shall be closed by Invoicing Back to the seller at special settlement prices to be

determined by the Directors on the date of announcement of cessation or suspension or limitation of trading.

17.8 Where for any reason the Directors determine that the use of LMEsword for delivery of Warrants is not practicable or appropriate in part or in whole, the Directors shall by Notice specify such other means of performing delivery of Warrants as they deem appropriate having first consulted with the Clearing House.

17.9 Notwithstanding anything set out in Trading Regulations 17.1 to 17.7 above:

- (a) neither the Directors nor the Special Committee shall be required to exercise their power to suspend or remove from trading any Contract which no longer complies with the Rules, where in their judgment such step would be likely to cause significant damage to the interests of investors or the orderly functioning of the financial markets; and
- (b) the Directors shall suspend or remove from trading a Contract when required to do so by the FCA.

17.10 The Exchange may notify the FCA of:

- (a) any Notice of the suspension or removal from trading of a Contract which no longer complies with the Rules or which is suspended or removed from trading; and
- (b) any lifting of a suspension or readmission to trading of a Contract that was previously suspended or removed from trading by the Exchange.

17.11 In the event that a Regulator intervenes to prohibit or restrict:

- (a) the marketing, distribution or sale of a specific financial instrument or a type of financial instrument with specific features; or
- (b) a type of financial activity or practice,

the Exchange may be required to halt trading activity, whether on a temporary or indefinite basis, in any Contract that is within the scope of the prohibition or restriction. Nothing set out in these Trading Regulations shall restrict the Exchange from complying with any such requirement.

18. **LENDING RULES**

18.1 Members shall comply with the Lending Rules and shall co-operate with the Exchange to ensure that each of their Clients shall comply with the Lending Rules.

18.2 Where the Exchange has reasonable cause to suspect that a Client has failed or is likely to fail to comply with the Lending Rules, the Exchange may give directions to one or more Members with whom that Client has Client Contracts to take action designed to make the same number of Lots available for borrowing in the market as would have been the case if the Client were prepared to abide by the Lending Rules. Such directions to a Member may include but are not limited to:-

- (a) lending or offering to lend, at no more than a level premium, the number of Cleared Contract positions equal to or less than the Client's long position holding

of 90% or more as calculated by the Exchange in accordance with the Lending Rules; and/or

- (b) lending or offering to lend, at no more than a premium of 0.25% of the previous day's Cash price, the number of Cleared Contract positions equal to or less than the Client's long position holding of 80% or more but less than 90% as calculated by the Exchange in accordance with the Lending Rules; and/or
- (c) lending or offering to lend, at no more than a premium of 0.50% of the previous day's Cash price, the number of Cleared Contract positions equal to or less than the Client's long position holding of 50% or more but less than 80% as calculated by the Exchange in accordance with the Lending Rules; and/or
- (d) trading out of sufficient Client Contract positions with that Client to reduce that Member's (or, if two or more Members are directed, those Members') net exposure to that Client in line with the action taken in compliance with the directions under (a) to (c) above.

18.3 Compliance with the Lending Rules is subject to the power of the Special Committee to take steps or give directions under Trading Regulations 17.1 to 17.3 above. Without prejudice to the generality of Trading Regulations 17.1 to 17.3 above, such steps or directions may include suspending, amending or supplementing the Lending Rules for such period or in respect of such metals as the Special Committee in its absolute discretion deems necessary.

19. **LIABILITY**

Neither the Company nor any of its directors or other officers nor any of its employees nor any member of any committee shall, except in the case of fraud or wilful default, be under any liability whatsoever in contract, in tort (including but not limited to negligence), or under any other theory of law to any Member or other person in respect of the matters set out in Trading Regulations 19.1 and 19.2 below:

19.1 Any act or omission taken or omitted to be taken pursuant to duties, powers and/or authorities contained in the Articles or the Rules including in relation to the following:-

- (a) the input of prices into the price reporting service or the setting and dissemination of Closing Prices, Settlement Prices or other prices pursuant to the Rules;
- (b) the creation, calculation, publication or variation of the Index from time to time, including any variation to Weighting or of its Constituent Metals;
- (c) the approval or listing of any warehouse or the maintenance of any such listing;
- (d) the listing or delisting of any producer or brand of metal or the maintenance of any such listing;
- (e) the collection of information and publication of reports in relation to levels of metal stocks represented by Warrants;
- (f) the initiation or enforcement of disciplinary or emergency procedures;
- (g) any other events not set out in (a) to (f) above.

19.2 Any failure, malfunction, delay or other defect in or affecting any computer system, including LME Select, screens, equipment, telephones or other communications media or facilities used by the Exchange, its Members or others, whether at the Exchange or otherwise.

20. **POSITION LIMITS**

20.1 Members shall comply with and shall co-operate with the Exchange to ensure that each of their Clients shall comply with the Position Limits and any directions issued by the Exchange in accordance with the requirements for such Position Limits as the Exchange may specify in Administrative Procedures or as the Exchange may otherwise notify Members from time to time.

20.2 Compliance with the Position Limits is subject to the power of the Special Committee to take steps or give directions under Trading Regulations 17.1 to 17.3 above. Without prejudice to the generality of Trading Regulations 17.1 to 17.3 above, such steps or directions may include suspending, amending or supplementing the Position Limits for such period or in respect of such metals as the Special Committee in its absolute discretion deems necessary.

20.3 With effect from 3 January 2018, Members shall provide a daily position report to the Exchange in accordance with the format required by the Exchange and other requirements as specified in the relevant Notice from time to time.

20.4 In accordance with their powers of position management under MiFID II, a Regulator may:

- (a) request information from a Member or a Client of the Member regarding the size or purpose of a position or exposure under a Contract;
- (b) require the Member or Client to reduce the size of, or eliminate, its position or exposure under that Contract; and/or
- (c) limit the ability of a Member or Client to enter into commodity derivatives,

and any Member shall comply with any such requests, requirements, or limitations. To the extent that a Member is informed of any exercise of position management powers by a Regulator in relation to its Client, it shall procure that its Client complies with any such requests, requirements, or limitations.

20.5 If a Member becomes aware that it or its Client is the subject of a notice issued by ESMA in the exercise of its position management powers, the Member must alert the Exchange immediately. The Member shall co-operate with the Exchange to take such action as may be appropriate on the basis of the notice issued by ESMA, and which may require the Member to reduce the size of, or eliminate, a trading position.

21. **CONFORMANCE TESTING, ALGORITHMIC TRADING AND MARKET MAKING**

21.1 Prior to any deployment or substantial update of (a) LME Select or (b) a Member's trading system, trading algorithm, or trading strategy, each Member must carry out conformance testing, including the appropriate testing of algorithms, in accordance with the conditions established by Notice from time to time.

21.2 Members must flag orders generated by Algorithmic Trading to the Exchange, identifying:

- (a) the different algorithms used for the creation of orders; and
- (b) the persons initiating those orders,

such flagging of orders being made in accordance with the relevant requirements established by Notice.

21.3 Where any Member, or any Client of a Member engages in Algorithmic Trading, to pursue a Market Making Strategy:

- (a) the Member shall provide, and shall ensure that any such Client provides, market making continuously during the opening hours of the Exchange, with the result of providing liquidity on a regular and predictable basis;
- (b) the Member shall, and shall procure that any such Client shall, enter into a market making agreement with the Exchange where required to do so by Regulation 21.4 regarding its obligations in (a) in relation to the Contracts in which it or, where appropriate, its Client, pursues a Market Making Strategy;
- (c) the Member must have in place, and ensure that any such Client has in place, the systems and controls required to ensure it performs its obligations under the market making agreement specified in (b); and
- (d) the Member shall comply with any additional requirements that the Exchange may specify by Administrative Procedure.

21.4 A Member shall, and shall procure that a Client shall, enter into a market making agreement with the Exchange:

- (a) if it or such Client, during half of the trading days over a one-month period, in execution of such Market Making Strategy:
 - (1) posts Firm Quotes that are simultaneous two-way quotes of comparable size and competitive prices; and
 - (2) Deals On Own Account in at least one Contract on the Exchange for at least 50 per cent of the daily trading hours of continuous trading at the Exchange, or
- (b) where otherwise required to do so pursuant to MiFID II or any law or regulations made pursuant thereto.

21.5 For the purposes of Regulation 21.4:

- (a) Firm Quotes shall be deemed to be simultaneous two-way quotes if they are posted in such a way that both the bid and the ask-price are present in the order book at the same time;
- (b) two Firm Quotes shall be deemed of comparable size when their sizes do not diverge by more than 50 per cent from each other; and
- (c) Firm Quotes shall be deemed to have competitive prices where they are posted within the maximum bid-ask range for the relevant Contract, as specified by the Exchange from time to time by Notice.

- 21.6 A Member shall not be required to comply with Regulation 21.3(a) if it or, where appropriate, its Client, is unable to provide liquidity on a regular and predictable basis due to the exceptional circumstances listed in Article 3 of Commission Delegated Regulation (EU) 2017/578.
- 21.7 Where a Member considers that it or, where appropriate, its Client, is unable to comply with its obligation to provide liquidity on a regular and predictable basis due to the exceptional circumstances specified in Article 3(d) of Commission Delegated Regulation (EU) 2017/578 (circumstances preventing prudent risk management practices), it must provide to the Exchange, upon request, evidence satisfactory to the Exchange of such circumstances and how the condition in Article 3(d) is satisfied.
- 21.8 In order to assist Members to identify such exceptional circumstances, the Exchange will endeavour to determine in its absolute discretion and make public the occurrence of exceptional circumstances falling within Article 3(a), (b), (c), or (e) of Commission Delegated Regulation (EU) 2017/578. In the event of such an occurrence, the Exchange may issue a Notice to Members. The Exchange shall not extend the declaration of such exceptional circumstance beyond the close of the Opening Hours on for the relevant Execution Venue on the Business Day on which the exceptional circumstance(s) occurred unless, in the determination of the Exchange, this is necessary in the circumstances set out in Article 3(b), (c) or (e) of Commission Delegated Regulation (EU) 2017/578.
- 21.9 Following the ending of any such exceptional circumstances, the Exchange may announce the resumption of normal trading in accordance with its standard procedures.
- 21.10 This Trading Regulation 21 shall apply with effect from 3 January 2018.

22. ORDER CANCELLATION AND CONTROLS

- 22.1 The Exchange may temporarily halt or constrain trading in accordance with the relevant procedures established by Notice if there is a significant price movement during a short period in a financial instrument on the Exchange or a related trading venue (as such term is defined in Article 4(1)(24) of the MiFID II Directive). Where the Exchange considers it appropriate, the Exchange may cancel, vary or correct any Agreed Trade or Contract.

23. TRANSACTION REPORTING

- 23.1 The Exchange is required to report to the FCA details of transactions in financial instruments traded on its platform which are executed through its systems by a firm that is not subject to MiFID II. Members shall confirm to the Exchange if they are writing Client Contracts for Clients that are not firms subject to MiFID II and provide details of all Agreed Trades and Contracts in respect of such Clients at the time of submission of the details of the Agreed Trade into the Matching System in accordance with the timescales set out in Trading Regulation 3.5.
- 23.2 Any Member that is not a firm subject to MiFID II shall:
- (a) provide the Exchange with a validated, issued and duly renewed ISO 17442 legal entity identifier code; and
 - (b) obtain from each of its Clients that is not a firm subject to MiFID II a validated, issued and duly renewed ISO 17442 legal entity identifier code, which the Member shall provide to the Exchange.

- 23.3 It shall be the responsibility of such a Member to ensure that the reference data related to its legal entity identifier is renewed in accordance with the terms of any of the accredited local operating units of the Global Legal Entity Identifier System, and also to ensure that each of its Clients renews such data.

This Trading Regulation 23 shall apply with effect from 3 January 2018.

PART 4
CONTRACT REGULATIONS

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PART 4: CONTRACT REGULATIONS

1. RELATIONSHIP WITH RULES AND REGULATIONS

- 1.1 These Contract Regulations shall apply to Contracts made subject to the Rules of the Exchange, whether between a Clearing Member and the Clearing House or between a Clearing Member and a Member who is not a Clearing Member or between a Member and any other person.
- 1.2 Contracts shall in addition be subject to the Trading Regulations and, in case of discrepancy, the Trading Regulations shall prevail over these Contract Regulations. Contracts for Traded Options shall, in addition, be governed by the Traded Options Regulations. Contracts for Monthly Average Futures shall, in addition, be governed by the Monthly Average Future Regulations. Premium Contracts shall, in addition, be governed by the Premium Contract Regulations. LMEprecious Futures shall, in addition, be governed by the LMEprecious Regulations.
- 1.3 Any provision of, or any provision incorporated into, any Contract (other than a provision incorporated by virtue of the Clearing House Rules) which purports to exclude or is otherwise in conflict with the Rules shall be void.
- 1.4 All Agreed Trades must be entered into the Matching System in order to provide evidence to the Clearing House of the Contracts formed pursuant to the Execution of such Agreed Trades. Any dispute as to failure to enter or the reason for non-entry of such Agreed Trades may be referred to arbitration in accordance with the Arbitration Regulations.
- 1.5 A Member may not enter into a contract expressed to be "subject to the Rules and Regulations of the Exchange" or similar expression unless it is a Contract. Written confirmation of a Client Contract must state clearly and in bold capitals the phrase "**THIS IS AN LME REGISTERED CLIENT CONTRACT**". Written confirmation of an over-the-counter contract in respect of LME-deliverable metal must state clearly and in bold capitals "**THIS IS NOT AN LME REGISTERED CLIENT CONTRACT**".
- 1.6 Upon Execution of an Agreed Trade, Cleared Contracts shall come into effect in accordance with the Clearing House Rules between the Clearing House and each Clearing Member that was a party to, or responsible for clearing, the Agreed Trade.
- 1.7 Upon Execution of an Agreed Trade between a Client and a Member, one or more Client Contracts shall automatically and immediately come into effect:
 - (a) between the Clearing Member responsible for clearing the Agreed Trade and its Client that is party to the Agreed Trade; and
 - (b) where the Agreed Trade is between a Category 4 Member or LMEprecious Non-Clearing Member and its own Client, between such Member and its Client.
- 1.8 All Cleared Contracts shall be performed and settled in accordance with the Trading Regulations and the Clearing House Rules. Accordingly, in this Part 4, all references to any category of Contract shall, where that Contract has been registered at the Clearing House, be construed to include any Cleared Contract that has arisen pursuant to the Clearing House Rules, such that:

- (a) references to any type of "Cleared Contract" shall include the Cleared Contracts that have arisen pursuant to the Execution of an Agreed Trade under the Clearing House Rules;
- (b) references to any type of "Client Contract" shall:
 - (i) include the Client Contract to the extent that such remains in force between the parties thereto; and
 - (ii) not include the Cleared Contracts that correspond to such Client Contract, the settlement and performance of which shall be in accordance with the provisions applying to Cleared Contracts.

2. **STATUS OF PARTIES**

- 2.1 All Contracts shall be between the parties acting as principals. Any percentage charged by one party to the other on the price shall, by whatever name called, be regarded as part of the price.
- 2.2 Any such percentage charged by a Member may be shared with any agent or other person introducing the business.

3. **MARGIN CLIENT CONTRACTS**

- 3.1 In the case of any Client Contract between a Clearing Member and a Member who is not a Clearing Member or between a Member and a non-Member, the Clearing Member or, as the case may be, the Member shall have the right at any time or times to require the other party to pay Variation Margin to him in cash and/or to deposit with him security in such other form as he may require in order to secure fulfilment by the other party of his obligations under the Contract. If the other party fails to perform this obligation, the Clearing Member or, as the case may be, the Member may immediately appropriate any Variation Margin held and/or realise any security lodged in addition to any other rights he may have under the Contract.
- 3.2 Variation Margin shall be due on demand and shall be without prejudice to payment of any other sum or provision of other security that may have been agreed between the parties.

4. **SETTLEMENT**

- 4.1 Settlement Basis for Different Types of Contracts
 - (a) Except as provided in the Traded Options Regulations and the Default Regulations, Metal Contracts shall be settled by offset or delivery on their Prompt Dates.
 - (b) Index Futures shall be cash settled on the Settlement Business Day following their Prompt Dates and also daily settled in accordance with the Trading Regulations and, in the case of Cleared Index Futures, the Clearing House Rules.
 - (c) Index Options shall be cash settled on the Settlement Business Day following their Prompt Date. LMEmini Futures shall be cash settled on their Prompt Date and also daily settled in accordance with the Trading Regulations and the Clearing House Rules.

- (d) Monthly Average Futures shall be cash settled on their prompt date and also daily marked to market in accordance with the Trading Regulations and the Clearing House Rules.
 - (e) Ferrous Futures shall be cash settled on the Settlement Business Day following their Prompt Dates and also daily settled in accordance with the Trading Regulations and, in the case of Cleared Ferrous Futures, the Clearing House Rules.
 - (f) Premium Contracts shall be settled in accordance with the Premium Contract Regulations and the Clearing House Rules.
 - (g) LMEprecious Futures shall be settled by delivery on their Prompt Dates and also daily settled in accordance with Trading Regulation 9 and, in the case of Cleared LMEprecious Futures, the Clearing House Rules.
- 4.2 Settlement of Cleared Contracts shall be in accordance with the Trading Regulations and the Clearing House Rules.
- 4.3.1 Offsetting Client Metal Contracts for the same number of Lots of the same metal and in the same currency and with the same Prompt Date shall be settled in accordance with the Trading Regulations on the Prompt Date, buyer and seller paying or receiving (as the case may be) any difference between the Contract prices in the currency of the Contracts. Non-offsetting Client Metal Contracts shall be performed by delivery.
- 4.3.2 Premium Contracts shall be subject to offsetting in accordance with the Premium Contract Regulations.
- 4.4 The application of Regulations 8.7 and 9 of the Trading Regulations and Regulations 4.1, 4.2 and 4.3 above shall not be construed so as to frustrate the application of Regulation 14 of the Contract Regulations and:
- (i) a Contract may be subject to Compression notwithstanding that it would otherwise not be settled until the time specified in Regulations 8.7 and 9 of the Trading Regulations and Regulations 4.1, 4.2 or 4.3 above; and
 - (ii) any reference to the settlement of a Contract shall be construed to mean the settlement of any Post-Compression Client Contract that arises upon Compression of such Contract.

5. **DELIVERY**

- 5.1 Delivery due under Cleared Metal Contracts shall be effected in accordance with the Trading Regulations.
- 5.2 Delivery due under a Client Metal Contract shall be effected on the Prompt Date by delivery of Warrants. Warrants shall be delivered either by way of a transfer pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers or (until further notice) by delivery of a physical Warrant. The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the seller's option.

- 5.3 Subject to the Special Contract Rules pertaining to the relevant metal, Warrants shall be for one Lot each.
- 5.4 In relation to Client Metal Contracts, Warrants shall be invoiced and paid for at the Contract weight and at the Settlement Price pertaining to the Prompt Date, buyer and seller paying and receiving (as the case may be) any difference between Settlement Price and Contract price in the currency of the Contract. If the currency of the Contract is not the Major Currency for the relevant metal the Settlement Price may be translated into the currency of the Contract at such rate as the parties may determine.
- 5.5 In relation to Client Metal Contracts weight differences (between Contract weight and actual Warrant weight) shall be settled at the Settlement Price in the Major Currency of the relevant metal. Warehouse rental accruals (where relevant) shall be allowed on the invoice and shall be accounted for in the Major Currency of the relevant metal.
- 5.6 Delivery of Warrants pursuant to Client Metal Contracts shall be effected no later than 09.00 hours where the buyer is a Clearing Member and no later than 13.30 hours where the seller is a Clearing Member (so far as enabled by the Clearing Member's best endeavours). In all other cases delivery under Client Metal Contracts shall be effected at such time on or before the Prompt Date as the parties may agree.
- 5.7 Warrant weights in all cases shall be accepted as between buyer and seller.
- 5.8 Delivery due under a Premium Contract shall be effected in accordance with the Premium Contract Regulations.
- 5.9 Delivery due under Cleared LMEprecious Futures shall be effected in accordance with the Trading Regulations and the Clearing House Rules.
- 5.10 Delivery due under Client LMEprecious Futures shall be effected on the Prompt Date by the delivery of unallocated Precious Metal corresponding to the number of Lots represented by the Contracts to be settled. The manner of delivery shall be as agreed by the parties or, in the absence of agreement at the seller's option. Precious Metal shall be paid for at the Contract weight and at the LMEprecious Final Settlement Price pertaining to the Prompt Date.
- 5.11 Delivery of unallocated Precious Metal pursuant to Client LMEprecious Futures shall be effected no later than 16:00 hours where the buyer is an LMEprecious General Clearing Member and no later than 16:00 hours where the seller is an LMEprecious General Clearing Member (so far as enabled by the LMEprecious General Clearing Member's best endeavours). In all other cases delivery under Client LMEprecious Futures shall be effected at such time on or before the Prompt Date as the parties may agree.
6. **SPECIAL CONTRACT RULES FOR METAL, LMEMINI CONTRACTS, FERROUS FUTURES AND FOR THE CONSTRUCTION OF THE INDEX**
- 6.1 Quality and other matters dealt with in the Special Contract Rules for the relevant metal shall be as prescribed therein at the time of delivery.
- 6.2 With effect from 1 February 1992, the Exchange may make additions to, deletions from or modifications to the Special Contract Rules for any metal, such additions, deletions or

modifications to take effect from such date as the Exchange may prescribe which shall be not less than three months after announcement thereof.

- 6.3 The terms of Index Futures, including details of the Constituent Metals and the method of calculating the Index, shall be as described in the Special Contract Rules for the Construction of the Index.
- 6.4 The terms of the Index Options shall be as prescribed in the Index Options Regulations or as otherwise specified by the Exchange.
- 6.5 The composition and calculation of the Index as provided for in the Special Contract Rules for the Construction of the Index shall be as described therein at the time of settlement of an Index Contract.
- 6.6 The Exchange may amend the Special Contract Rules for the Construction of the Index, or any other Rules relevant to the calculation of the Index or settlement of an Index Contract, such amendment to take effect from such date as the Exchange may prescribe.
- 6.7 The terms of LMEmini Futures shall be as prescribed in the Special Contract Rules for LMEmini Contracts or as otherwise specified by the Exchange.
- 6.8 The Exchange may amend the Special Contract Rules for the LMEmini Contracts, or any other Rules relevant to the trading and/or settlement of an LMEmini Contract, such amendment to take effect from such date as the Exchange may prescribe.
- 6.9 The terms of Ferrous Futures shall be as prescribed in the Special Contract Rules for Ferrous Futures or as otherwise specified by the Exchange.
- 6.10 The Exchange may amend the Special Contract Rules for Ferrous Futures, or any other Rules relevant to the trading and/or settlement of a Ferrous Future Contract, such amendment to take effect from such date as the Exchange may prescribe.
- 6.11 The provisions of Regulations 6.1, 6.2, 6.5, and 6.6 to 6.10 above are without prejudice to the powers of the Directors to make and alter Rules generally.

7. WARRANTS

Warrants must be issued by a warehouse listed by the Exchange and have the characteristics prescribed by the Special Contract Rules for the relevant metal.

8. DELIVERY POINTS

- 8.1 With effect from 19 April 1989, the Exchange may introduce any new Delivery Point with effect from at least three months after announcement of approval of such Delivery Point.
- 8.2.1 Warrants issued by any listed warehouse shall constitute a good delivery with effect from such time as the Exchange may decide after announcement by the Exchange of approval and listing of the said warehouse.
- 8.2.2 Warrants shall not constitute good delivery where they are marked as "not valid" in the LMEsword System as provided for in the LMEsword Regulations and Operating Procedures. The Exchange shall in addition give notice to Members on any Warrant being

marked "not valid" (or ceasing to be marked "not valid") by publishing a Notice to all Members to that effect.

9. **DEFAULT**

9.1 The Default Regulations forming Part 9 of the Rules shall apply to all Contracts.

9.2 Upon the happening of an Event of Default in relation to any person (the "**defaulting party**"), including a non-member, who is not

(a) a Category 1, 2 or 4 Member; or

(b) an LMEprecious General Clearing Member or an LMEprecious Non-Clearing Member,

any Category 1, 2 or 4 Member, LMEprecious General Clearing Member or LMEprecious Non-Clearing Member who has open with the defaulting party any Client Contract shall have the right at any time thereafter to close-out the same by selling out or buying in against the defaulting party at the prevailing market price. In the event that this right is invoked, the obligations arising under the Client Contract may, if so provided for in any agreement between the Member and the defaulting party, be terminated upon entering into the closing Contract, except for any settlement payment due from one party to the other in respect of the closed out Contracts.

10. **DISPUTES**

10.1 Subject as provided in Regulation 10.2, any dispute as to the existence, completion or validity of or arising out of any Contract shall be referred to arbitration in accordance with the Rules.

10.2 Any dispute arising from or in relation to any Cleared Contract shall, unless resolved between the Clearing House and the Clearing Member concerned, be referred to arbitration under the Rules. In that event the provisions of the Clearing House Rules shall apply to such arbitration as if incorporated into Part 8 of the Rules.

10.3 Any dispute arising from or in relation to any Contingent Agreement to Trade shall, unless resolved between the parties, be referred to arbitration under the Rules.

11. **GENERAL**

11.1 Time shall be of the essence of every Contract, but failure by any party to exercise or enforce any rights shall not be deemed to be a waiver thereof.

11.2 Contracts shall be governed by and construed in accordance with English law.

11.3 The provisions of (1) the "Uniform Law on the Formation of Contracts for the International Sale of Goods" and the Convention relating thereto, (2) the "Uniform Law on the International Sale of Goods 1964" and the Convention relating thereto, and (3) the "United Nations Convention on Contracts for the International Sale of Goods of 1980" shall not apply to any Contract.

11.4 Entry into any Contract shall constitute a waiver by both parties thereto of any immunity from suit or arbitral process or execution of any judgement or award on the ground of sovereignty, nationality, domicile, residence or otherwise.

12. **TRANSITIONAL PROVISION FOR NON-SEGREGATED CLIENT CONTRACTS**

12.1 This provision shall apply to any Client Contract entered into, prior to the date on which this Regulation 12 came into force in its current form (the "EMIR Amendment Date"), as a "Non-Segregated Client Contract", and/or which was treated, in accordance with the Rules in force prior to the EMIR Amendment Date as a "Non-Segregated Client Contract".

12.2 From the EMIR Amendment Date, no "Non-Segregated Client Contract" shall be a Contract for the purpose of, or governed by, these Rules.

12.3 In order for any Non-Segregated Client Contract to be treated as a Contract pursuant to these Rules:

- (a) a Counterparty to that Non-Segregated Client Contract must have ensured that a Clearing Member shall have entered such contract into the Matching System as a Client Contract (other than a Non-Segregated Client Contract) on or before EMIR Amendment Date, in accordance with Regulation 3.5 of the Trading Regulations, and including all information required by the Clearing House to allocate such Contract (or the Cleared Contracts arising upon registration of such Client Contract) to either an "omnibus" segregated client account or an "individual client" segregated client account of the Clearing Member; and
- (b) the contract must have been accepted by, and registered by, the Clearing House, in accordance with the Clearing House Rules, no later than the EMIR Amendment Date.

12.4 The performance and settlement of any Non-Segregated Client Contract that has ceased to be a Contract under these Rules, in accordance with Regulation 12.2 shall be a matter for the Counterparties thereto and the Exchange shall have no powers, obligations or other responsibilities in respect of such Non-Segregated Client Contracts.

13. **PORTING OF UNDERLYING CLIENT CONTRACTS IN THE ABSENCE OF DEFAULT**

Where and to the extent that the Clearing House Rules permit the transfer of Client-Related Cleared Contracts either:

- (a) between Clearing Members; or
- (b) between accounts maintained by a Clearing Member in respect of different Clients,

and such transfers are permitted in circumstances where the Clearing Member that is the party to such Client-Related Cleared Contracts is not a Defaulter, then Regulation 7 of the Default Rules shall apply in respect of the corresponding Underlying Client Contracts and any associated transfer of Warrants, notwithstanding that no party to any such Underlying Client Contract may be a Defaulter.

14. **COMPRESSION**

14.1 This Regulation 14 shall apply in respect of:

- (a) any Clearing Member that has opted, under the Clearing House Rules, to apply Compression to any Client Related Cleared Contracts allocated to any of its client accounts at the Clearing House; and
- (b) any Client that is a counterparty to any Client Contract with any such Clearing Member; and
- (c) any Client Contract that is an Underlying Client Contract in respect of any Client-Related Cleared Contract that is:
 - (i) allocated to a client account of the Clearing Member at the Clearing House; and
 - (ii) subject to Compression at the Clearing House.

14.2 For the avoidance of doubt, this Regulation 14 shall not apply to any Compression at the Clearing House of any Cleared Contract that is allocated to a house account of a Clearing Member at the Clearing House.

14.3 In the event that any Client-Related Cleared Contracts that are allocated to a client account of a Clearing Member at the Clearing House are subject to Compression at the Clearing House, the Underlying Client Contracts shall also be automatically and simultaneously subject to Compression under the Exchange Rules, on the following basis:

- (a) the Clearing Member and the Client (each acting as principal) shall be released from further obligations towards one another under such Underlying Client Contracts and their respective rights against one another under such Contracts shall be cancelled; and
- (b) simultaneously, new Post-Compression Client Contracts shall, by operation of this Regulation, come into full force and effect between the Clearing Member and the Client, such that the Clearing Member and the Client (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another under the Post-Compression Client Contracts; and
- (c) such Post-Compression Client Contracts shall represent back-to-back Contracts to each Post-Compression Cleared Contract that is in effect following the Compression at the Clearing House, such that:
 - (i) for each Post-Compression Cleared Contract, there shall be a corresponding Post-Compression Client Contract, having:
 - (1) the same direction; and
 - (2) the same commercial terms, including in relation to the amount of underlying metal and prices; and

- (ii) the Variation Margin applicable to a Post-Compression Client Contract shall be the net of the Variation Margin amounts applicable to the Underlying Client Contracts immediately prior to Compression under the Exchange Rules,

save that Compression at the Exchange shall not affect any terms or contractual rights or obligations between the Clearing Member and the Client that were not comprised in the terms of any Underlying Client Contract that was subject to Compression under the Exchange Rules.

14.4 Each Clearing Member that opts, under the Clearing House Rules, to apply Compression to any Client Related Cleared Contracts allocated to any of its client accounts at the Clearing House must:

- (a) have ensured that, prior to the implementation of any Compression at the Clearing House, its terms of business or other contractual arrangements with the relevant Clients contain provisions that operate in a manner that is consistent with this Regulation 14, and do not contain provisions which would conflict with or frustrate the Compression of any Underlying Client Contract in accordance with this Regulation 14;
- (b) ensure that any Client that is party to an Underlying Client Contract that is or may be subject to Compression under the Exchange Rules:
 - (i) is notified of the fact that such Compression may occur, and when such Compression will take effect; and
 - (ii) upon Compression under the Exchange Rules, is promptly notified of the effect of Compression, such that the Client is at all times on notice of the Client Contracts (including the Post-Compression Client Contracts) that are in force between the Clearing Member and the Client;
- (c) ensure that its books and records relating to the Client Contracts and Cleared Contracts to which it is a party are at all times reconciled and up to date, such that it is at all times possible to identify which Cleared Contract (including a Post-Compression Client Contract) represents the clearing of which Client Contract (including a Post-Compression Cleared Contract); and
- (d) promptly upon request by the Exchange or Clearing House provide a copy of such books and records described in (c) above, in such a format that would easily enable Compression Client Contracts) with the corresponding Cleared Contracts (including the Post-Compression Cleared Contracts).

PART 5
TRADED OPTIONS REGULATIONS

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PART 5A: METAL OPTIONS REGULATIONS

1. RELATIONSHIP WITH TRADING REGULATIONS

- 1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Metal Options Regulations or unless the context otherwise requires, apply to Metal Options.
- 1.2 The Clearing House Rules shall apply to Cleared Contracts that arise pursuant to the registration of Cleared Metal Options or Client Option Contracts with the Clearing House.
- 1.3 References in this Part 5A to Metal Options or any "Contracts" relating to such Metal Options shall be construed to include any Cleared Contract that has arisen pursuant to the registration of the Metal Option at the Clearing House (provided that Cleared Contracts that arise pursuant to the registration of Metal Options that are Client Contracts shall be treated in the same way as Cleared Contracts that are pursuant to the registration of Cleared Metal Options).

2. PERMITTED OPTIONS

- 2.1 Metal Options shall be available in respect of such metals and denominated in such currencies as may from time to time be prescribed by the Exchange. The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be posted in the Exchange.
- 2.2 Trading may be conducted, in respect of any Metal Option authorised by the Traded Options Committee, until the close of the business on the Last Trading Day for such Metal Option. A new month for the metal concerned will become available for trading at the opening of business on the Business Day following the Last Declaration Day.
- 2.3 The minimum permitted spread between buyers' and sellers' premiums bid or offered in respect of Cleared Metal Options, and the minimum fluctuation in such premiums, shall be at such levels as the Exchange may from time to time prescribe according to the currency in which the Metal Option is denominated.
- 2.4 All Metal Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

3. DECLARATION

- 3.1 Subject where relevant to Regulation 8 of the Trading Regulations, Prompt Dates for futures Contracts resulting from declarations under Metal Options shall be the third Wednesday in the relevant month or, if that day is not a Business Day, the next succeeding day which is a Business Day.
- 3.2 Declaration of a Cleared Metal Option may only be made on the Clearing House by a Clearing Member Taker if it forms part of that Member's open registered position as at the close of business on the preceding Business Day. Declaration shall be made in such manner as may be prescribed or accepted by the Clearing House no earlier than 07.30 hours and no later than 11.15 hours on any Business Day up to and including the Last Declaration Day for the relevant Metal Option.

- 3.3 Upon receipt of declaration of a Cleared Metal Option or Options by a Clearing Member Taker or Takers, the Clearing House shall declare a like Cleared Metal Option or Options on any Clearing Member Granter or Granters selected by it who had corresponding open registered positions as at the close of business on the preceding Business Day. The Clearing House shall use its best endeavours to notify the relevant Granter no later than 11.30 hours on the day upon which the Cleared Metal Option is declared on the Clearing House, provided however that Granters shall be obliged to accept later declarations if made in accordance with the Clearing House Rules.
- 3.4.1 Takers of Client Metal Options from Clearing Member Granters shall declare Metal Options on their Clearing Member Granters in such manner as has been agreed between them, no later than 11.10 hours on any Business Day up to and including the Last Declaration Day for the relevant Metal Option.
- 3.4.2 Trading-Only Member Takers or non-Member Takers of Client Metal Options from Trading-Only Member Granters shall declare Metal Options on such Trading-Only Member Granters in such manner as has been agreed between them no later than 11.10 hours on any Business Day up to and including the Last Declaration Day for the relevant Metal Option.
- 3.5.1 Clearing Member Takers of Client Metal Options shall declare the same on their Granters no later than 11.40 hours on any Business Day up to and including the Last Declaration Day, in such manner as has been agreed between them, provided that if the Clearing House declares on the Clearing Member later than 11.30 hours pursuant to Regulation 3.3 the Granter shall be obliged to accept a correspondingly later declaration from the Clearing Member Taker.
- 3.5.2 Trading-Only Member Takers of Client Metal Options from non-Members shall declare the same on their Granters in such manner as has been agreed between them no later than 11.40 hours on any Business Day up to and including the Last Declaration Day for the relevant option.
- 3.6 Any Metal Option described in Regulations 3.2 to 3.5 above not declared as above prescribed shall be deemed to have been abandoned.

4. EFFECT OF DECLARATION

- 4.1 On the declaration of a Metal Option a futures Contract shall arise between Granter and Taker of the declared Metal Option, the price of such futures Contract being the Strike Price in the Metal Options Contract.
- 4.2 Metal Futures Contracts which arise on declaration of a Metal Option shall be settled in accordance with the Trading Regulations.
- 4.3 Offsetting Cleared Metal Option Contracts of a Clearing Member for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically by the Clearing House in accordance with the Clearing House Rules, and all rights and obligations attaching to or arising from those Cleared Metal Option Contracts will terminate. The provision of this Regulation 4.3 shall be applied separately to each relevant account of the relevant Clearing Member at the Clearing House (which may, for the avoidance of doubt, include a "house" or "proprietary" account and a "client" account that is either segregated on an "omnibus" basis or an "individual client" basis).

- 4.4.1 On the declaration of a Client Metal Option where either the Granter or the Taker is a Clearing Member, the Clearing Member must record a Cross in relation to the futures Contract resulting from the said declaration.
- 4.4.2 On the declaration of a Client Metal Option where neither party is a Clearing Member then each Trading-Only Member must arrange for a Clearing Member to record a Cross in relation to that declaration.
- 4.5 Offsetting Client Metal Option Contracts for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically unless otherwise agreed between the Granter and the Taker as the Taker otherwise requests at or before the time when the offsetting Metal Option is granted.
- 5. **PREMIUMS**
 - 5.1 The amount of the premium payable on opening every Metal Option Contract shall be determined between Granter and Taker
 - 5.2.1 Payment of the premium by the Taker of a Cleared Metal Option to the Granter shall be effected through the payment system, in accordance with the Clearing House Rules, prior to 12.00 hours on the next Business Day following the day on which the Metal Option is traded.
 - 5.2.2 Payment of the premium by the Taker of a Client Metal Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the Metal Option is traded.
 - 5.3 The Taker of a Cleared Metal Option may apply the value of such Metal Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open Exchange Options granted by the said Taker and/or open Cleared Contracts of the said Taker, subject to, and in accordance with the Clearing House Rules.
 - 5.4 The Taker of a Cleared Metal Option or Client Metal Option shall not be permitted to receive cash payment in respect of any positive value of such Metal Option nor apply any credit arising therefrom to the purchase of another Option Contract.

PART 5B: TRADED AVERAGE PRICE OPTIONS REGULATIONS

6. RELATIONSHIP WITH TRADING REGULATIONS

- 6.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Traded Average Price Options Regulations or unless the context otherwise requires, apply to Traded Average Price Option Contracts.
- 6.2 The Clearing House Rules shall apply to Cleared Contracts that arise pursuant to the registration of Exchange Traded Average Price Options or Client Traded Average Price Options with the Clearing House.
- 6.3 References in this Part 5B to Traded Average Price Options or any "Contracts" relating to such Traded Average Price Options shall be construed to include any Cleared Contract that has arisen pursuant to the registration of the Traded Average Price Option at the Clearing House (provided that Cleared Contracts that arise pursuant to the registration of Client Traded Average Price Options shall be treated in the same way as Cleared Contracts that arise pursuant to the registration of Exchange Traded Average Price Options).

7. PERMITTED TRADED AVERAGE PRICE OPTIONS

- 7.1 Traded Average Price Option Contracts shall be available in respect of such metals and denominated in such currencies as may from time to time be prescribed by the Exchange. The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be posted in the Exchange.
- 7.2 Trading may be conducted, in respect of any Traded Average Price Option authorised by the Exchange in consultation with the Traded Options Committee, until the close of business on the Last Trading Day for such Traded Average Price Option. A new month for the metal concerned will become available for trading at the opening of business on the Business Day following the Declaration Day.
- 7.3 The minimum permitted spread between buyers' and sellers' premiums bid or offered in respect of Exchange Traded Average Price Options, and the minimum fluctuation in such premiums, shall be at such levels as the Exchange may from time to time prescribe according to the currency in which the Traded Average Price Option is denominated.
- 7.4 All Traded Average Price Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

8. DECLARATION

- 8.1 Subject where relevant to Regulation 8 of the Trading Regulations, Prompt Dates for futures Contracts resulting from declarations under Traded Average Price Option Contracts shall be the second Business Day following the Declaration Day for the relevant tradeable month.
- 8.2 The declaration of an Exchange Traded Average Price Option shall be deemed to have been made on the Clearing House by a Clearing Member Taker at 15.00 hours on the Declaration Day for the relevant Traded Average Price Option if it is In The Money and

forms part of that Member's open registered position as at the close of business on the preceding Business Day. The declaration shall be accepted and made by the Clearing House no later than 15.00 hours on the Declaration Day for the relevant Traded Average Price Option and it shall use its best endeavours to notify the relevant Granter no later than 15.00 hours on the Declaration Day provided however that Granters shall be obliged to accept later declarations if made in accordance with the Clearing House Rules.

8.3 The declaration of a Client Traded Average Price Option shall be deemed to have been made on the Granter by the Taker at 15.00 hours on the Declaration Day for the relevant Traded Average Price Option if it is In The Money and notification of the said declaration shall be made in such manner as has been agreed between them.

8.4 Any Traded Average Price Option described in Regulations 8.2 and 8.3 above not declared as above prescribed shall be deemed to have been abandoned.

9. EFFECT OF DECLARATION

9.1 On the declaration of a Traded Average Price Option two futures Contracts each for the full tonnage of the Contract shall arise between Granter and Taker of the declared Traded Average Price Option:-

9.1.1 in the case of a declared Average Price Call Option, the Taker will buy from the Granter at the Strike Price in the Traded Average Price Options Contract and sell to the Granter at the Monthly Average Settlement Price for the relevant month;

9.1.2 in the case of a declared Average Price Put Option, the Taker will sell to the Granter at the Strike Price in the Traded Average Price Options Contract and buy from the Granter at the Monthly Average Settlement Price for the relevant month.

9.2 Futures Contracts which arise on declaration of a Traded Average Price Option shall be settled in accordance with the Trading Regulations.

9.3 Offsetting Exchange Traded Average Price Option Contracts of a Clearing Member for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically by the Clearing House in accordance with the Clearing House Rules, and all rights and obligations attaching to or arising from those Exchange Traded Average Price Options Contracts will terminate. The provision of this Regulation 9.3 shall be applied separately to the each relevant account of the relevant Clearing Member at the Clearing House (which may, for the avoidance of doubt, include a "house" or "proprietary" account and a "client" account that is either segregated on an "omnibus" basis or on an "individual client" basis).

9.4.1 On the declaration of a Client Traded Average Price Option where either the Granter or the Taker is a Clearing Member, the Clearing Member must record Crosses in relation to the futures Contracts resulting from the said declarations.

9.4.2 On the declaration of a Client Traded Average Price Option where neither party is a Clearing Member then each relevant Trading-Only Member must arrange for a Clearing Member to record Crosses in relation to that declaration.

9.5 Offsetting Client Average Price Contracts for the same quantity, metal, Strike Price, type, month and currency shall be closed automatically unless otherwise agreed between the Granter and the Taker as the Taker otherwise requests at or before the time when the offsetting Traded Average Price Option is granted.

10. **PREMIUMS**

- 10.1 The amount of the premium payable on opening every Traded Average Price Option Contract shall be determined between the Granter and Taker.
- 10.2.1 Payment of the premium by the Taker of an Exchange Traded Average Price Option to the Granter shall be effected through the payment system, in accordance with the Clearing House Rules, prior to 12.00 hours on the next Business Day following the day on which the Traded Average Price Option is traded.
- 10.2.2 Payment of the premium by the Taker of a Client Traded Average Price Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the Traded Average Price Option is traded.
- 10.3 The Taker of an Exchange Traded Average Price Option may apply the value of such Traded Average Price Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open Exchange Traded Average Price Options granted by the said Taker and/or open Cleared Contracts of the said Taker, subject to, and in accordance with the Clearing House Rules.
- 10.4 The Taker of an Exchange Traded Average Price Option or Client Traded Average Price Option shall not be permitted to receive cash payment in respect of any positive value of such Traded Average Price Option nor apply any credit arising therefrom to the purchase of another Traded Average Price Option.
- 10.5 For the avoidance of doubt, this Regulation 10 has no relevance to any premium (including any Premium Contract Price) under a Premium contract.

PART 5C: INDEX OPTIONS REGULATIONS

11. RELATIONSHIP WITH TRADING REGULATIONS

- 11.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Index Options Regulations or unless the context otherwise requires, apply to Index Options.
- 11.2 The Clearing House Rules shall apply to Cleared Contracts that arise pursuant to the registration of Cleared Index Options with the Clearing House.
- 11.3 References in this Part 5C to "Index Options" or any "Contracts" relating to such Index Options shall be construed to include any Cleared Contract that has arisen pursuant to the registration of the Index Option at the Clearing House (provided that Cleared Contracts that arise pursuant to the registration of Client Index Options shall be treated in the same way as Cleared Contracts that arise pursuant to the registration of Cleared Index Options).

12. PERMITTED OPTIONS

- 12.1 Index Options shall be available in respect of such contract sizes as may from time to time be prescribed by the Exchange but shall be traded in US dollars only. The months traded, Strike Price gradations and numbers and sequences above and below the Strike Price closest to the current market price and any other specifications shall be determined by the Exchange from time to time after consultation with the Clearing House and shall be posted in the Exchange.
- 12.2 Trading may be conducted, in respect of any Index Option authorised by the Traded Options Committee, until 16.35 hours on the Last Trading Day for such Index Option. A new month for the Index Option concerned will become available for trading at the opening of business on the Business Day following the Prompt Date.
- 12.3 The minimum permitted spread between buyers' and sellers' premiums bid or offered in respect of Cleared Index Options, and the minimum fluctuation in such premiums, shall be at such levels as the Exchange may from time to time prescribe.
- 12.4 All Index Options shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.

13. AUTOMATIC EXERCISE

- 13.1 A Cleared Index Option shall be automatically exercised on its Granter at about 19.15 hours on the Prompt Date for the relevant Index Option if at that time it is In the Money and forms part of a Member's open registered position with the Clearing House.
- 13.2 A Client Index Option shall automatically exercise on its Granter at about 19.15 hours on the Index Exercise Date for the relevant Index Option if at that time it is In The Money.
- 13.3 Notification of automatic exercise of a Client Index Option shall be made in such manner as has been agreed between Granter and Taker.
- 13.4 Any Index Option not exercised as prescribed shall be deemed after its Prompt Date to have been abandoned.

14. **EFFECT OF AUTOMATIC EXERCISE**

- 14.1 On the automatic exercise of an Index Option on the Prompt Date it shall settle in cash as described in the Trading Regulations.

15. **PREMIUMS**

- 15.1 The amount of the premium payable on opening every Index Option shall be determined between Granter and Taker.
- 15.2.1 Payment of the premium by the Taker of a Cleared Index Option to the Granter shall be effected through the payment system, in accordance with Clearing House Rules, prior to 12.00 hours on the next Business Day following the day on which the Index Option is traded.
- 15.2.2 Payment of the premium by the Taker of a Client Index Option to the Granter shall be effected prior to 12.00 hours on the next Business Day following the day on which the Index Option is traded.
- 15.3 The Taker of a Cleared Index Option may apply the value of such Index Option as determined by the Clearing House against Variation Margin due to the Clearing House in respect of open Exchange Options granted by the said Taker and/or open Cleared Contracts of the said Taker, subject to, and in accordance with the Clearing House Rules.
- 15.4 The Taker of a Cleared Index Option or Client Index Option shall not be permitted to receive cash payment in respect of any positive value of such Option nor apply any credit arising therefrom to the purchase of another Index Option.
- 15.5 For the avoidance of doubt, this Regulation 15 has no relevance to any premium (including any Premium Contract Price) under a Premium Contract.

PART 6
SPECIAL CONTRACT RULES FOR METALS

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PART 6

**SPECIAL CONTRACT RULES FOR HIGH GRADE PRIMARY
ALUMINIUM**

1. QUALITY

- (a) The aluminium delivered under this contract must be:
 - (i) Primary aluminium with impurities no greater than in the registered designation P1020A in the North American and International Registration Record entitled "International Designations and Chemical Composition Limits for Unalloyed Aluminum" (revised March 2007), or
 - (ii) Primary aluminium that conforms to the registered designation A199.70 in the GB/T 1196-2008 Standard entitled "Unalloyed aluminium ingots for remelting", or
 - (iii) For warrants created up to and including 31 December 2009 primary aluminium of minimum 99.70% purity with maximum permissible iron content 0.20% and maximum permissible silicon content 0.10%.
- (b) In the shape of ingots each weighing not less than 9 kilos and not more than 26 kilos and T-bars or sows weighing not more than 788 kilos.
- (c) Of brands listed in the LME approved list.

2. SIZE OF LOT

25 tonnes (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 25 tonnes (2% either more or less).

3.2 The aluminium in each Warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject, in the case of ingots, to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 2.0 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
- (e) the weight;

- (f) the number of bundles of ingots or the number of T-bars or sows making up each lot.

3.4 Each Warrant must bear the following clause;

WARNING: the buyer is advised that this metal may contain crevices and hidden recesses holding entrapped moisture. The metal should be handled and processed with this possibility in mind. Entrapped moisture may cause an explosion if the metal is introduced into a melting furnace without proper drying.

3.5 Each Warrant must bear an LMEsword generated barcode.

4. **ADDITIONAL REQUIREMENTS FOR ALUMINIUM WARRANTS**

4.1 The listed brand name and/or brand identifiable logo must be indelibly marked on each ingot within a bundle or on each T-bar or sow.

4.2 In the case of ingots, the production cast reference must be indelibly marked on each ingot within the bundle or on the surface of the bundle or on a durable bundle label. In the case of T-bars and sows, the production cast reference must be marked on each T-bar or sow either indelibly or by a durable bundle label.

4.3 Each delivery of aluminium for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production cast reference and shall determine the aluminium content within a minimum purity as defined in Special Contract Rule 1 (a). The producer's certificate of analysis must demonstrate compliance with one of the relevant Standards and grades listed in Special Contract Rule 1 (i), (ii) and (iii) by illustrating the detected level of impurity for each element.

Note that Warrants created after 31 December 2009 can only comply with Special Contract Rule 1 (i) or (ii). A Bulk analysis certificate or a copy thereof is acceptable.

4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.

4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.

4.6 All documentation for placing aluminium on Warrant must include the English language.

4.7 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strapping standards.

5. **MAJOR CURRENCY**

US dollars

6. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are: -

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.

SPECIAL CONTRACT RULES FOR ALUMINIUM ALLOY

1. QUALITY

The aluminium alloy delivered under this contract must be:

- (a) Aluminium alloy conforming to one of the specifications listed below:
- (1) **A380.1** produced in conformity with The Aluminum Association Inc. specification (2015);
- (2) **226** produced in conformity with LME 226 as described below:

Elements	Composition, % (m/m)
Cu	2.0 – 3.5
Si	8.0 –11.0
Mg	0.1 – 0.5
Zn	1.2 max
Fe	1.0 max
Mn	0.1 – 0.4
Ni	0.3 max
Sn	0.1 max
Ti	0.15 max
Pb	0.2 max
Others	0.05 max each
Al	Remainder
The sum of 'others' 0.15% max	

- (3) **AD12.1** produced in conformity with JIS H2118-2006, Class 12: (Note: this specification to be read in conjunction with the provision that there be an allowance as follows: Others, total 0.50% max, Al remainder).
- (b) In the shape of ingot, small sows (four way entry sows), large sows (low profile sows) and T-bars.
- (c) Of brands listed in the LME-approved list of aluminium alloy brands.

2. SIZE OF LOT

20 tonnes (2% either more or less).

3. **WARRANTS**

- 3.1 Warrants shall be for 20 tonnes each (2% either more or less).
- 3.2 The aluminium alloy in each Warrant shall consist of one brand which is listed as being good delivery and of one shape and dimension.
- 3.3 Each lot shall contain aluminium alloy derived from no more than five production batches, and, in the case of ingots, each bundle shall contain aluminium alloy from only one production batch.
- 3.4 Each Warrant shall state:
- (a) the name of the brand;
 - (b) the country of origin;
 - (c) the shape;
 - (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
 - (e) the weight;
 - (f) the number of bundles of ingots, small sows, large sows or T-bars making up each lot;
 - (g) each Warrant must bear the following clause;

WARNING: the buyer is advised that this metal may contain crevices and hidden recesses holding entrapped moisture. The metal should be handled and processed with this possibility in mind. Entrapped moisture may cause an explosion if the metal is introduced into a melting furnace without proper drying.

- 3.5 Each Warrant must bear an LMEsword generated barcode.

4. **ADDITIONAL REQUIREMENTS FOR ALUMINIUM ALLOY WARRANTS**

- 4.1 The listed brand name must be indelibly marked on each ingot, sow and T-bar.
- 4.2 The production cast reference and alloy grade reference must be indelibly marked on each ingot within the bundle or on the top surface of the bundle or on a durable bundle label and on each sow and T-bar.
- 4.3 Each delivery of aluminium alloy for placing on Warrant shall be accompanied by a producer certificate of analysis for each production cast batch and stating the brand name.
- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.

- 4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All ingots and sows shall be produced by a single pouring process. “Multi-pour” or “capping” the surface with additional metal after the ingot or sow is formed is not permitted.
- 4.7 All ingots, T-bars and sows delivered under the contract shall be flat in order to permit safe stacking and handling using forklifts.
- 4.8 Metal surfaces shall be smooth and free of open shrinkage, porosity, layers and seams.
- 4.9 The metal must be free of the visible presence of foreign substances.
- 4.10 The edges and surfaces of metal shall be free of sharp edges, spurs and flashings that might present safety hazards in handling.
- 4.11 All documentation for placing aluminium alloy on Warrant must include the English language.
- 4.12 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strapping standards.

5. **SHAPES, WEIGHTS AND DIMENSIONS**

(a) Ingots

Ingots shall weigh not less than 4 kilos and not more than 25 kilos. Each ingot in each bundle and lot shall be of the same weight and dimensions but not exceed 800mm in length; the only exception to be the cast feet for the purpose of bundle stability.

Bundles shall weigh not less than 500 kilos and not more than 1000 kilos of equal weight and dimension in each lot suitable for stacking. One makeweight bundle in any one lot is permissible. Bundles must be securely strapped for safe handling and transport without bundle distortion and breakage.

(b) Small sows (four-way entry sows)

Small sows shall weigh not less than 408 kilos and not more than 590 kilos. Each small sow in each lot shall be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top	Length and width shall be the same, between 837mm - 990mm.
Bottom	Length and width shall be the same, between 406mm - 559mm.
Height	Between 304mm – 432mm.
Shape	The tapering of all four sides should include an indentation to allow for the safe and easy handling by forklift trucks.

(c) Large sows (low profile sows)

Large sows shall weigh not less than 300 kilos and not more than 726 kilos. Each large sow in each lot shall be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top	Length shall be between 1015mm – 1320mm. Width shall be between 812mm – 1142mm.
Bottom	Length shall be between 900mm – 1320mm. Width shall be between 406mm – 520mm.
Height	Between 200mm – 305mm.
Shape	The tapering of the long sides should include an indentation to allow for the safe and easy handling by forklift trucks.

(d) T-bars

T-bars shall weigh not less than 408 kilos and not more than 726 kilos. Each T-bar in each lot shall be of the same weight and dimensions.

Top	Length shall be between 837mm – 1320mm. Width shall be between 760mm – 1015mm.
Bottom	Length shall be between 837mm – 1320mm. Width shall be between 406mm – 634mm.
Height	Overall between 254mm – 432mm. To shoulder minimum 76mm.
Shape	The indentation of the shoulder on the long sides should be a minimum of 101mm (4 inches) on each side and allow for the safe and easy handling by forklift trucks.

6. **MAJOR CURRENCY**

US dollars

7. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.

SPECIAL CONTRACT RULES FOR COPPER - GRADE A

1. QUALITY

- (a) The copper delivered under this contract must be electrolytic copper in the form of cathodes - Grade A.
- (b) All copper delivered must be of brands listed in the LME-approved list of Copper - Grade A brands and must conform to the chemical composition of one of the following Standards:
 - (i) BS EN 1978:1998 (cathode grade designation Cu-CATH-1)
 - (ii) GB/T 467-2010 (high purity Copper Cathode (Cu-CATH-1))
 - (iii) ASTM B115-10 (cathode Grade 1)

2. SHAPES AND WEIGHTS

Each parcel of 25 tonnes of full plate cathodes shall lie at one warehouse and be of one brand, shape and size. Each parcel of copper cathodes placed on Warrant shall be delivered securely strapped in bundles not exceeding 4 tonnes. Each parcel of copper cathodes placed on Warrant shall be securely strapped for handling and transport in bundles to permit safe handling without bundle distortion and breakage.

3. SIZE OF LOT

25 tonnes

4. WARRANTS

- 4.1 Warrants shall be for 25 tonnes each (2% either more or less).
- 4.2 Each Warrant must state the total weight of the parcel, the brand, the country of origin and the number of bundles making up each parcel.
- 4.3 Each Warrant must be identified as Copper - Grade A.
- 4.4 Each Warrant must bear an LMEsword generated barcode.

5. MAJOR CURRENCY

US dollars

6. TESTING OF WARRANTED METAL

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LME approved Sampler and Assayer to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the Exchange's cost.

The conditions referred to above are: -

- (a) that there are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and
- (b) that there is a risk of disruption to the LME's market.

SPECIAL RULES GOVERNING THE PLACING OF COPPER - GRADE A ON WARRANT

1. Each parcel of copper cathodes placed on Warrant shall when delivered to the warehouse company, have the brand name indelibly marked on clips attached to the producer's bundle strapping or the brand name indelibly marked continuously on the producer's bundle strapping. Where it is necessary to break a bundle in order to obtain a warrant weight, this will be permitted provided that at least 80% of the bundles in the Warrant have the original producer clips or producers strapping showing the brand name. The remaining bundles in the Warrant must have an indelible label produced by the warehouse company attached to the strapping showing the brand name.

SPECIAL CONTRACT RULES FOR LEAD

1. QUALITY

The lead delivered under this contract must be:

- (a) Refined lead of a minimum 99.970% purity conforming to one of the following Standards and specific grades:
 - (i) BS EN 12659:1999 Standard entitled "Lead and Lead Alloys – Lead". Permitted grades: Material Numbers PB970R, PB985R and PB990R.
 - (ii) GB/T 469/2013 Standard entitled "Lead Ingots". Permitted Grades: 99.970%, 99.985%, 99.990% and 99.994%.
 - (iii) ASTM B29-03 (2014) Standard entitled "Standard Specification for Refined Lead". Permitted grades: 99.97% and 99.995%.
- (b) In the shape of ingots weighing not more than 55kgs.
- (c) Of brands listed in the LME approved list.

2. SIZE OF LOT

25 tonnes (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 25 tonnes (2% either more or less).

3.2 The lead in each Warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 1.5 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
- (e) the weight;
- (f) the number of bundles making up each lot.

3.4 Each Warrant must bear an LMEsword generated barcode.

4. **ADDITIONAL REQUIREMENTS FOR LEAD WARRANTS**

- 4.1 The listed brand name must be indelibly marked on each ingot within a bundle.
- 4.2 The production cast reference must be indelibly marked on each ingot within the bundle or on the top surface of the bundle or on a durable label.
- 4.3 Each delivery of lead for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production cast reference and shall determine the lead content within the minimum purity as defined in Special Contract Rule 1 (a). The producer's certificate of analysis must demonstrate compliance with one of the relevant Standards and grades listed in Special Contract Rule 1 (i), (ii) and (iii) by illustrating the detected level of impurity for each element. A Bulk analysis certificate or a copy thereof is acceptable.
- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.
- 4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All documentation for placing lead on Warrant must include the English language.
- 4.7 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

5. **MAJOR CURRENCY**

US dollars

6. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and
- (b) There is a risk of disruption to the LME's market.

SPECIAL CONTRACT RULES FOR PRIMARY NICKEL

1. QUALITY

The nickel delivered under this contract must be:

- (a) Primary Nickel that conforms to either the ASTM specification B39-79 (2013) – min 99.80% purity or the GB/T specification 6516-2010 – Ni9990 grade;
- (b) In the shape of cathodes (full plate or cut), briquettes or pellets; and
- (c) Of brands listed in the LME approved list.

2. SIZE OF LOT

6 tonnes (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 6 tonnes (2% more or less).

3.2 The nickel in each Warrant shall consist of one brand which is listed as being good delivery and of one shape and size.

3.3 Each Warrant shall state:-

- (a) the name of the brand;
- (b) the country of origin;
- (c) the shape;
- (d) the date(s) and identification reference of the certificates of analysis lodged with the Warehouse¹;
- (e) the total gross and net weights; and
- (f) the number of steel drums or bags or bundles making up each lot.

3.4 Each Warrant for drummed and bagged nickel shall bear the following legend:

'WARNING The buyer is advised that steel drums or bags (as applicable) may contain water and nickel should be handled and processed with this possibility in mind. Water contained in steel drums or bags (as applicable) may cause an explosion if the nickel is introduced into a melting-furnace without proper procedures being followed'.

3.5 Each Warrant for full plate cathode nickel shall bear the following legend:

'WARNING The buyer is advised that full plate nickel cathode edges may pose a handling risk and proper procedures for handling should be following'.

3.6 Each Warrant shall bear an LMEsword generated barcode.

¹ For full plate nickel cathodes placed on Warrant on or before 10 January 2011, a certificate of conformity in lieu of a certificate of analysis is permissible.

4. **SHAPES AND WEIGHTS**

4.1 Nickel delivered under this contract shall be packed according to shape as follows:

- (a) Cut cathodes of either 100mm x 100mm (4" x 4"), 50mm x 50mm (2" x 2") or 25mm x 25mm (1" x 1"), shall be packed in sound steel drums of uniform size and even net weight (+/- 2% more or less) of 200kgs or 250kgs or 400kgs or 500kgs each with the production batch reference, gross and net weights and brand name indelibly marked on each individual steel drum. Part filled drums are not permitted.
- (b) Briquettes and pellets shall be packed in steel drums, sizes as 4.1 (a) above, or in 2000kgs (+/- 2% more or less) bags and marked in the same manner as cut cathodes in 4.1 (a) above. Part filled bags are not permitted.
- (c) Full plate cathodes up to 1000mm x 1300mm maximum with a thickness range of 2mm to 17mm, shall be packed in bundles not exceeding 2000kgs, strapped in two dimensions with corrosion resistant material to permit safe handling and transport without bundle distortion and breakage on steel or wooden skids (pallets not permitted) with a minimum ground clearance of 75mm with the production batch reference and gross and net weights indelibly marked on the top cathode of each bundle. The brand name must be marked indelibly either a) on clips attached to the bundle strapping, or b) on the producer strapping, or c) on each cathode within each bundle.

5. **REQUIREMENTS FOR NICKEL WARRANTS**

5.1 Nickel may be placed on Warrant provided that:

- (a) Drummed nickel is in original sound producer steel drums with producer listed markings and with ring sealing and tamper proof producer seals intact.
- (b) For drummed nickel received in original but unsound producer steel drums with broken/damaged producer seals or damaged while stored in the warehouse from an unintended incident, the Warehouse must, without exception, open every such drum and inspect the contents for conformance with the producer listed product and weight before re-packing in sound steel drums of capacity of 200kgs or 250kgs or 400kgs or 500kgs using the sizing of drums initially supplied and with ring sealing system and with unique Warehouse tamper proof numbered seals. All replacement steel drums must be marked with the original producer batch reference, listed brand and Warehouse established gross and net weights.
- (c) Bagged nickel is in original sound producer bags with producer listed markings and with tamper proof seals intact.
- (d) For bagged nickel received in original but unsound producer bags with broken/damaged producer seals or damaged while stored in the warehouse from an unintended incident, the Warehouse must, without exception, open every such bag and inspect the contents for conformance with the producer listed product and weight before re-packing in replacement bags supplied by the producer or in new bags in compliance with ISO 21898:2004 (or National equivalent) with unique Warehouse tamper proof numbered seals. All replacement bags must be marked

with the original producer batch reference, listed brand and Warehouse established gross and net weight.

- (e) For both drummed and bagged nickel producer approved third party packaging is permitted provided sealing methods are as per 5.1 (a) and 5.1 (c) above, using unique tamper proof numbered seals. (f) For full plate bundled nickel received in original sound producer bundles with producer listed markings no opening of bundles is permitted except as follows:
 - a. Where it is necessary to break bundles in order to ensure nickel is placed on acceptable skids.
 - b. Where packaging is damaged such that it may cause a hazard in subsequent handling and storage.
 - c. Where to create a Warrant lot it is necessary to break one or more bundles from a single shipment quantity. Note that only two bundles in a lot may be constructed by a Warehouse, all other bundles must be original producer bundles. The Warehouse must indelibly mark each replacement strap with the brand name.

5.2 Straps replaced by a Warehouse must be of corrosion resistant material to permit safe handling and transport without bundle distortion and breakage and in compliance with LME strap Standards. The Warehouse must mark the top cathode of any new/reconstructed bundles with the producer production batch reference together with the gross and net weights.

6. **ADDITIONAL REQUIREMENTS FOR NICKEL WARRANTS**

6.1 All drummed nickel must be securely stored in warehouses on pallets.

6.2 The Warehouse must keep a record of all seals by number and date cross reference to each Warrant.

6.3 Drummed or bagged nickel previously on Warrant which has been supplied to another Warehouse may be placed back on Warrant provided that any drum or bag opened by the previous Warehouse is re-opened and their seal(s) replaced by the new Warehouse unique tamper proof seal(s). This rule does not apply to original sound producer drums or bags with producer listed markings and with tamper proof producer seals intact and to producer third party packaging where listed by the LME or for such packaging supported by an LME Listed Sampler and Assayer (LSA) certificate of analysis and having LSAs seals.

6.4 Drummed or bagged nickel previously on Warrant which has been returned to the same Warehouse may be placed back on Warrant without the need to open any packaging provided that all seals at the time of original warranting remain intact.

6.5 All markings on packaging and information on supporting documentation required for placing nickel on Warrant must include the English language.

6.6 (a) Each delivery of nickel for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production batch reference and

demonstrating quality is as per 1 (a) above. ¹The producer's certificate of analysis must report all individual elements of the ASTM specification B39-79 (2013) and/or GB/T specification 6516-2010 – Ni9990 grade. If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LSA who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates of analysis. In all cases, it must be possible to cross-reference the production batch reference on the drums/bags/bundles to identical numbers on the certificate of analysis and the LSA seal numbers in the case of drums and bags. LSA sampling of nickel in drums and bags must be carried out on the premises of the Warehouse issuing the Warrants.

- (a) On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.

7. **MAJOR CURRENCY**

US dollars

8. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are: -

- (a) that there are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and
- (b) that there is a risk of disruption to the LME's market.

¹ For full plate cathodes placed on Warrant on or before 10 January 2011, a certificate of conformity in lieu of a certificate of analysis is permissible.

SPECIAL CONTRACT RULES FOR NORTH AMERICAN SPECIAL ALUMINIUM ALLOY

1. QUALITY

The aluminium alloy delivered under this contract must be:

- (a) Aluminium alloy conforming to the "LME NA380.1" specification (an LME modification of The Aluminum Association Inc. A380.1 specification (1989)), produced in conformity with the following specification:

<u>Element</u>	<u>Minimum</u>	<u>Maximum</u>
Copper	3.00	3.50
Silicon	8.50	9.50
Iron	0.80	1.00
Magnesium	-	0.10
Zinc	-	3.00
Manganese	-	0.45
Nickel	-	0.50
Tin	-	0.10
Lead	-	0.10
Titanium	-	0.10
Chrome (chromium)	-	0.10
Others – each	-	0.10
Others – total	-	0.50
Sludge = Fe + 2Mn + 3Cr		1.80

Production must be filtered.

- (b) In the shape of ingots, small sows (four way entry sows), large sows (low profile sows) and T-bars.
- (c) Of brands listed in the LME-approved.

2. SIZE OF LOT

20 tonnes (2% either more or less).

3. WARRANTIES

- 3.1 Warrants must be for 20 tonnes (2% either more or less).

- 3.2 The aluminium alloy in each Warrant must consist of one brand which is listed as being good delivery and of one shape and dimension.
- 3.3 Each lot must contain aluminium alloy derived from no more than five production batches, and, in the case of ingots, each bundle must contain aluminium alloy from only one production batch.
- 3.4 Each Warrant must state:
- (a) the name of the brand;
 - (b) the country of origin;
 - (c) the shape;
 - (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
 - (e) the weight;
 - (f) the number of bundles of ingots, small sows, large sows or T-bars making up each lot.
- 3.5 Each Warrant must bear the following clause;
- WARNING:** The buyer is advised that this metal may contain crevices and hidden recesses holding entrapped moisture. The metal should be handled and processed with this possibility in mind. Entrapped moisture may cause an explosion if the metal is introduced into a melting-furnace without proper drying.
- 3.6 Each Warrant must bear an LMEsword generated barcode.

4. **ADDITIONAL REQUIREMENTS FOR NASAAC WARRANTS**

- 4.1 The LME listed brand name must be indelibly marked on each ingot, sow and T-bar.
- 4.2 For ingots, the production cast reference and alloy grade reference must be indelibly marked on each ingot within a bundle or on the top surface of a bundle or on a durable label attached to the bundle. For sows and T-bars the production cast reference and alloy grade reference must be indelibly marked either directly on the surface or on a durable label attached to the metal.
- 4.3 Each delivery of aluminium alloy for placing on Warrant must be accompanied by a producer certificate of analysis stating the brand name and production cast reference.
- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.

- 4.5 On request the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All ingots and sows must be produced by a single pouring process. “Multi-pour” or “capping” the surface with additional metal after the ingot or sow is formed is not permitted.
- 4.7 All ingots, sows and T-bars delivered under this contract must be flat in order to permit safe stacking and handling using forklifts.
- 4.8 Metal surfaces must be smooth and free of open shrinkage, porosity, layers and seams.
- 4.9 The metal must be free of the visible presence of foreign substances.
- 4.10 The edges and surfaces of metal must be free of sharp edges, spurs and flashings that might present safety hazards in handling.
- 4.11 All documentation for placing aluminium alloy on Warrant must include the English language.
- 4.12 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

5. **SHAPES, WEIGHTS AND DIMENSIONS**

(a) Ingots

Ingots must weigh not less than 4 kilos (9lbs) and not more than 17.3 kilos (38lbs). Each ingot in each bundle and lot must be of the same weight and dimensions but not exceed 800mm (35 inches) in length; the only exception to be the cast feet for the purpose of bundle stability.

Bundles must weigh not less than 500 kilos (1100lbs) and not more than 1000 kilos (2200lbs) of equal weight and dimension in each lot suitable for stacking. One makeweight bundle in any one lot will be permissible. Bundles must be securely strapped for safe handling and transport without bundle distortion and breakage.

(b) Small sows (four-way entry sows)

Small sows must weigh not less than 408 kilos (900lbs) and not more than 590 kilos (1300lbs). Each small sow in each lot must be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top	Length and width must be the same, between 837mm – 990mm (33 – 39 inches).
Bottom	Length and width must be the same, between 406mm – 559mm (16 – 22 inches).
Height	Between 304mm – 432mm (12 – 17 inches).

Shape The tapering of all four sides must include an indentation to allow for the safe and easy handling by forklift trucks.

(c) Large sows (low profile sows)

Large sows must weigh not less than 500 kilos (1100lbs) and not more than 726 kilos (1600lbs). Each large sow in each lot must be of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top Length must be between 1015mm – 1320mm (40 – 52 inches).
Width must be between 812mm – 1142mm (32 – 45 inches).

Bottom Length must be between 1015mm – 1320mm (40 – 52 inches).
Width must be between 406mm – 533mm (16 – 21 inches).

Height Between 216mm – 305mm (8.5 – 12 inches).

Shape The tapering of the long sides should include an indentation to allow for the safe and easy handling by forklift trucks.

(d) T-bars

T-bars shall weight not less than 408 kilos (900lbs) and not more than 726 kilos (1600lbs). Each T-bar in each lot shall be one of the same weight and dimensions.

Dimensions shall be within the permitted range detailed as follows:

Top Length must be between 837mm – 1320mm (33 – 52 inches).
Width must be between 760mm – 1015mm (30 – 40 inches).

Bottom Length must be between 837mm – 1320mm (33 - 52 inches).
Width must be between 406mm – 634mm (16 – 25 inches).

Height Overall between 254mm – 432mm (10 – 17 inches).
To shoulder minimum 76mm (3 inches).

6. **MAJOR CURRENCY**

US dollars

7. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.

SPECIAL CONTRACT RULES FOR TIN

1. QUALITY

The tin delivered under this contract must be:

- (a) Refined tin of minimum 99.85% purity conforming to BS EN 610:1996.
- (b) In the shape of ingots each weighing not less than 12 kilos and not more than 30 kilos.
- (c) Of brands listed in the LME approved list.

2. SIZE OF LOT

5 tonnes (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 5 tonnes (2% either more or less).

3.2 The tin in each Warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 1.2 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
- (e) the weight;
- (f) the number of bundles making up each lot.

3.4 Each Warrant must be made up of not more than two cast batches.

3.5 Each Warrant must bear an LMEsword generated barcode.

4. ADDITIONAL REQUIREMENTS FOR TIN WARRANTS

4.1 The listed brand name must be indelibly marked on each ingot within a bundle.

4.2 The production cast reference must be indelibly marked on each ingot within the bundle.

4.3 Each delivery of tin for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production cast reference and shall determine the tin content within the minimum purity as described in Special Contract Rule 1 (a) by

illustrating the detected level of impurity for each element of the contract Standard. A bulk analysis certificate for no more than 30 tonnes or a copy thereof is acceptable.

- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.
- 4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All documentation for placing tin on Warrant must include the English language.
- 4.7 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

5. **MAJOR CURRENCY**

US dollars

6. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the Exchange's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.

SPECIAL CONTRACT RULES FOR SPECIAL HIGH GRADE ZINC

1. QUALITY

The zinc delivered under this contract must be:

- (a) Refined zinc of minimum 99.995% purity conforming to one of the following Standards and specific grades:
 - (i) BS EN 1179:2003 Standard entitled "Zinc and Zinc Alloys – Primary Zinc", 99.995% grade
 - (ii) ISO 752:2004 entitled "Zinc ingots", ZN-1 grade
 - (iii) ASTM B6-12 entitled "Standard Specification for Zinc", LME grade
 - (iv) GB/T 470-2008 entitled "Zinc ingots", Zn99.995 grade
- (b) In the shape of ingots weighing not more than 30 kilos.
- (c) Of brands in the LME approved list.

2. SIZE OF LOT

25 tonnes (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 25 tonnes (2% either more or less).

3.2 The zinc in each warrant shall consist of one brand which is listed as being good delivery, and of one shape and dimension, subject to the necessity of including different shapes and dimensions at the bottom of each bundle for the purpose of stability and must be in bundles not exceeding 1.5 tonnes securely strapped for safe handling and transport without bundle distortion and breakage.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificate(s) of analysis lodged with the Warehouse;
- (e) the weight;
- (f) the number of bundles making up each lot.

3.4 Each Warrant must bear an LMEsword generated barcode

4. ADDITIONAL REQUIREMENTS FOR ZINC WARRANTS

4.1 The listed brand name must be indelibly marked on each ingot within a bundle.

- 4.2 The production cast reference must be indelibly marked on each ingot within a bundle or on the top surface of the bundle or on a durable label.²
- 4.3 Each delivery of zinc for placing on Warrant shall be accompanied by a producer certificate of analysis stating the brand name and production cast reference and shall determine the zinc content within the minimum purity as defined in Special Contract Rule 1 (a). The producer's certificate of analysis must demonstrate compliance with one of the relevant Standards and grades listed in Special Contract Rule 1 (i), (ii), (iii) and (iv) by illustrating the detected level of impurity for each element. A Bulk analysis certificate or a copy thereof is acceptable.
- 4.4 If a producer's certificate of analysis is not available a certificate of analysis must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates. In all cases it must be possible to cross-reference the production cast reference to identical numbers on the certificate(s) of analysis.
- 4.5 On request, the Warehouse is obliged to submit to the identified holder of any Warrant the certificate(s) of analysis or copies thereof.
- 4.6 All documentation for placing zinc on Warrant must include the English language.
- 4.7 Straps replaced by a Warehouse must be of corrosion resistant material and in compliance with LME strap standards.

5. **MAJOR CURRENCY**

US dollars

6. **TESTING OF WARRANTED METAL**

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LSA to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the LME's cost.

The conditions referred to above are:

- (a) There are reasonable grounds to suspect that metal on Warrant does not comply with these rules.
- (b) There is a risk of disruption to the LME's market.

² For Zinc placed on Warrant on or before 1 August 2007 it is not necessary for the production cast reference to be shown on the metal

SPECIAL CONTRACT RULES FOR STEEL BILLET

1. QUALITY

The steel billet deliverable under this contract shall be:

(a) steel billet conforming to one of the specifications listed below:

LME Grade	C	Si	Mn	S	P	Cu	Ni	Cr	N	CEV*	LME Grade
1	0.08-0.13	0.10-0.30	0.30-0.60	0.050	0.040	0.40	0.20	0.20	0.012	-	1
2	0.10-0.15	0.15-0.30	0.50-0.80	0.045	0.045	0.40	0.20	0.20	0.009**	-	2
3	0.14-0.22	0.05-0.15	0.40-0.65	0.05	0.04	0.40	0.30	0.30	0.012	-	3
4	0.14-0.22	0.15-0.30	0.40-0.65	0.05	0.04	0.40	0.30	0.30	0.012	-	4
5	0.15-0.22	0.15-0.30	0.60-1.00	0.05	0.05	0.50	0.20	0.20	0.012	0.50	5
6	0.17-0.25	0.40-0.80	1.20-1.60	0.045	0.045	0.50	0.20	0.20	-	0.52	6
7	0.28-0.37	0.05-0.15	0.50-0.80	0.05	0.04	0.40	0.30	0.30	0.012	-	7
8	0.28-0.37	0.15-0.30	0.50-0.80	0.05	0.04	0.40	0.30	0.30	0.012	-	8
9	0.36-0.42	0.15-0.30	1.00-1.40	0.05	0.05	0.50	0.20	0.20	-	-	9

All limits are max unless otherwise indicated.

* $CEV = \%C + \%Mn/6 + (\%Cr + \%Mo + \%V)/5 + (\%Cu + \%Ni)/15$

** %N max may increase by 0.001% for every 0.005% reduction in %P

An allowable tolerance of analysis taken on products made from the above casting grades is permitted as follows:-

C, +0.02%; Cr, +0.05%; Cu, +0.05%; Mn, +/- 0.10%; N, +0.002%; Ni, +0.05%; S, 0.005%; Si, +/- 0.02%; P, 0.005%; CEV + 0.02%.

(b) of brands listed in the LME-approved list of steel billet brands.

2. DIMENSIONS

Steel delivered must be in the form of billets and conform to one of the following dimensions:-

Length	Metric	Imperial
100 S or 100 L	100 x 100mm	4" x 4"
120 S or 120 L	120 x 120mm	4¾ " x 4¾ "
125 S or 125 L	125 x 125mm	5" x 5"
130 S or 130 L	130 x 130mm	5¼ " x 5¼ "
140 S or 140 L	140 x 140mm	5½ " x 5½ "
150 S or 150 L	150 x 150mm	6" x 6"

All metric section dimensions are subject to a +/- 3mm tolerance.

All imperial section dimensions are subject to +/- one-eighth of an inch tolerance.

All metric S lengths are to be nominally 5,800 – 6000mm in 100mm increments. Each nominal length is subject to a +/- 100mm tolerance.

All imperial S lengths are 19' 8" with a tolerance of +/- 4".

All metric L lengths are to be nominally 11,700mm – 12,000mm in 100mm increments. Each nominal length is subject to a +/- 100mm tolerance.

All imperial L lengths are 39' 4" with a tolerance of +/- 4".

3. SIZE OF LOT

65 tonnes

4. WARRANTS

- 4.1 Warrants shall be for 65 tonnes each (3.5% either more or less).
- 4.2 Each parcel particularised in each warrant shall lie at one facility, be of one brand and shall consist of billets of one dimension and one specification.
- 4.3 Each Warrant must bear an LMEsword generated barcode.

5. MAJOR CURRENCY

US dollars

6. TESTING OF WARRANTED METAL

If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at (a) and (b) below are satisfied, he or they may instruct an LME approved Sampler and Assayer to undertake such tests as are necessary to form a reasonable opinion

on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The tests will be at the Exchange's cost.

The conditions referred to above are: -

- (a) that there are reasonable grounds to suspect that metal on Warrant does not comply with these rules, and
- (b) that there is a risk of disruption to the LME's market.

SPECIAL RULES GOVERNING THE PLACING OF STEEL BILLET ON WARRANT

1. Each Delivery of billet for placing on warrant shall be accompanied by a Certificate of Origin and a producer's Mill Test Certificate or certificate of Analysis, both of which must be lodged with the warehouseman. The Mill Test Certificate/Certificate of Analysis must be within the quality specification set out in Special Contract Rule 1 and must show the full chemical analysis per heat number. Additionally the Mill Test Certificate/Certificate of Analysis must be on the applicable producers headed paper stating the plant and/or brand name. Bulk certificates or a copy thereof is acceptable.
2. Each warrant shall state the total weight of the parcel particularised thereon, its country of origin, brand, no of billets making up each parcel and the date(s) and reference number(s) of the Mill Test Certificate/Certificate of Analysis lodged with the warehouseman. The warehouse company is required to keep a record of the date and reference number of the Certificate of Origin.
3. The Warehouse Company is required to inform the LME of the name of the party that requests the warrant to be issued.
4. On request, the warehouseman is obliged to submit to the holder of the Warrant the Certificates of Origin, plus Analysis or Mill Test Certificate, or copies thereof if the 65 tonne parcel forms part of a larger delivery covered by bulk certificates.
5. All documentation required for placing material on warrant must be in English.

SPECIAL CONTRACT RULES FOR COBALT

1. QUALITY

The cobalt delivered under this contract must be:-

- (a) Of a minimum 99.80% purity. Other elements are as specified by producers of each brand in the LME-approved list.
- (b) In the form of cathodes (broken or cut, cut cathodes must be of uniform sizes greater than 50mm and offcuts are not permitted), rounds, briquettes or coarse grain powder (must be <0.01% of a respirable size fraction).
- (c) Of brands listed in the LME approved list.

2. SIZE OF LOT

1 tonne (2% either more or less).

3. WARRANTS

3.1 Warrants shall be for 1 tonne (2% either more or less).

3.2 The cobalt in each Warrant shall consist of one brand which is listed as being good delivery, of one shape and size and from not more than two production batches.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country of origin;
- (c) the shape;
- (d) the date(s) and reference number(s) of the certificates of analysis lodged with the Warehouse;
- (e) the gross and net weights; and
- (f) the number of steel drums making up each lot.

3.4 Each Warrant shall bear the following legend:

'WARNING The buyer is advised that drums may contain water and cobalt should be handled and processed with this possibility in mind. Water contained in drums may cause an explosion if the cobalt is introduced into a melting-furnace without proper procedures being followed'.

3.5 Each Warrant shall bear an LMEsword generated barcode.

4. DRUMMING REQUIREMENTS

4.1 All cobalt delivered under this contract shall be packed in sound steel drums of uniform size and weight of 200kgs, 250kgs or 500kgs (+/-2%). Part filled steel drums are not permitted.

4.2 Each drum shall be indelibly marked with production batch reference, gross and net weights and brand name.

4.3 Only drums that are original sound producer or producer approved third party steel drums with the producer or approved third party ring closing system and with tamper proof seals intact may be put on Warrant.

4.4 Warehouses are not permitted to place on Warrant cobalt supplied in unsound producer or producer approved third party steel drums with broken seals.

5. **ADDITIONAL REQUIREMENTS FOR ALL COBALT WARRANTS**

5.1 All cobalt Warrants require supporting documentation a producer certificate(s) of analysis and a packing list cross referenced to the certificate(s) of analysis and individual producer drum seal numbers in English. Bulk certificates of analysis are permitted. The certificate of analysis must state the brand name.

5.2 If a producer's certificate of analysis is not available a certificate of analysis for all shapes must be prepared and signed by an LME Listed Sampler and Assayer (LSA) who will sample and analyse material in accordance with LME specified instructions to LSAs. The LSA certificate of analysis must show the same detail as required of listed producer certificates of analysis. In all cases, it must be possible to cross-reference the production batch reference on the drums to identical numbers on the certificate of analysis and the LSA seal numbers. LSA sampling of cobalt must be carried out on the premises of the Warehouse issuing the Warrants.

5.3 On request the Warehouse is obliged to submit to the holder of the Warrant the certificate(s) of analysis and packing list or copies thereof if the Warrant lot forms part of a larger batch.

6. **MAJOR CURRENCY**

US dollars

7. **TESTING OF WARRANTED METAL**

7.1 If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at rule 7.2(a) and (b) below are satisfied, he or they may instruct an LME Listed Sampler and Assayer (LSA) to undertake such tests as are necessary to form a reasonable opinion on whether or not metal on Warrant conforms with these rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The LME will bear the costs of such tests.

7.2 The conditions referred to above are that:-

- (a) there are reasonable grounds to suspect that cobalt on Warrant does not comply with these rules; and
- (b) there is a risk of disruption to the LME's market

SPECIAL CONTRACT RULES FOR ROASTED MOLYBDENUM CONCENTRATE

1. QUALITY

The roasted molybdenum concentrate ("RMC") delivered under this contract shall be:

- (a) between 57 and 63% molybdenum purity with maximum permissible impurities of Cu 0.50%; P 0.05%; Pb 0.05%; S 0.10%; C 0.10%; Moisture 0.1%.
- (b) in the form of powder packed in drums, of which only 5% of the powder can comprise particles in excess of 4mm and 0% in excess of 10mm.
- (c) of brands listed in the LME approved list.

2. SIZE OF LOT

6 tonnes molybdenum (+/-5%) contained in RMC.

3. WARRANTS

3.1 Warrants shall be for 10 tonnes of RMC.

3.2 The RMC in each Warrant shall be of one production batch and brand and shall lie in one warehouse.

3.3 Each Warrant shall state:

- (a) the name of the brand;
- (b) the country of origin;
- (c) the date and reference number of the certificate of analysis lodged with the warehouseman;
- (d) the gross and net weights of RMC together with the net weight contained of molybdenum; and
- (e) the number of steel drums making up each Warrant.

3.4 Each Warrant shall bear the following legend:

'WARNING The buyer is advised that drums may contain water and RMC should be handled and processed with this possibility in mind. Water contained in drums may cause an explosion if the RMC is introduced into a melting-furnace without proper procedures being followed.'

3.5 Each Warrant shall bear an LMEsword -generated barcode.

4. WEIGHTS

4.1 All RMC delivered under this contract shall be packed in sound steel drums of uniform size and of exact net weight of 200 or 250 kilos. Part filled steel drums are not permitted.

4.2 Each steel drum shall have the gross and net weights, brand name, origin and batch reference clearly and indelibly marked or stamped on the outside of the drum.

5. **DRUMMED RMC REQUIREMENTS**

5.1 RMC contained in drums may be placed on Warrant provided that:

- (a) the steel drums are original sound producer drums with a ring closing system and tamper proof producer seals intact;
- (b) the Warehouse opens every steel drum in a Warrant quantity of a single producer batch in the presence of an LME Listed Sampler and Assayer (LSA) for the purpose of taking samples and establishing an independent Certificate of Analysis specific to each Warrant lot. The Warehouse shall be responsible for resealing all steel drums using their own unique tamper proof numbered seals using a ring closing system and identifying the warehouse of storage after sampling is complete and still in the presence of the LSA. All costs incurred will be for account of the party instructing the warehouse to place the material on warrant; and
- (c) all markings on steel drums conform to those of the listed brand.

5.2 Warehouses are not permitted to place on Warrant any RMC supplied in unsound producer steel drums or steel drums with broken seals.

6. **CERTIFICATES OF ANALYSIS**

6.1 A Certificate of Analysis shall be issued for each Warrant lot by an LSA in accordance with the following:

- (a) LSAs will sample and analyse each lot for LME warranting in accordance with LME specified procedures ensuring that any one lot comes from a single producer batch; and
- (b) LSA Certificates of Analysis shall be cross-referenced to the listed producer brand, batch number and Warehouse seal numbers.

6.2 Any party cancelling Warrants should note that the LSA Certificate of Analysis is subject to a variation tolerance of Mo content of +/- 0.5%. If any additional sampling and analysis is required this must be done in accordance with LME procedures within 15 working days after cancelling the Warrant at the warehouse of storage in the presence of the LSA who issued the original Certificate of Analysis. Any disputes about analysis shall be settled in accordance with LME procedures. All costs for any analysis taken at time of cancellation of warrants are for the account of the party cancelling Warrants

7. **ADDITIONAL REQUIREMENTS FOR ALL RMC WARRANTS**

7.1 Note that in order to create RMC warrants a producer weight certificate and analysis certificate covering all elements of the Contract specification in 1(a) above is to be supplied with all deliveries to a warehouse.

7.2 All RMC Warrants require as supporting documentation a certificate of origin and a LSA certificate of analysis in English.

7.3 On request the Warehouse is obliged to submit to the holder of the Warrant the certificate of origin and analysis or a copy thereof.

7.4 The Warehouse Company is required to inform the LME of the name of the party that requests the warrant to be issued.

8. **MAJOR CURRENCY**

US dollars

9. **TESTING OF WARRANTED METAL**

9.1 If the Chief Executive, or those empowered by him for this purpose, believe that the conditions at rule 9.2(a) and (b) below are satisfied, he or they may instruct an LME Listed Sampler and Assayer to undertake such tests as are necessary to form a reasonable opinion of whether or not metal on Warrant conforms with these Rules. Where the Chief Executive, or those empowered by him for this purpose, reasonably believes that the situation requires it, those tests may be conducted without the prior consent of the Warrant holder. The LME will bear the costs of such tests.

9.2 The conditions referred to above are that:-

- (a) there are reasonable grounds to suspect that RMC on Warrant does not comply with these rules, and
- (b) there is a risk of disruption to the LME's market.

PART 6A

SPECIAL CONTRACT RULES FOR THE CONSTRUCTION

OF THE INDEX

1. INDEX CONSTRUCTION

The Index is an Index on the six designated LME primary metals contracts denominated in US dollars.

2. INDEX WEIGHTING

Weightings of the six metals are derived from global production volume and trade liquidity averaged over the preceding five-year period. Weightings of the Constituent Metals of the Index as of 1 January 2000 are set out in the table below:

Constituent Metal	Approx. No. of Lots	Tonnage	Volume Weighting
Primary Aluminium	25	625	41.8
Copper	20	500	33.4
Lead	5	125	8.4
Nickel	5	30	2.0
Tin	3	15	1.0
Zinc	8	200	13.4
Total	66	1,495	100.0

Any resetting of the weighting of the Index shall be the responsibility of the Weighting Committee.

3. INDEX VALUE

The Index value is calculated as the sum of the prices for the three qualifying months multiplied by the corresponding weights, multiplied by a constant:

$$\text{Index} = (\text{WAI} \times (\text{Al 1 mth} + \text{Al 2 mth} + \text{Al 3 mth}) + ([\text{other metals as Al}]) \times \text{K}$$

where:

WAI = % weight of primary aluminium ("Al")

Al 1 mth = first month third Wednesday primary aluminium future price

Al 2 mth = second month third Wednesday primary aluminium future price

Al 3 mth = third month third Wednesday primary aluminium future price

K = the reference constant which creates the initial Index value at 4 January 1999 of 1,000. The constant is changed at each reweighting point to rebalance the Index at that time.

Note that primary aluminium, designated "Al", has been used as the first Constituent Metal.

4. **THE INDEX FUTURES CONTRACT SPECIFICATION**

4.1 **Contract Size**

\$10 per Index point.

4.2 **Prompt Date**

Second Wednesday of maturity month, subject to the Trading Regulations.

4.3 **Index point Value Basis**

Average of the third Wednesday prices for the first three qualifying trading months of the Constituent metals.

4.4 **Maturity Months**

Monthly for twelve months.

4.5 **Last Trading Day and Time**

17.00 hours on Prompt Date.

4.6 **Settlement Basis**

Cash Settlement based on the difference between Settlement Price of the Index on the Prompt Date and the value of the Index in the Contract, multiplied by the Contract size.

4.7 **Cash Settlement**

Settlement Business Day following the Prompt Date. (See Regulation 9, Settlement of Contracts, in Part 3, Trading Regulations.)

4.8 **Quotation**

Index points.

4.9 **Minimum Price Move**

0.1 Index point.

5. **INDEX OPTIONS CONTRACT SPECIFICATION**

5.1 **Contract Size**

\$10 per Index point.

5.2 **Prompt Date and Time**

Automatic exercise for In The Money Index Options as at 19.15 hours on the second Wednesday of relevant maturity month, subject to the Trading Regulations.

5.3 **Last Trading Day and Time**

16.35 hours on the Prompt Date.

5.4 **Settlement Basis**

Cash settlement based on the difference between Settlement Price of the Index and the Strike Price, multiplied by the Contracts size.

5.5 **Cash Settlement**

The Settlement Business Day following the Prompt Date.

5.6 **Maturity Months**

Monthly for the front three months.

5.7 **Option Premium Date**

Paid on first Business Day following trade.

5.8 **Minimum Price Movement (tick size)**

0.01 Index points.

5.9 **Strike Price Gradation**

10 Index points.

PART 6B

SPECIAL CONTRACT RULES FOR LME_{mini} CONTRACTS

1. THE LME_{mini} FUTURES CONTRACT SPECIFICATION

1.1 Lot Size

The Lot size for each LME_{mini} Future is as follows:

Constituent Metal	Lot size (tonnes)
Primary Aluminium	5
Copper Grade A	5
Special High Grade Zinc	5

1.2 Prompt Date

Third Wednesday of each maturity month, subject to the Trading Regulations.

1.3 Maturity Months

Monthly for twelve months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, eleven months.

1.4 Trading Platform

LME_{mini} Contracts may not be traded in the Ring.

1.5 Last Trading Time

The last trading time for all LME_{mini} Contracts shall be 12.30 hours London time on the Business Day which is two Business Days before the Prompt Date.

1.6 Settlement Basis

Cash settlement by reference to the Settlement Price determined for the Prompt Date for the relevant underlying metal.

1.7 Cash Settlement

On the Prompt Date.

1.8 Currency

US Dollars.

1.9 Minimum Price Movement

\$0.25; \$0.01 for a carry.

PART 6C

SPECIAL CONTRACT RULES FOR FERROUS FUTURES

1. THE FERROUS FUTURES CONTRACT SPECIFICATION

1.1 Lot Size

The Lot size for each Ferrous Future is as follows:

Constituent Metal	Lot size (tonnes)	Code
LME Steel Scrap	10	SC
LME Steel Rebar	10	SR

1.2 Prompt Date

The last Business Day of each month.

1.3 Maturity Months

The maturity months for Ferrous Futures Contracts shall be as follows:

Contract	Maturity Months
LME Steel Scrap	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.
LME Steel Rebar	Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 1.6 below) for the calendar month on which the Contract is made, in which case, fourteen months.

1.4 Trading Platform

Ferrous Futures may be traded on the telephone and LME Select but not in the Ring.

1.5 Trading Hours

Ferrous Futures may be traded on the following platforms at the following times:

Platform	Trading Hours
LME Select	Between 01:00 and 19:00 London time on a Business Day
Telephone	24 hours a day during a Business Day

1.6 Last Trading Time

The last trading time for Ferrous Futures Contracts shall be as follows:

Contract	Last Trading Time
LME Steel Scrap	13:30 hours London time on the Last Trading Day
LME Steel Rebar	16:30 hours London time on the Last Trading Day

1.7 **Settlement Basis**

Cash Settlement based on the difference between the Ferrous Final Settlement Price on the Prompt Date and the value of the Contract, multiplied by the Lot size.

1.8 **Cash Settlement**

Settlement Business Day following the Prompt Date. (See Regulation 9, Settlement of Contracts, in Part 3, Trading Regulations.)

1.9 **Notification of Procedures for determining the Ferrous Final Settlement Price**

The Exchange shall specify, by way of Administrative Procedure issued to the Members, the procedures that it shall apply in order to determine the Ferrous Final Settlement Price.

1.10 **Specification of the Ferrous Index**

- (a) The Ferrous Index shall be used by the Exchange to determine the Ferrous Final Settlement Price, in accordance with the procedures specified pursuant to Regulation 1.9 above.
- (b) The Exchange shall specify, by way of Notice issued to the Members, the relevant index or indices that shall constitute the Ferrous Index for Ferrous Futures that are LME Steel Scrap Contracts.
- (c) The Exchange shall specify, by way of Notice issued to the Members, the relevant index or indices that shall constitute the Ferrous Index for Ferrous Futures that are LME Steel Rebar Contracts.

1.11 **Errors in the Ferrous Index**

- (a) If, not later than 30 minutes after the Ferrous Final Settlement Price has been published by the Exchange, any Member of the Exchange notifies the Exchange of, or it otherwise comes to the attention of the Exchange that there is an alleged or apparent error in the Ferrous index, then the Exchange shall promptly request the index provider investigate such alleged or apparent error. If in the index provider's opinion an error has been made, the index provider shall correct any Ferrous Index value affected thereby and the Exchange shall as soon as reasonably practicable publish a correction to the Ferrous Final Settlement Price, as required.
- (b) No correction to the Ferrous Index shall be made other than may be allowed for in Regulation 1.11(a)
- (c) Neither the Exchange nor its officers, employees, agents or representatives shall have any liability whatsoever in respect of any decision as to whether or not to correct the Ferrous Index, or as to whether or not to re-determine the Ferrous Final Settlement Price.

1.12 **Currency**

US Dollars.

PART 7: REQUIREMENTS FOR THE LISTING OF BRANDS

1. Where applicable, an application for listing a brand must be submitted on behalf of the producer through a Member Company, Categories 1 to 5.
2. Guidance Notes for listing of brands of each metal are available on the LME website or from the Executive of the Exchange. Applicants should not proceed with an application prior to reading the applicable guidance notes.

The general procedures outlined in the Guidance Notes include the following requirements:-

- 2.1 Except in the case of molybdenum and steel, that the producer supplies a written undertaking that the brand to be listed will conform to the quality of the applicable Special Contract Rules for Metals and that such quality will be maintained in accordance with the lots supplied for testing purposes (see 2.2 below). Also, that a producer will undertake to investigate any complaints as to the quality of the brand without time limit.
- 2.2 That testing of commercial quantities of the metal be undertaken by Exchange approved fabricators who will provide the Exchange with information as to metal quality, suitability and compliance with the applicable Special Contract Rules for Metals.
- 2.3 That a fee is paid to the Exchange for the listing of a brand.
3. Subsequent to listing any alteration or addition to the details given at the time of listing by the producer are to be notified to the Exchange. A brand may be suspended from listing or delisted at the discretion of the Directors if any such changes are not notified to the Exchange promptly or if there are changes in the information given at the time of listing which the Directors consider to be material or if the producer fails to comply with any undertaking given to the Exchange.
4. Brands may be listed, suspended or delisted at the discretion of the Directors, who are entitled to make such investigations into the producer as they may deem appropriate at any time before, during or after the application for listing. No listing shall become valid until particulars of the brand concerned have been posted on the Exchange for 28 days.
5. Any complaint as to the quality of any listed brand should be made to the Complaints Officer of the Exchange. Should the Chief Executive think it appropriate, he may report to the Directors who may suspend deliveries onto warrant until quality is proven to the satisfaction of the Directors. If after investigation by the Complaints Officer the Directors are not satisfied with the quality of the listed brand, then the brand may be delisted at the discretion of the Directors.
6. The Directors may, at their discretion, waive or amend any of the listing requirements. Producers must comply with this Part of the Rules and Regulations, the listing requirements, as well as with any variations to those and with any applicable Administrative Procedures issued by the Exchange.
7. Neither the Company nor any of its Directors or other officers shall be under any liability whatsoever either in contract or in tort to any Member or other person in respect of any act or omission in relation to the listing of any brand of metal or the maintenance, suspension or termination of any such listing.

PART 8
ARBITRATION REGULATIONS

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These Arbitration Regulations form part of the Rules and Regulations of the Exchange. They may also be used as a stand-alone document. Contractual arrangements may include a reference to arbitration in accordance with these Arbitration Regulations. For the avoidance of doubt, such a reference does not of itself mean those contractual arrangements are subject to the remaining Rules and Regulations of the Exchange, nor that any resulting contract is an LME Contract.

PART 8: ARBITRATION REGULATIONS

1. DEFINITIONS AND INTERPRETATIONS

1.1 In these Arbitration Regulations, the following words and expressions shall, unless the context otherwise requires, bear the meanings set opposite them:-

"Administrative Procedure"	a notice posted in the Exchange containing a procedure for implementing the Rules or any part thereof;
"Arbitration Regulations"	the regulations set out in Part 8 of the Rules;
"Chief Executive"	includes the Deputy Chief Executive and any other person for the time being appointed to perform the duties of Chief Executive of the Company;
"Claimant"	the person commencing an arbitration by serving a Notice to Arbitrate;
"Close of Pleadings"	the end of a period of 28 days after the time for submission of the points of reply, unless otherwise ordered by the Tribunal;
"the Company"	The London Metal Exchange;
"Counter Notice"	a notice served by the Respondent pursuant to Regulation 2.5 of Part 8 of the Rules;
"Deposit"	such sum as may be specified by Administrative Procedure from time to time;
"the Directors"	the Board of Directors of the Company;
"Head of Market Operations"	the Head of Market Operations and any other person within the Market Operations division of the Exchange for the time being appointed to perform the duties of the Head of Market Operations;
"Member"	a member of the Exchange;
"Notice to Arbitrate"	a Notice served by the Claimant pursuant to Regulation 2.1 of Part 8 of the Rules;
"Panel"	the Arbitration Panel of the Company;
"Panel Committee"	a committee appointed by the Directors to oversee the conduct of arbitrations pursuant to the Arbitration Regulations, and in particular to perform the functions and powers referred to in the Arbitration Regulations;
"Registration Fee"	such sum as may be specified by Administrative Procedure from time to time;
"Respondent"	the person receiving a Notice to Arbitrate served by the Claimant;

"Rules"	means these rules and regulations as the same may be amended in accordance with the Articles;
"Secretary"	any person appointed to perform the duties of Secretary of the Company, and for the purpose only of Part 8 of the Rules, any person to whom the functions and powers of the Secretary referred to therein may be delegated from time to time;
"Tribunal"	the tribunal of one, two or three arbitrators appointed in accordance with Regulation 3 of Part 8 of the Rules;
"Working Day"	any weekday, Monday to Friday inclusive, which is not a public holiday in England and Wales.

1.2 Reference to a period of days shall mean consecutive days, calculated with reference to London Time, whether or not they are Working Days. Where an act is required to be done within a specified period of days after a specified event, the first day of the period shall be the day after the specified event occurs. The period shall end at 5.00pm (London Time) on the last day of the period.

- 1.3
- (a) Words importing the singular shall, where the context permits, include the plural and *vice versa*. Words importing gender shall include each gender. Words importing persons shall, where the context permits or requires, include partnerships and corporations.
 - (b) Where reference is made to a Regulation in any Part of the Rules it shall be deemed to be a reference to a Regulation in that Part unless the context otherwise requires.

1.4 The headings in these Arbitration Rules are inserted for convenience only and are to be ignored for the purposes of construction.

2. COMMENCEMENT

2.1 A Claimant shall commence an arbitration pursuant to these Arbitration Regulations by serving a Notice to Arbitrate on the Respondent, and by sending a copy of the Notice to Arbitrate to the Secretary accompanied by the Registration Fee and Deposit. The Deposit shall be paid by cash or cheque drawn on a London clearing bank made payable to The London Metal Exchange.

2.2 Subject to Regulation 6.3, the Notice to Arbitrate shall contain at least the following information:-

- (a) the address for service of the Claimant;
- (b) a brief statement of the nature and circumstances of the dispute including a brief description of any contract, sufficient to enable the Respondent to identify it, to which the dispute relates;
- (c) a brief statement of the relief claimed;
- (d) the Claimant's proposal with regard to the number of arbitrators to form the Tribunal;

- (e) the Claimant's nomination of one arbitrator from the Panel; and
 - (f) the person and address of the Respondent to which the Notice to Arbitrate has been sent.
- 2.3 The Secretary shall acknowledge receipt of the Deposit and Registration Fee, indicating the date on which payment was made, and shall copy such acknowledgement to the Respondent. The Notice to Arbitrate shall not be valid, and time shall not start to run for the purpose of any other provisions of these Arbitration Regulations until the Deposit and Registration Fee have been paid and all the above information has been supplied to the Respondent and to the Secretary.
- 2.4 The date of receipt by the Respondent of a valid Notice to Arbitrate shall be deemed to be the date on which the arbitration has commenced.
- 2.5 Within 21 days of receipt of the Notice to Arbitrate, the Respondent shall send to the Claimant, with a copy to the Secretary, a Counter Notice which shall contain:-
- (a) the address for service of the Respondent;
 - (b) confirmation that the Respondent agrees to the number of arbitrators proposed by the Claimant, or the Respondent's counter proposal;
 - (c) if relevant, the Respondent's nomination of one arbitrator from the Panel.
- 2.6 If the Respondent fails to serve the Counter Notice then, on application by the Claimant in writing to the Secretary, the Secretary shall proceed with the appointment of the Tribunal as set out in Regulation 3.
3. **APPOINTMENT OF TRIBUNAL**
- 3.1 Subject to Regulation 3.5, two arbitrators shall form the Tribunal unless the parties to the dispute agree that either one or three arbitrators should form the Tribunal.
- 3.2 Within 7 days of receipt of the Counter Notice, or of the Claimant's application referred to in Regulation 2.6, the Secretary shall:-
- (a) if the Tribunal is to consist of a single arbitrator
 - (1) appoint the arbitrator agreed by the parties; or
 - (2) if the parties do not agree on the identity of the arbitrator, appoint an arbitrator who may, but need not, be an arbitrator nominated by one of the parties;
 - (b) unless the Tribunal is to consist of a single arbitrator, appoint
 - (1) the arbitrator nominated by the Claimant; and
 - (2) the arbitrator nominated by the Respondent or, in default, an arbitrator;
 - (c) send to each arbitrator a copy of the Notice to Arbitrate and the Counter Notice, if any, and any accompanying documents;
 - (d) notify the parties of steps taken pursuant to Regulations 3.2(a), 3.2(b) and 3.2(c).

- 3.3 If the Tribunal is to consist of three arbitrators, the two arbitrators appointed pursuant to Regulation 3.2(b) shall, within 7 days of their appointment, nominate the third (in accordance with the criteria in Regulation 3.6) and notify the Secretary of their choice or inform the Secretary that they are unable to agree. The Secretary shall within 7 days thereafter:-
- (a) appoint the third arbitrator if necessary having made the choice of third arbitrator himself (in accordance with the criteria in Regulation 3.6);
 - (b) send the third arbitrator a copy of the documents referred to in Regulation 3.2(c);
 - (c) notify the parties and other arbitrators of steps taken pursuant to Regulations 3.3(a) and 3.3(b).
- 3.4 For the purpose of these Arbitration Regulations, the Tribunal shall be taken to have been appointed on the date the Secretary sends notification to the parties pursuant to Regulation 3.2(d) or 3.3(c) as the case may be.
- 3.5 If the Tribunal consists of two arbitrators then, upon request to the Secretary by
- (a) either party at any time prior to 14 days after Close of Pleadings, or
 - (b) either of the arbitrators at any time before an award is made,
- the Secretary shall, in consultation with the existing arbitrators and providing, in the event the request is made by a party, at least one arbitrator is of the view that a third arbitrator should be appointed, appoint a third arbitrator (in accordance with the criteria in Regulation 3.6).
- 3.6 The third arbitrator, who shall be the chairman of the Tribunal, shall be a lawyer unless the other arbitrators are both lawyers, in which case the chairman shall be a non-lawyer.
- 3.7 Any arbitrator chosen and appointed by the Secretary shall be chosen from the Panel.
- 3.8 In every case in which the Secretary appoints an arbitrator he shall, before doing so, ascertain the arbitrator's ability and willingness to act. If any arbitrator is unable or unwilling to act, the Secretary shall, subject to Regulation 3.13, appoint a replacement.
- 3.9 The arbitrators may only nominate arbitrators who are members of the Panel.
- 3.10 All arbitrators, whether or not nominated by the parties, shall be and remain at all times wholly independent and impartial and shall not act as advocates for either party.
- 3.11 If at any time after his appointment any arbitrator is unable or unwilling to act for any reason, then within 7 days of receipt of a written request from the arbitrator himself, any of the other members of the Tribunal, or either party, the Secretary shall, subject to Regulation 3.13, appoint a replacement.
- 3.12 Either party may challenge the appointment of an arbitrator within 28 days of the appointment of that arbitrator or, if later, within 28 days of becoming aware of the facts and circumstances on which the challenge is based, on grounds of non-independence, partiality, unfitness or inability to act by sending a written statement of its reasons for the challenge to the Secretary. Unless the other party agrees to the challenge or the arbitrator withdraws within 7 days, the Secretary shall refer the matter to the Panel Committee who shall determine whether the challenge should be sustained and, if so and subject to Regulation 3.13, the Secretary shall appoint a replacement within a further 7 days.

- 3.13 If the arbitrator to be replaced pursuant to Regulations 3.7, 3.11 or 3.12 is one who either party was originally entitled to nominate, that party shall be entitled to nominate the replacement (in accordance with the criteria in Regulation 3.6). If the arbitrator to be replaced was the third arbitrator, the other two shall be entitled to nominate the replacement. The Secretary, before appointing the replacement, shall consult with the parties or arbitrators accordingly. The Secretary shall appoint the arbitrator so nominated or, in default of any such nomination within a time specified by the Secretary, choose and appoint the replacement arbitrator (if applicable, in accordance with the criteria in Regulation 3.6).
- 3.14 The Secretary shall have power, on the application of either party or on his own motion, and on notice to both parties, to extend or abridge any of the time limits specified in this Regulation 3 or in Regulation 2.

4. **PROCEDURE**

In the absence of any express provision in these Arbitration Regulations the Tribunal shall have the widest discretion permitted by law to determine the procedure to be adopted, and to ensure the just, expeditious, economical and final determination of the dispute.

5. **NOTICES AND COMMUNICATIONS**

- 5.1 Unless otherwise ordered by the Tribunal, all notices required by these Arbitration Regulations shall be in writing. Notices and all other documents shall be sent by first class post where available, or airmail, fax, telex, electronic message or delivered by hand.
- 5.2 Documents sent between the parties shall be sent to the other party's address for service or, if none has yet been specified, to the address of the other party specified in the contract containing the agreement to refer the dispute to arbitration, failing which to the principal place of business of the other party.
- 5.3 In every case in which either party sends any document to the Secretary or the Tribunal that party shall where relevant provide sufficient copies for each member of the Tribunal, and shall also at the same time send a copy to the other party.
- 5.4 Subject to satisfactory evidence being produced by the sender and unless the intended recipient proves otherwise:-
- (a) documents sent by post shall be deemed to have been received;
 - (1) if posted within the United Kingdom to an address in the United Kingdom, 2 Working Days after posting;
 - (2) in all other cases, 5 Working Days after posting;
 - (b) faxes or telexes or electronic messages shall be deemed to have been received at the time transmission ceases;
 - (c) by hand deliveries shall be deemed to have been received at the time of delivery to the address stated on their face.

In the event that the sender utilises more than one of the methods above then documents shall be deemed to have been received by the faster method used.

References in these Arbitration Regulations to receipt of documents shall be construed accordingly. In the event of a dispute prior to the appointment of the Tribunal the

Secretary shall in his absolute discretion determine if and/or when receipt is deemed to have occurred.

- 5.5 Unless these Arbitration Regulations otherwise state, or unless otherwise directed by the Secretary (if no Tribunal has been appointed) or by the Tribunal, all notices and other documents received on a day which is not a Working Day, or after 5.00 pm on any Working Day, shall be deemed to have been received on the next following Working Day. Time of receipt shall be determined with reference to local time in the place where the notice or other document is received.

6. **SUBMISSION AND DOCUMENTS**

- 6.1 Unless otherwise ordered by the Tribunal, the procedure following appointment of the Tribunal shall be as set out in the rest of this Regulation.
- 6.2 Within 21 days after the appointment of the Tribunal, the Claimant shall send to the Tribunal and to the Respondent written points of claim which set out any facts or contentions of law on which it relies, and the relief claimed.
- 6.3 The Claimant may serve the points of claim on the Respondent at the same time as the Notice to Arbitrate. If so, the information required by Regulations 2.2(b) and 2.2(c) need not be contained in the Notice to Arbitrate, and no further copies of the points of claim need be served pursuant to Regulation 6.2.
- 6.4 Within 21 days of receipt of the points of claim, or of the appointment of the Tribunal if later, the Respondent shall send to the Tribunal and to the Claimant written points of defence stating in sufficient detail which of the facts and contentions of law in the points of claim it admits or not, or denies, on what grounds, and on what other facts and contentions of law it relies. Any counterclaims shall be submitted with the points of defence in the same manner as claims are set out in the points of claim.
- 6.5 Within 21 days of receipt of the points of defence, the Claimant may send to the Tribunal and to the Respondent written points of reply which, where there are counterclaims, shall include points of defence to counterclaims.
- 6.6 If the points of reply contain points of defence to counterclaims, the Respondent may, within 21 days of receipt, send to the Tribunal and to the Claimant written points of reply regarding counterclaims.
- 6.7 No further submissions shall be served without an order from the Tribunal.
- 6.8 All submissions referred to in this Regulation shall be accompanied by legible copies, or if they are especially voluminous, lists of all essential documents on which the party concerned relies, and where appropriate, by any relevant samples.
- 6.9 Any document not in English shall be accompanied by a translation into English and a note explaining who prepared the translation and his qualifications, if any, to do so. Translations may but do not need to be notarised. The authority to be accorded to any translation is a matter for the Tribunal.
- 6.10 Within 7 days after Close of Pleadings the Tribunal shall give directions for the subsequent procedure of the arbitration and may convene a hearing for this purpose.
- 6.11 Unless the parties agree to the contrary in writing, the parties, the Tribunal, the Secretary and the Panel Committee shall keep the award (and all other submissions, other documents

and information introduced into the proceedings not otherwise in the public domain) confidential in perpetuity save to the extent that disclosure may be required by legal duty or to protect a legal right.

7. HEARINGS AND SEAT OF ARBITRATION

- 7.1 Each party has the right to be heard before the Tribunal, unless the parties have agreed on a documents-only arbitration.
- 7.2 The Tribunal shall fix the date, time and place of any meetings and hearings in the arbitration, and shall give the parties reasonable notice thereof. Unless otherwise agreed as provided in Regulation 7.3, all meetings and hearings shall take place at a venue in England and Wales.
- 7.3 The Tribunal may, with the consent of each of the parties to the arbitration, authorise one or more meetings or hearings to be held at a venue outside England and Wales.
- 7.4 The Tribunal may in its discretion direct hearings to be conducted without the physical presence of each participant in the same place but on the basis that each participant is linked, for the duration of his participation, through a telecommunication or video link system permitting each participant clearly to hear and speak to every other participant and, if the Tribunal so directs, to see every other participant.
- 7.5 The Tribunal may in advance of hearings submit to the parties a list of questions which it wishes them to treat with special attention.
- 7.6 The language of the arbitration shall be English, provided that interpreters shall be permitted by the Tribunal for participants and witnesses for whom English is not their main language.
- 7.7 The seat of the arbitration shall be England and Wales.

8. PARTY REPRESENTATIVES

- 8.1 Neither party shall be represented at any hearing by a legal practitioner without the consent of the Tribunal, such consent to be requested not later than Close of Pleadings. If such consent be granted by the Tribunal to one party the other party shall automatically have an equivalent right.
- 8.2 Nothing in Regulation 8.1 shall preclude either party from otherwise seeking legal advice.
- 8.3 Subject to Regulation 8.1, either party may be represented at any hearing by any representative, subject to such proof of authority as the Tribunal may require.

9. WITNESSES

- 9.1 Before any hearing, the Tribunal may require either party to give notice of the identity and qualification of witnesses it wishes to call and may require the parties to exchange statements of evidence to be given by the witnesses a specified time in advance of the hearing.
- 9.2 The Tribunal may allow, refuse, or limit the appearance of witnesses, whether witnesses of fact or expert witnesses.

9.3 Any witness who gives oral evidence may be questioned by each of the parties or their representative, under the control of the Tribunal. The Tribunal may put questions at any stage of the examination of the witnesses.

9.4 The Tribunal may allow the evidence of a witness to be presented in written form either as a signed statement or by a duly sworn affidavit. Subject to Regulation 9.2 either party may request that such a witness should attend for oral examination at a hearing. If he fails to attend, the Tribunal may place such weight on the written evidence as it thinks fit, or exclude it altogether.

10. **POWERS OF TRIBUNAL**

10.1 Without prejudice to any powers which may be given to the Tribunal elsewhere by law or in these Arbitration Regulations, the Tribunal shall have power either on its own motion or on the application of either party:-

- (a) to order either party to take specified steps within a specified time;
- (b) to extend or abridge any time limits specified in these Arbitration Regulations, or in any order;
- (c) to continue with the reference in default of appearance or of any other act by either party in like manner as a judge of the High Court might continue with proceedings in that court where a party fails to comply with an order of that court or a requirement of rules of the court, including, for the avoidance of doubt and without limitation, power to strike out all or any part of any submission and to make any award consequent upon any such striking out, in the event a party fails
 - (1) within the time specified in these Arbitration Regulations or in any order or
 - (2) if no time is specified, within a reasonable timeto do any act required by these Arbitration Regulations or to comply with any order;
- (d) at any time to permit either party to amend any submissions;
- (e) to stay arbitration proceedings in favour of proceedings in the High Court or other forum and, in an appropriate case, to make it a condition of the stay that one of the parties commence proceedings in the High Court or such other forum forthwith;
- (f) to order either party to produce and to supply copies of, any documents in that party's possession, custody or power, which, in the event of dispute, the Tribunal determines to be relevant;
- (g) to order either party to answer interrogatories;
- (h) to require the parties to provide a written statement of their respective cases in relation to particular issues, to provide a written answer and to give reasons for any disagreement;
- (i) to order the inspection, preservation, storage, interim custody, sale or other disposal of any property or thing relevant to the arbitration under the control of either party;

- (j) to make orders authorising any samples to be taken, or any observation to be made, or experiment to be tried which may, in the Tribunal's discretion, be necessary or expedient for the purposes of obtaining full information or evidence;
- (k) to appoint one or more investigators or experts to report to the Tribunal on specified issues;
- (l) to order either party, "the payer", to make an interim payment to the other party, "the payee", of such amount as the Tribunal shall in its discretion think just, not exceeding a reasonable proportion of the monetary award which in the opinion of the Tribunal is likely to be recovered by the payee after taking into account any set-off or counterclaim on which the payer may be entitled to rely;
- (m) to order either party to provide security for all or part of any amount in dispute in the arbitration;
- (n) to make an interim order that either party shall pay to the other party or to the Tribunal or to the Company a proportion of any costs of an administrative nature necessarily incurred by that party or by the Tribunal or by the Company or by an investigator or expert in respect of the progress or conduct of the arbitration, with the intent that such costs should, so far as reasonably possible, be borne equally by the parties pending the final award of the Tribunal;
- (o) to order either party to provide security for the legal or other costs of the other party in any manner the Tribunal thinks fit;
- (p) to order specific performance of any contract;
- (q) to open up, revise and review any certificate, opinion or decision of any person whose certificate, opinion or decision is subject to reference to arbitration;
- (r) to order the rectification of any agreement subject to any rule of law which would restrict this power;
- (s) to delegate the power to make procedural rulings to the chairman of the Tribunal, including the power to determine in the event of dispute, whether a ruling is procedural.

10.2 The Tribunal shall have the power to rule on its own jurisdiction, including any objections with respect to the existence or validity of the arbitration agreement, or of the existence of validity of the contract of which the arbitration clause forms part. For this purpose, an arbitration clause which forms part of a contract and which provides for arbitration under these Arbitration Regulations shall be treated as an agreement independent of the other terms of the contract. A decision by the Tribunal that the contract is null and void shall not entail *ipso jure* the invalidity of the arbitration clause.

10.3 A plea that the Tribunal does not have jurisdiction shall be raised not later than in the points of defence. A plea that the Tribunal is exceeding the scope of its authority shall be raised promptly after the Tribunal has indicated its intention to decide on the matter alleged to be beyond the scope of its authority. In either case the Tribunal may nevertheless admit a late plea under this Regulation 10.3 if it considers the delay justified.

11. CONSOLIDATION

- 11.1 On the appointment of a Tribunal, and whenever requested to do so by either party, the Panel Committee shall review pending arbitrations and, if it appears to the Panel Committee that
- (a) some common question of law or fact arises in two or more of them, or
 - (b) the rights to relief claimed therein are in respect of or arise out of the same transaction or series of transactions, or
 - (c) for some other reason it is desirable to make a direction under this Regulation, the Panel Committee shall so inform the parties to all relevant arbitrations and may, upon the application of one or more of the parties to any of the arbitrations, and after consultation with the Tribunals and the parties, direct those arbitrations to be consolidated on such terms as it considers just or may direct them to be heard at the same time or one immediately after another or may order any of them to be stayed until after the determination of any of them.
- 11.2 For the purposes of Regulation 11.1, the Panel Committee may require any party to any relevant arbitration to provide it with copies of all that party's submissions and other documents connected with the arbitration which appear to the Panel Committee to be relevant.
- 11.3 If two or more arbitrations are to be consolidated pursuant to Regulation 11.1 above, and all parties to the consolidated arbitration are in agreement as to the choice of arbitrators the same shall be appointed by the Secretary but if all parties cannot agree within 21 days after the date of the direction under Regulation 11.1 the Panel Committee shall have power to choose and appoint three arbitrators as the Tribunal for the consolidated arbitration and to choose and appoint any replacement arbitrators which may thereafter be necessary.
- 11.4 The Tribunal in any consolidated arbitration shall have power at any time, on the application of any party to the consolidated arbitration or on its own motion, and on such terms as it considers just to order that the arbitration as between any two or more parties proceed separately, but under the same Tribunal, from the arbitration as between any other two or more parties, and to make any directions consequent thereon as the Tribunal considers expedient for the future conduct of all such proceedings.

12. AWARDS

- 12.1 The Tribunal shall make its award in writing and give its reasons for the award.
- 12.2.1 If the Tribunal consists of two arbitrators and they fail to agree on any issue they shall request the Secretary to appoint a third arbitrator pursuant to Regulation 3.5.
- 12.2.2 If the Tribunal consists of three arbitrators and they fail to agree on any issue, they shall decide by a majority. If an arbitrator refuses or fails to sign the award, the signatures of the majority shall be sufficient, provided that the reason for the omitted signature is stated.
- 12.3 Where a decision on any issue is by a majority, the award may contain reasons by the dissenting arbitrator for his dissent, in the discretion of that arbitrator.
- 12.4 Awards may be expressed in any currency claimed in the arbitration.
- 12.5 The award shall state the date by which payment shall be made for any sum due under the award. In addition to the statutory power to award interest, the Tribunal shall have the

power to award interest at such rate and for such period as it considers fit on any sum after its due date but before commencement of the arbitration.

- 12.6 The Tribunal may make separate final awards on different issues at different times.
- 12.7 In the event of a settlement, the Tribunal may make an award recording the settlement if either party so requests.
- 12.8 Every award shall be final and binding on the parties as from the date that it is taken up by one of the parties. The parties undertake to carry out any award without any delay. Unless otherwise agreed by the parties in writing, the parties waive irrevocably any right to any form of appeal, review or resource to any state court or other legal authority, insofar as such waiver shall not be prohibited under any applicable law.
- 12.9 If all members of the Tribunal consider that the award contains any points which are of significant importance or interest to Members, they shall communicate such points to the Head of Market Operations. The Head of Market Operations, in consultation with the Tribunal, shall determine whether and how such points should be brought to the attention of Members while keeping the names of the parties confidential.
- 12.10 The award of the arbitrators shall be deposited by them with the Secretary who shall notify each party of such receipt. Either party may thereupon take up the award upon payment by that party of the costs and expenses of the arbitration as specified in the award (including the remuneration of the arbitrators) notwithstanding any direction in the award as to the ultimate responsibility therefor. Until the award is taken up by one of the parties it shall confer no rights upon either party. Upon the award being taken up by either party, a copy thereof shall forthwith be sent by the Secretary to the other party. In the event of the award not being taken up by either party within a period of 28 days from the notification by the Secretary of its receipt to the parties, the Deposit referred to in Regulation 1 above shall be forfeited, and the Secretary may in his absolute discretion call upon the parties or either of them (a) to take up the award and (b) to pay forthwith the costs and expenses of the award (including the remuneration of the arbitrators) or any part or proportion thereof whereupon the party or parties so called upon shall forthwith pay the costs and expenses as aforesaid and take up the award.
- 12.11 Regulations 12.11 to 12.15 shall apply to any agreement entered into on or after 1 June 2010 by a Category 1, 2 or 4 Member of the Exchange with another Category 1, 2 or 4 Member or with any other person which provides for any dispute arising out of or in connection with the agreement to be resolved by arbitration in accordance with these Regulations.
- 12.12 Where:-
- (a) the date for payment of any amount due under the award has elapsed,
 - (b) the period for any appeal against the award under English law has elapsed, and
 - (c) the party against whom the award was made has failed to make payment of any amount due under the award,
- the party in whose favour the award was made may send a notice of application to the Secretary, and shall copy such notice of application to the other party, requesting that the Secretary communicate to Members such failure to make payment. The Secretary shall acknowledge receipt of the notice of application, indicating the date on which it was received, and shall copy such acknowledgement to the other party.

- 12.13 If, at any time following receipt of a copy of the notice of application pursuant to Regulation 12.12, the party against whom the award was made makes payment in full of all amounts due under the award, both (a) the party in whose favour the award was made and (b) the party against whom the award was made, shall promptly send to the Secretary a notice of confirmation in writing that payment of all amounts due under the award has been made in full, and shall copy such notice of confirmation to the other party.
- 12.14 If the Secretary has not, within 14 days of receipt of the notice of application in accordance with Regulation 12.12, received from both (a) the party in whose favour the award was made and (b) the party against whom the award was made, a notice of confirmation in writing that payment of all amounts due under the award have been made in full, the Secretary shall communicate to Members such failure to make payment.
- 12.15 If, following the making of any communication pursuant to Regulation 12.14, the Secretary receives from both (a) the party in whose favour the award was made and (b) the party against whom the award was made, a notice of confirmation in writing that payment of all amounts due under the award has been made in full, the Secretary shall communicate this to Members.
13. **COSTS AND DEPOSIT**
- 13.1 Unless otherwise agreed by the parties, the Tribunal may direct, at their discretion and not later than fourteen days after the date for receipt of points of reply, that the recoverable costs of the arbitration, or any part of the arbitration proceedings that it can order to be paid pursuant to Regulation 13.3(a), shall be limited to a specific amount.
- 13.2 The Tribunal shall have power to specify in the award the amount of the costs of the arbitration (which expression shall, for the purpose of this Regulation 13, include the Tribunal's own remuneration, and any costs relating to the progress or conduct of the arbitration incurred by the Tribunal or by the Company including the costs of and fees payable to any person who has reported to or advised the Tribunal or the Company on any matter and shall include any costs incurred in conducting one or more meetings or hearings at a venue outside England and Wales pursuant to Regulation 7.3), and shall determine the proportions in which they shall be borne by the parties.
- 13.3 The Tribunal shall have power:-
- (a) to order in its award that all or part of the legal or other costs of one party be paid by the other party; and
 - (b) to determine or assess the amount of those costs, at the request of either party, and for this purpose shall not be *functus officio*.
- 13.4 If the arbitration is abandoned, suspended, stayed or concluded, by agreement or otherwise, before the final award is made, the parties shall be jointly and severally liable to pay the costs of the arbitration, as determined by the Tribunal, and for this purpose the Tribunal shall not be *functus officio*.
- 13.5 In any determination or award made by the Tribunal pursuant to Regulations 13.2, 13.3 and 13.4 the Tribunal shall, or at any time on the application of either party the Tribunal may provide for the return or other disposal of the Deposit or any part thereof to such persons as it shall in its absolute discretion consider fit.

14. **THE SECRETARY AND THE PANEL COMMITTEE**

14.1 Subject only to Regulations 14.2 and 14.3, the Secretary and the Panel Committee shall have sole and exclusive jurisdiction over all matters referred for decision to each of them respectively by any provision of these Arbitration Regulations, and their decisions upon such matters shall be final and binding.

14.2 The Panel Committee may exercise any of the functions and powers of the Secretary referred to in these Arbitration Regulations. It may delegate to the Secretary any of its own functions and powers, either generally or in relation to specific matters.

14.3 In the event of conflict between a decision of the Secretary and a decision of the Panel Committee, the latter shall prevail.

15. **EXCLUSION OF LIABILITY**

None of the Secretary, the Panel Committee, any arbitrator, or the Company shall be liable to any party for any act or omission in connection with any arbitration, save that the Secretary, the Panel Committee and the arbitrators may be liable for the consequences of conscious and deliberate wrongdoing.

16. **GOVERNING LAW**

These Arbitration Regulations shall be governed by and construed in accordance with English Law. Except where the Arbitration Regulations provide otherwise, all arbitrations hereunder will be conducted in accordance with the provisions of the Arbitration Act 1996 as amended from time to time.

PART 9
DEFAULT REGULATIONS

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PART 9: DEFAULT REGULATIONS

1. EVENTS OF DEFAULT

The expression "Event of Default" in relation to any person shall mean:-

- 1.1 failure by that person duly to perform or comply with any obligation to make payment or deliver Warrants under the terms of a Contract;
- 1.2 failure by that person to satisfy any margin liability in respect of a Contract or to comply with any other obligation binding on him under a Contract,
- 1.3 that person
 - (a) being (or being, or being capable of being, deemed by law or a court to be) insolvent or unable to pay his debts,
 - (b) stopping, suspending or threatening to stop or suspend payment of all or a material part of his debts,
 - (c) beginning negotiations or taking any other step with a view to the deferral, rescheduling or other readjustment of all of (or all of a particular type of) his debts (or of any part which he will or might otherwise be unable to pay when due),
 - (d) proposing or making a general assignment, or an arrangement or composition with or for the benefit of the relevant creditors,
 - (e) suffering a moratorium to be agreed or declared in respect of or affecting all or a material part of (or of a particular type of) his debts or
 - (f) taking any step, or any step being taken by any other person, with a view to the administration of the first-mentioned person;
- 1.4 an execution, distress, sequestration, attachment or other legal process being levied or enforced or sued out against any substantial part of that person's revenues or assets and not being discharged or stayed within seven days of being so levied, enforced or sued out or any security over any such substantial part becoming enforceable and any step (including the appointment of a receiver, administrative receiver, manager or similar person) being taken to enforce the same;
- 1.5 any step being taken (either by that person or by any other person) with a view to the winding-up or dissolution of that person except for the purpose of and followed by a reconstruction, amalgamation, merger, reorganisation or consolidation on terms previously approved by the Exchange;
- 1.6 that person, being a Member, failing to satisfy the Exchange or any relevant designated agency or self-regulating organisation at any time that he meets any minimum net worth or other financial requirement for Membership or continued authorisation from time to time stipulated by the Exchange or any such designated agency or self-regulating organisation; or
- 1.7 that person, being a Member or Designated Non-Member, becoming or being declared in default under the default rules of any recognised investment exchange or recognised clearing-house (as those expressions are defined in section 188 and section 190 of the Companies Act 1989).

2. APPLICATION OF DEFAULT REGULATIONS AND DETERMINATION OF DEFAULT

2.1 These Default Regulations apply in relation to:

- (a) Cleared Contracts of a Defaulter (subject as provided in Regulation 3.4); and
- (b) Client Contracts of a Defaulter,

and, subject to Regulation 2.3 below, shall not apply to any other contracts nor shall they apply to any default by any Category 5, 6 or 7 Member or by any non-Member other than a Designated Non-Member unless, in the making of Contracts, they are for the time being subject to the Rules.

2.2 If a Trading Member or Designated Non-Member appears to the Exchange to be unable or to be likely to become unable to meet his obligations in respect of one or more Contracts or, without prejudice to the generality of the foregoing, upon the occurrence of an Event of Default in relation to a Trading Member or Designated Non-Member, or at any time thereafter whilst such Event of Default is continuing, the Exchange may in its absolute discretion determine that the Member or Designated Non-Member is a Defaulter, whereupon the provisions of Regulation 3 shall have effect.

2.3 Regulation 7 shall apply to Cleared Contracts and Client Contracts of a Member that is not a Defaulter in the circumstances described in Regulation 7.1(b).

3. DEFAULT PROCEEDINGS

3.1 The Exchange shall promptly following a determination that a Member or Designated Non-Member is a Defaulter take any one or more of the steps referred to in Regulation 3.3 as it considers appropriate.

3.2 If the Exchange is directed by the Treasury pursuant to the provisions of Section 166 Companies Act 1989 to take action under this part of the Rules in relation to a Member or Designated Non-Member, any action which the Exchange may take pursuant to such direction shall be deemed to be action taken by the Exchange pursuant to this Regulation 3 notwithstanding that the Exchange may not have determined pursuant to Regulation 2 that the Member or Designated Non-Member is a Defaulter.

3.3 The steps referred to in Regulation 3.1 are:-

3.3.1 to direct any or all Unsettled Contracts to which the Defaulter is party as principal, which are In The Money Traded Option Contracts and to which the Defaulter is party as Taker, to be exercised by the Defaulter on a day such exercise may occur under the terms of the relevant Contract, whereupon such exercise shall be deemed to occur on the next available such day and the rights and liabilities of the parties to each futures Contract resulting from the exercise of a Metal Option or Traded Average Price Option shall be discharged as provided in Regulation 3.3.4 on that day;

3.3.2 to permit any or all Unsettled Contracts to which the Defaulter is party as principal which are In The Money Traded Option Contracts and to which the Defaulter is party as Granter, to be exercised by the relevant Takers within such period or periods as may be specified by the Exchange and to declare that all such rights of exercise shall thereafter lapse. The rights and liabilities of the parties to each futures Contract resulting from any such permitted exercise of a Metal Option or Traded Average Price Option shall be discharged as provided in Regulation 3.3.4 on the date of such exercise;

- 3.3.3 to direct that any Unsettled Contract to which the Defaulter is party as principal whose Prompt Date is on, or on the Business Day after, the date of publication of the Default Notice is, with the consent of any Relevant Office Holder, discharged by performance either in whole or in part;
- 3.3.4 subject as provided and after taking any action specified, in 3.3.1 to 3.3.3 above, to declare that all rights and liabilities of the parties to each Unsettled Contract to which the Defaulter is party as principal shall be discharged whereupon they shall be so discharged and there shall arise in their place an obligation of the Defaulter to pay to the Counterparty or *vice versa* the appropriate Default Settlement Amount provided that such discharge shall not extend to rights and liabilities for or in respect of margin which has been paid to the Defaulter by any Counterparty or *vice versa* nor to rights and liabilities arising out of a failure to perform a Contract in accordance with its terms;
- 3.3.5 to direct that any Unsettled Contract to which the Defaulter was party as agent (notwithstanding the prohibition thereon in the Rules) be discharged by performance in accordance with its terms by those persons party to it as principals and for this purpose to make such directions as the Exchange may consider necessary or expedient;
- 3.3.6 to input into the Matching System the particulars of any Agreed Trade agreed by the Defaulter in the Ring that the Defaulter has failed to input into the Matching System, in accordance with Regulation 3.11 of the Trading Regulations;
- 3.3.7 at the request of the Clearing House, to effect a transfer of any Warrants in LMEsword that the Defaulter had, prior to the Member becoming a Defaulter, instructed LMEsword to transfer to the Clearing House in settlement of any Contract.
- 3.4.1 Subject to Regulation 3.4.2, all unsettled Cleared Contracts to which a Defaulter is party which have at the time of the relevant determination pursuant to Regulation 2.2 been registered or are thereafter registered with the Clearing House under the terms of the Clearing House Rules shall be dealt with in accordance with the Clearing House Rules (including default rules of the Clearing House) and not in accordance with these Default Regulations.
- 3.4.2 In the event that the Clearing House is unable to meet its obligations in respect of one or more unsettled Cleared Contracts in accordance with the Clearing House Rules, such unsettled Cleared Contracts shall be subject to these Default Rules as if Regulation 3.4.1 did not apply.
- 3.4.3 Where, following a determination that a Member or Designated Non-Member is a Defaulter, the Clearing House makes any change to the terms of a Client-Related Cleared Contract to which the Defaulter is a party, in accordance with the Clearing House Rules, a corresponding change shall be deemed to have been made, simultaneously, to the terms of the relevant Underlying Client Contract. Where such change involves the postponement of the Prompt Date of the Client-Related Cleared Contract, whether by (i) the establishment of a new Prompt Date for that Contract, or by (ii) the close out of the Contract with the original Prompt Date, and the establishment of a new Client-Related Cleared Contract with a different Prompt Date, the Underlying Client Contract shall be deemed to have been amended so as to reflect the new Prompt Date.
- 3.5 The Default Settlement Amount in respect of each Unsettled Contract in respect of which the rights and liabilities of the parties are discharged pursuant to Regulation 3.3.4 shall be an amount determined by the Exchange in its absolute discretion taking into account market conditions and any compensation that the Exchange considers should be paid by or to the Defaulter, but without prejudice to the generality of the foregoing may be the difference (if any) between the value of the Unsettled Contract at the contract price (or premium) and its value at

the Default Settlement Price provided that if, pursuant to the terms of the relevant Contract or any other agreement between the parties, the said rights and liabilities have become or been converted into an obligation to pay, and a corresponding right to receive, a single liquidated sum the Exchange may treat that sum as the Settlement Amount. In calculating the Default Settlement Amount in relation to a Client Contract, the Exchange shall take into account any amount that may have been paid by the Clearing House directly to the Client pursuant to any provision of the Clearing House Rules that gives effect to Article 48(7) of EMIR.

- 3.6 For each Unsettled Contract in respect of which action is taken under Regulation 3.3 the determination of the Default Settlement Amount by the Exchange shall be final, conclusive and binding upon the Defaulter and each Counterparty.
- 3.7 The Exchange shall draw up an account between the Defaulter and each Counterparty to a Contract settled under these Default Regulations. Each such account shall include the Default Settlement Amounts calculated in respect of each Unsettled Contract which amounts shall be credited or debited, as appropriate, to the relevant account. Where, for any reason, there is uncertainty or a dispute as to the existence and/or terms of a Contract or it is not practicable to determine the Default Settlement Amount in respect of any Contract that fact or those facts shall be stated by way of note to the account and/or its certification as provided below. On each account, all credits and debits shall be aggregated and the aggregated amount of such credits and debits shall be set-off against each other, so as to produce a nett sum payable by or to the Defaulter on each account. The nett sum payable, or, where relevant, the fact that no sum is payable shall be certified by or on behalf of the Exchange provided that where the account and/or such certification is qualified by reason of uncertainty or a dispute as to the existence and/or terms of any Contract or as to the Default Settlement Amount in relation to any Contract the nett sum shall not be payable until those uncertainties are resolved unless the Defaulter or Relevant Office Holder and the Counterparty otherwise agree.
- 3.8 Where it appears to the Exchange that the Defaulter has entered into Contracts as trustee, a separate account or accounts shall be taken of Unsettled Contracts entered into as trustee in respect of each relevant trust or trusts as appropriate.
- 3.9 Where it appears to the Exchange that Unsettled Contracts with a Counterparty of the Defaulter include a Contract or Contracts entered into by the Counterparty in relation to that Counterparty's Clients and/or include a Contract or Contracts entered into by the Defaulter in relation to the Defaulter's Clients a separate account or separate accounts shall be drawn up in relation to the Contract or Contracts of each Client.
- 3.10 The Exchange shall be entitled in its discretion, without notice to the Defaulter or a Counterparty, to make any currency conversions which the Exchange considers necessary or desirable for the purposes of these Default Regulations at such rate or rates as the Exchange may reasonably determine.
- 3.11 Where the Defaulter is incorporated outside the United Kingdom and the Exchange determines that rights and liabilities under Unsettled Contracts to which the Defaulter is party are likely to be settled under the law of some place outside the United Kingdom it may elect not to draw up the account or accounts referred to in this Regulation.

4. NOTIFICATION

- 4.1 Promptly following a determination by the Exchange that a Member or Designated Non-Member is a Defaulter, the Exchange shall cause notice of such determination to be posted in the Exchange and shall thereafter as soon as reasonably practicable take such steps as it considers appropriate to notify Counterparties to Unsettled Contracts with the Defaulter (and,

where the Defaulter has, notwithstanding the prohibition thereon, contracted as agent, the Defaulter's principal) and such other persons as it thinks fit that the Defaulter has been determined by the Exchange to be a Defaulter and of decisions taken under these Regulations which affect them.

- 4.2 A Member and a Designated Non-Member shall forthwith give notice to the Exchange of the occurrence of any Event of Default in relation to it.

5. **PROCEDURES**

- 5.1 For the purposes of complying with its obligations under the Default Regulations the Exchange shall have the right at all times following the issue of a Default Notice through its employees and agents to enter any premises belonging to or in the occupation of the Defaulter, to examine and take copies of or extracts from the trading, accounting and other records of the Defaulter and to operate any accounting or computer systems of the Defaulter for the purposes of establishing the names and addresses of all Counterparties of the Defaulter, details of all Unsettled Contracts of the Defaulter, details of Warrants held by the Defaulter for the account of Counterparties, details of money and other property held for the account of Counterparties and such other information as may appear to the Exchange to be necessary or expedient.
- 5.2 The Defaulter, all Members and the Clearing House shall cooperate fully with the Exchange in relation to the provisions of the Default Regulations and in particular shall promptly provide such information as the Exchange or its employees or agents may request in relation to the Defaulter and its Contracts.
- 5.3 As soon as practicable following the issue of a Default Notice the Exchange shall, in addition to contacting all known Counterparties, publish a notice in the Exchange and in the press inviting Counterparties of the Defaulter to submit to the Exchange details of their Unsettled Contracts with the Defaulter together with evidence in support thereof.
- 5.4 The Exchange shall not be obliged to draw up any account in relation to any Counterparty or alleged Counterparty of which it does not have actual notice prior to the date specified for that purpose in the notice referred to in Regulation 5.3 which shall be not less than three months after the date of publication thereof.
- 5.5 If any dispute between a Defaulter and a Counterparty as to the existence or terms of any Unsettled Contract comes to the notice of the Exchange it shall cause notice of that dispute to be included in the account to be drawn up by it pursuant to Regulation 4 in relation to that Counterparty and may otherwise omit from such account any Default Settlement Amount in relation to the disputed Contract or Contracts and shall not be obliged to adjudicate in respect of such dispute in any way.
- 5.6 Subject as provided in Section 157 Companies Act 1989 the Exchange may from time to time prescribe further procedures for the purposes of these Default Regulations and provide for the manner in which its powers and obligations thereunder or in relation thereto shall be exercised or discharged.

6. **DESIGNATION OF NON-MEMBERS**

- 6.1 Unless and until otherwise determined by the Exchange any former Trading Member shall during the period of 28 months following the date upon which it ceased to be a Member be a Designated Non-Member.

6.2 Designation of a Designated Non-Member shall be reviewed from time to time by the Exchange and shall be withdrawn no later than the last Prompt Date of Unsettled Contracts to which it is a party. The Exchange shall likewise review from time to time whether the persons described in Regulation 6.1 should continue to be designated as Designated Non-Members.

6.3 A Designated Non-Member shall be notified by the Exchange of its designation and of the withdrawal of such designation.

7. **PORTING**

7.1 This Regulation 7 shall apply to:

- (a) transfers of Underlying Client Contracts of a Defaulter; and
- (b) notwithstanding Regulation 2.1, transfers of Underlying Client Contracts of a Member that is not a Defaulter,

in each case where the transfer of a corresponding Client-Related Cleared Contract takes effect pursuant to the Clearing House Rules.

Porting between Clearing Members

7.2 The following provisions apply where any Client-Related Cleared Contract is transferred from a Clearing Member Transferor to a Clearing Member Transferee in accordance with the Clearing House Rules.

- (a) In the event that the Client-Related Cleared Contract is transferred from a Clearing Member Transferor to a Clearing Member Transferee in accordance with the Clearing House Rules (whether without the consent of the Clearing Member Transferor pursuant to the default rules of the Clearing House or otherwise where permitted under the Clearing House Rules), the rights and obligations of the Clearing Member Transferor in relation to the Underlying Client Contract shall be deemed by virtue of these Rules to be transferred and novated to the Clearing Member Transferee, such that any rights and obligations of the other party to the Underlying Client Contract shall, from the time of such transfer and novation, be against and to the Clearing Member Transferee and not the Clearing Member Transferor.
- (b) Such transfer and novation of the Underlying Client Contract pursuant to these Rules shall occur at the same time as the transfer of the Client-Related Cleared Contract under the Clearing House Rules.
- (c) For the avoidance of doubt, this provision shall not affect any rights or obligations between the Clearing Member Transferor and the other party to the Underlying Client Contract that do not directly relate to the performance or settlement of the Underlying Client Contract.
- (d) The process described in this Regulation 7.2 applies only to:
 - (1) Underlying Client Contracts that have been submitted to the Matching System and registered at the Clearing House, such that one or more Client-Related Clearing Contracts have arisen in relation to such Underlying Client Contracts; and
 - (2) any Post-Compression Client Contracts resulting from the application of Compression to such Underlying Client Contracts.

Porting between Category 4 Members (same Clearing Member)

7.3 The following provisions apply where (i) a Clearing Member has allocated a Client-Related Cleared Contract to an Indirect Client Account at the Clearing House (a "**Transferor Indirect Client Account**") that the Clearing Member is maintaining in respect of one or more Indirect Clients of a Category 4 Member (the "**Transferor Client**") and (ii) the Clearing Member exercises any rights to request or require the Clearing House to transfer the positions associated to the Client-Related Cleared Contract to another Indirect Client Account maintained by the Clearing Member at the Clearing House (a "**Transferee Indirect Client Account**"), which the Clearing Member is maintaining, or will maintain, in respect of the Indirect Client(s) of a different Category 4 Member (a "**Transferee Client**"). This Regulation 7.3 shall also apply to an LMEprecious Non-Clearing Member on the basis that any reference to Category 4 Member shall be read as "LMEprecious Non-Clearing Member".

- (a) In the event that the positions associated to a Client-Related Cleared Contract are transferred from a Transferor Indirect Client Account to a Transferee Indirect Client Account in accordance with the Clearing House Rules, the rights and obligations of the Transferor Client in relation to the Underlying Client Contract shall be deemed by virtue of these Rules to be transferred and novated to the Transferee Client, such that any rights and obligations of the other party to the Underlying Client Contract shall, from the time of such transfer and novation, be against and to the Transferee Client and not the Transferor Client.
- (b) Such transfer and novation of the Underlying Client Contract pursuant to these Rules shall occur at the same time as the transfer of the positions associated to the Client-Related Cleared Contract from the Transferor Indirect Client Account to the Transferee Indirect Client Account under the Clearing House Rules.
- (c) For the avoidance of doubt, this provision shall not affect any rights or obligations between the Transferor Client and the other party to the Underlying Client Contract that do not directly relate to the performance or settlement of the Underlying Client Contract.
- (d) The process described in this Regulation 7.3 applies only to:
 - (1) Underlying Client Contracts that have been submitted to the Matching System and registered at the Clearing House, such that one or more Client-Related Clearing Contracts have arisen in relation to such Underlying Client Contracts; and
 - (2) any Post-Compression Client Contracts resulting from the application of Compression to such Underlying Client Contracts.

7.4 Each Member must ensure that it does not include in its terms of business or other contractual arrangements with its Clients or counterparties any provisions which would frustrate the transfer of an Underlying Client Contract in accordance with Regulation 7.2 or 7.3 above.

Porting from Category 4 Members to other Clearing Member Accounts

7.5 In the event that a Clearing Member (the "**Original Clearing Member**") has allocated a Client-Related Cleared Contract to an Indirect Client Account at the Clearing House that the Original Clearing Member is maintaining in respect of one or more Indirect Clients of a Category 4 and such Original Clearing Member or its Indirect Client(s) wish to effect a transfer of the positions associated with that Client-Related Cleared Contract:

- (a) from the Indirect Client Account maintained by that Clearing Member; and
- (b) to (i) a client account of the Original Clearing Member allocated to the Indirect Client(s), such that the Indirect Client(s) would, following the such transfer, be treated as the direct Client(s) of the Original Clearing Member; or (ii) a client account of another Clearing Member (being, accordingly the Clearing Member Transferee), such that the Indirect Client would, following such transfer, be treated as the direct Client(s) of the Clearing Member Transferee,

and in any case otherwise than in accordance with Regulations 7.2 or 7.3 above, then, where such transfer is permitted by, and effected subject to and in accordance with, the Clearing House Rules the transfer and novation of the rights and obligations of the Category 4 Member under the Underlying Client Contracts associated with such positions to the Original Clearing Member or the Clearing Member Transferee (as applicable), shall be subject the following conditions:

- (c) the following parties all consent to the transfer of the Underlying Client Contracts and their associated positions:
 - (1) each Clearing Member that is to transfer and receive the respective positions;
 - (2) the Category 4 Member, or any insolvency practitioner appointed in respect of the Category 4 Member;
 - (3) the Indirect Client(s) that are party to the Underlying Client Contracts; and
 - (4) the Clearing House,

and any such agreement may include agreement as to whether, if at all, any Warrants shall be transferred from any account operated by either Clearing Member at LMEsword to the other (or to any other party); and

- (d) the Exchange has not identified any legal, regulatory, technical or operational impediments to the transfer of such Underlying Client Contracts, the associated positions or (where applicable) any Warrants.

This Regulation 7.5 shall also apply to an LMEprecious Non-Clearing Member on the basis that any reference to Category 4 Member shall be read as "LMEprecious Non-Clearing Member".

7.6

In the event that an Underlying Client Contract is transferred between Members in accordance with Regulations 7.2 or 7.3 above, following such transfer the then current parties to the Underlying Client Contract may request that any Warrants that are held in an account at LMEsword that is operated by the Clearing Member Transferor or a Clearing Member responsible for the Transferor Client (as applicable), shall be transferred to an account at LMEsword that is operated by the Clearing Member Transferee or a Clearing Member responsible for the Transferee Client (as applicable), provided that any such request will only be acted upon by the Exchange (as the operator of the LMEsword), in the event that all of the following conditions are met:

- (a) the request is submitted in writing to the Exchange, copied to the Clearing House, identifying the specific Warrants to which the request relates and specifying the grounds on which the Clearing Member Transferee or Transferee Client should be entitled to receipt of the Warrants;

- (b) the following parties all consent to the transfer of the Warrants in accordance with the request:
 - (i) the Clearing Member Transferee or Transferee Client (as applicable);
 - (ii) the Clearing House;
 - (iii) the Clearing Member Transferor or Transferor Client (as applicable) or any insolvency practitioner appointed in respect of the Clearing Member Transferor or Transferor Client (as applicable);
 - (iv) in the case of any Warrants that relate to an Underlying Client Contract that has been transferred pursuant to Regulation 7.2 above, the other party to the Underlying Client Contract that is not the Clearing Member Transferee; and
 - (v) in the case of any Warrants that relate to an Underlying Client Contract that has been transferred pursuant to Regulation 7.3 above, the other party to the Underlying Client Contract that is not the Transferee Client;
- (c) the Exchange has not identified any legal, regulatory, technical or operational impediments to the transfer of such Warrants in accordance with such request.

7.7 In the event that the conditions set out in Regulation 7.6 are met in relation to any request for a transfer of Warrants, the Exchange will facilitate such transfer within such timescales as the Exchange may reasonably specify.

7.8 In the event that an Underlying Client Contract is subject to a transfer and novation pursuant to this Regulation 7 and any law binding on any Member would have the effect of frustrating, preventing or in any manner inhibiting the enforceability of such transfer and novation against such Member, then such transfer and novation shall be deemed to have taken effect by way of:

- (a) the termination of such Underlying Client Contract as between its original parties (subject to Regulations 7.2(c) and 7.3(c)); and
- (b) the establishment of an Underlying Client Contract on the same terms between the parties to whom the relevant transfer is intended to take effect pursuant to the terms of this Regulation 7.

8. **DELEGATION OF FUNCTIONS**

The Exchange may from time to time appoint one or more persons to perform on its behalf any of the functions which it may or may be required to exercise under these Default Regulations.

9. **COSTS**

A Defaulter shall be liable to indemnify the Exchange in respect of the Exchange's costs, charges and expenses in taking any action under the Default Regulations in relation to the Defaulter, including the costs of any person appointed to perform functions on behalf of the Exchange pursuant to Regulation 7.

10. **COOPERATION WITH OTHER BODIES**

Without prejudice to any other provisions of the Rules the Exchange may pass on any details of or other information in its possession relating to a Member or Designated Non-Member or its Contracts or a recognised clearing house or another recognised investment exchange to the Treasury, to the Secretary of State, any Relevant Office Holder, any recognised investment

exchange or recognised clearing house or regulatory body, to any other exchange or clearing house approved under the Companies Act 1989 for the purposes of Part VII of that Act, or to any other authority or body having responsibility for any matter arising out of or connected with the default the relevant Member or Designated Non-Member or the default of a recognised clearing house or another recognised investment exchange.

PART 10
LMESWORD REGULATIONS

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PART 10: LMESWORD REGULATIONS

1. INTRODUCTION

1.1 LMESword Regulations

These LMESword Regulations are the regulations governing the operation of LMESword. All LMESword Participants are subject to them, and to the LMESword Operating Procedures issued pursuant to them. The LMESword Regulations and LMESword Operating Procedures are adopted by the Exchange under its Articles of Association, form part of the Rules and may be amended from time to time by the Exchange in accordance therewith. Account Holders which are not Members agree to be bound by them, and to certain of the other Rules of the Exchange as set out in regulation 2, as a pre-condition to their becoming LMESword Participants and Warehouses agree to be bound by them pursuant to the Warehouse Contract.

1.2 Purpose

The principal purpose of LMESword is to provide a system for the lodging of Warrants with the Depository and effecting their delivery as between Account Holders whilst they are held by the Depository. The LMESword System does not purport to create a register of the owners of Warrants; rather it records the identity of Account Holders for whom the Depository holds as bailee the Warrants lodged with it from time to time.

1.3 Relationship between LMESword Regulations and LMESword Operating Procedures

These LMESword Regulations set out the principal rights and obligations of LMESword Participants and the Depository in relation to the operation of LMESword. They are supplemented by the LMESword Operating Procedures, which set out detailed procedures and information relating to the operation of the LMESword System. In the event of a conflict between the LMESword Regulations and the LMESword Operating Procedures, the LMESword Regulations shall prevail.

1.4 Relationship Between Depository and Account Holder

For so long as the Depository holds any Warrants to the order of an Account Holder in accordance with Regulation 4.2, the Depository shall be a bailee in respect of the Warrants (or sub-bailee in respect of Warrants credited to a Customer Account) and the Account Holder shall be bailor (or bailee in respect of Warrants credited to a Customer Account).

2. ADMISSION AS AN LMESWORD PARTICIPANT

2.1 Operation of LMESword and the Depository

The Exchange shall operate the LMESword System. In addition, the Exchange shall appoint a person to act as the Depository from time to time and enter into an agreement (a "Service Level Agreement") with such person under which such person agrees to act as the Depository and comply with the LMESword Regulations, the LMESword Operating Procedures and the obligations imposed on it by such agreement. The Exchange may from time to time terminate the appointment of the Depository, and the Depository may cease to act as such, only in accordance with the terms of the Service Level Agreement. The Exchange shall use all reasonable endeavours to ensure that at all times a suitable person is appointed to act as the

Depository and shall take all reasonable steps to ensure that such person act in accordance with the Service Level Agreement to which it is a party.

2.2 Warehouses

A warehouse company shall become a Warehouse (and consequently an LMEsword Participant) if:

- (i) it applies for such status on the form prescribed by the Exchange, including all information requested, and pays the prescribed fee;
- (ii) it executes the Warehouse Contract;
- (iii) it appoints a London Agent and procures that the London Agent executes the Software Licence Agreement with the Exchange; and
- (iv) its application is accepted by the Exchange.

2.3 Account Holders - Process

The Exchange shall admit persons to participate in LMEsword as Account Holders in accordance with these LMEsword Regulations and the LMEsword Operating Procedures. Except in the case of the Clearing House, which shall be an Account Holder from the date prescribed by the Exchange, to become an Account Holder the applicant must satisfy the relevant eligibility criteria set out in Regulation 2.4, make or be deemed to make application in accordance with Regulation 2.5 and be accepted as an Account Holder by the Exchange. All persons applying to become Clearing Members must apply to become Account Holders as part of their application to become Clearing Members.

2.4 Eligibility

2.4.1 A Clearing Member shall be eligible to become an Account Holder if

- (i) either:
 - (a) it has entered into a Software Licence Agreement with the Exchange; or
 - (b) it has entered into a Remote Participant Agreement with an Account Holder which has satisfied the requirements of (a) or other person approved by the Exchange;
- (ii) it has an office within the European Union, or, if it does not have an office within the European Union, it has satisfied any special criteria for participation in LMEsword from outside the European Union that the Exchange may at its sole discretion from time to time prescribe; and
- (iii) it satisfies any and all other criteria for Clearing Participants which the Exchange may from time to time prescribe.

2.4.2 A Category 4 or 5 Member shall be eligible to become an Account Holder if:

- (i) either:
 - (a) it has entered into a Software Licence Agreement with the Exchange; or

- (b) it has entered into a Remote Participant Agreement with an Account Holder which has satisfied the requirements of (a) or other person approved by the Exchange;
- (ii) it has an office within the European Union, or, if it does not have an office within the European Union, it has satisfied any special criteria for participation in LMEsword from outside the European Union that the Exchange may at its sole discretion from time to time prescribe; and
- (iii) it satisfies any and all other criteria for Account Holders which the Exchange may from time to time prescribe.

2.4.3 A person other than a Member shall be eligible to become an Account Holder if:

- (i) it is an Undertaking;
- (ii) either:
 - (a) it has entered into a Software Licence Agreement with the Exchange; or
 - (b) it has entered into a Remote Participant Agreement with an Account Holder which has satisfied the requirements of (a) or other person approved by the Exchange;
- (iii) it has an active commercial interest in the extraction, refining, production, sale, trading, consumption or financing of metals (including Warrants) traded on the Exchange;
- (iv) it undertakes to comply with Rules 5 (Change in ownership of a Member) and 9 of Part 2 of the Rules, as interpreted in accordance with Part 1 of the Rules;
- (v) it has an office within the European Union, or, if it does not have an office within the European Union, it has satisfied any special criteria for participation in LMEsword from outside the European Union that the Exchange may at its sole discretion from time to time prescribe; and
- (vi) it satisfies any and all other criteria for Account Holders which the Exchange may from time to time prescribe.

2.5 **Applications for Account Holder Status**

2.5.1 An application for admission as an Account Holder shall be made on the form prescribed by the Exchange, including all information requested, and be accompanied by the prescribed fee.

2.5.2 The Exchange shall consider all applications received and determine whether, in its view and acting in its absolute discretion, each applicant is eligible to become an Account Holder in accordance with these LMEsword Regulations and is, in all the circumstances, a fit and proper person to be an Account Holder.

2.5.3 The Exchange may require from the applicant such information, and institute such investigations to verify information submitted by the applicant, as it deems necessary. The Exchange may require the applicant to attend for interview by the Exchange prior to determining whether to accept an application.

- 2.5.4 If the Exchange determines to admit an applicant as an Account Holder, it shall promptly notify the applicant in writing thereof, the further steps it must take prior to its admission becoming effective (if any) and subject thereto the date upon which that admission shall become effective. Following admission of a new Account Holder which is not a Member, the Exchange shall notify all other LMEsword Participants.
- 2.5.5 If the Exchange decides not to admit an applicant as an Account Holder it shall notify it with a statement of reasons for the refusal and the applicant may within 14 days of being notified of the Exchange's decision lodge notice of appeal with the Secretary. Appeal under this Regulation shall be dealt with in the same way as under Regulation 2.8 of Part 2 of the Rules.
- 2.6 **Withdrawal from Participation in LMEsword**
- 2.6.1 Without prejudice to Regulation 2.7, an LMEsword Participant shall only cease to be an LMEsword Participant as follows:
- (i) a Warehouse shall cease to be a LMEsword Participant at the same time as it ceases to be an Exchange listed warehouse in accordance with the terms of the Warehouse Contract but not otherwise;
 - (ii) a Clearing Participant may withdraw from LMEsword in accordance with the remainder of this regulation 2.6 at the same time as it ceases to be a Clearing Member, but not otherwise;
 - (iii) the Clearing House shall cease to be an Account Holder only on its ceasing to act as the Clearing House; and
 - (iv) other Account Holders may withdraw from LMEsword Participation at any time as provided in the remainder of this Regulation 2.6.
- 2.6.2 An Account Holder wishing to cease to be an LMEsword Participant must lodge a notice in writing to that effect (a "Withdrawal Notice") with the Secretary. Prior to lodging a Withdrawal Notice, the Account Holder shall transfer or withdraw all of its Warrants from the Depository in accordance with Regulation 5 or 7 respectively.
- 2.6.3 The Exchange may, in its absolute discretion, refuse to accept a Withdrawal Notice or may postpone the effective date of the proposed withdrawal if it considers it necessary for the protection of Clients, or otherwise in the interests of the market, or if the Account Holder in question has any outstanding liabilities to the Exchange or is the subject of any investigation or action under the Rules and/or Regulation 2.7.
- 2.6.4 On the Exchange accepting a Withdrawal Notice, the Exchange shall notify the Account Holder in writing of its acceptance thereof and the effective date of its withdrawal and notify all other LMEsword Participants and the Depository thereof.
- 2.6.5 On the withdrawal of any LMEsword Participant under this Regulation 2.6, it shall cease to be entitled to exercise any of its rights under LMEsword in its capacity as such. An Account Holder (other than a Member or the Clearing House) which withdraws from LMEsword shall continue to be subject to Regulation 9 of Part 2 of the Rules relating to the retention of records and provision of information in respect of acts and omissions while it was an LMEsword Participant and in respect of any investigation relating thereto for the period of 6 years from the date on which it ceased to be a LMEsword Participant. An Account Holder which is a Member which withdraws from LMEsword shall (for the avoidance of doubt) continue to be

subject to the Rules for as long as it remains a Member and thereafter in accordance with Regulation 7.5 of Part 2 of the Rules.

2.7 Removal from LMEsword Participation and Discipline

2.7.1 An Account Holder which is a Member shall be subject to discipline in respect of any breach by it of the LMEsword Regulations or the LMEsword Operating Procedures in the same way as it is in respect of a breach of any other Rule, and in respect of any other act undertaken in connection with LMEsword if it constitutes an act of misconduct within the meaning of Regulation 10.4 of Part 2 of the Rules. In addition (but without limitation) Clearing Participants shall be subject to discipline for breach of any LMEsword Regulation or Operating Procedure relating to the delivery of Warrants to the Clearing House. The procedures and penalties in respect of such discipline shall be as prescribed by the Exchange from time to time.

2.7.2 An Account Holder which is neither a Member nor the Clearing House may have its Account Holder status removed by the Exchange by notice given by the Exchange to the Account Holder with immediate effect, or be disciplined by the Exchange as if it were a Member (under Rules 10 to 17 of Part 2 of the Rules interpreted in accordance with Part 1 of the Rules), where:

- (i) the Account Holder has committed a breach of any of the LMEsword Regulations or LMEsword Operating Procedures and the Exchange determines that the breach is serious and that it is appropriate for the Account Holder to cease to have Account Holder status;
- (ii) the Account Holder has committed a breach of any of the LMEsword Regulations or LMEsword Operating Procedures and has not remedied the breach in accordance with and by the time specified in a direction to remedy it made by the Exchange; or
- (iii) the Account Holder has done any act, or omitted to do anything, in connection with LMEsword which has brought or may be likely to bring the Exchange or its market into disrepute.

2.7.3 An Account Holder may have its LMEsword Participant status removed by notice served on it by the Exchange where it ceases to be eligible therefore in accordance with Regulation 2.4.

2.7.4 Where an Account Holder has its status removed, it must withdraw all Warrants credited to its Accounts forthwith in accordance with Regulation 7.

2.7.5 A Warehouse shall be liable to discipline for any breach by it or its London Agent of the LMEsword Regulations, the LMEsword Operating Procedures and the Software Licence Agreement in the same way as it is for a breach of any of its other obligations under the Warehouse Contract. It accepts responsibility for and undertakes to procure compliance by its London Agent with any obligations applicable to or performed by or purportedly performed by the London Agent thereunder. Where a London Agent has breached any of its (or the Warehouse's) obligations under the LMEsword Regulations the Exchange may direct that the relevant Warehouse appoint a different London Agent as a pre-condition to the Warehouse continuing as such.

2.8 Change of Account Holder Status

Where an Account Holder is to cease to be a Member but wishes to remain as an Account Holder, it must successfully re-apply for Account Holder status as a non-Member, failing which it shall cease to be an Account Holder at the time it ceases to be a Member.

2.9 Replacement of the LMEsword System

The Exchange may terminate the use of the LMEsword system by serving not less than 3 months' prior written notice on all LMEsword Participants and the Depository where it determines, after consultation with LMEsword Participants and the Depository, that it is necessary or desirable for it to be replaced by another system for the delivery of Warrants or metal.

2.10 Change of Depository

In the event of the Depository ceasing for any reason to act as such, the Exchange may, on behalf of Account Holders, direct the Depository to deliver Warrants held by it to the replacement Depository appointed by the Exchange, which shall following such delivery hold such Warrants as the Depository for LMEsword to the order of Account Holders in accordance with the LMEsword Regulations and LMEsword Operating Procedures.

2.11 Security

LMEsword Participants and the Depository must comply with the requirements and procedures relating to security set out in the LMEsword Operating Procedures.

3. ISSUE OF WARRANTS

3.1 Responsibility for Issue

3.1.1 Warehouses shall be responsible for the issue of all Warrants, which shall be issued by their London Agents. The terms of the Warehouse Contract shall continue to govern the requirements relating to the issue of Warrants, as supplemented by these LMEsword Regulations.

3.1.2 All Warrants shall be issued utilising the LMEsword Software. Each Warehouse shall procure that its London Agent shall execute and comply with the terms of the Software Licence Agreement and gain LMEsword accreditation in accordance with the LMEsword Operating Procedures. In issuing Warrants, each Warehouse shall procure that its London Agent shall comply with the procedures laid down in the LMEsword Operating Procedures.

3.1.3 Warehouses shall be responsible for ensuring that Warrants issued utilising the LMEsword Software are issued in accordance with the requirements of the law under which they are issued and the Warehouse Contract.

3.2 Creation of Electronic Record

3.2.1 On the issue of a Warrant utilising the LMEsword Software the LMEsword System shall create and maintain an electronic record of the Warrant which shall be marked "out of Depository".

3.2.2 It shall be the responsibility of the Warehouse and its London Agent to ensure that each Warrant that it issues, including any replacement Warrant, accurately refers to the specific and ascertained metal to which the Warrant relates. The Warehouse and London Agent issuing an inaccurate Warrant shall be solely responsible for any loss caused thereby.

3.2.3 If a Warehouse or its London Agent becomes aware of any discrepancy between a Warrant issued by it and the metal to which it relates, including by reason of a change in the exact location of the metal or other act on the part of the Warehouse, it shall comply with the requirements of Regulation 9.

4. WARRANT LODGEMENT

4.1 Preconditions

To be capable of lodgement with the Depository, a Warrant must:

4.1.1 have been issued by a London Agent utilising the LMEsword Software in accordance with Regulation 3;

4.1.2 match its electronic record in the LMEsword System as provided for in the LMEsword Operating Procedures which must be marked "out of Depository";

4.1.3 be in bearer form, or be duly endorsed by the original depositor of the metal or the last named transferee taking title under a continuous chain of endorsements, and be capable of legal transfer by delivery;

4.1.4 not have been cancelled by the London Agent (or have its electronic record in the LMEsword System marked "cancelled", which should only be the case where the Warrant has itself been cancelled, as provided for in Regulation 8.1);

4.1.5 not have its electronic record identified as not valid under Regulation 10, in which case it shall have ceased to be a valid Warrant in accordance with that Regulation; and

4.1.6 not be materially damaged or defaced.

4.2 The Depository

4.2.1 The Depository agrees with each Account Holder to hold as bailee (or, in the case of Warrants credited to a Customer Account, sub-bailee) and keep safe all Warrants lodged with it in accordance with this Regulation to the order of the Account Holder to whose Account the Warrant is credited from time to time in accordance with the LMEsword Regulations.

4.2.2 The Depository shall use all reasonable care in the performance of its duties expressly set out in the LMEsword Regulations (but not otherwise) and shall act honestly, in good faith and without negligence or recklessness so as to preserve and protect all Warrants lodged with it and shall exercise the degree of care, diligence and skill in the performance of those duties that may be reasonably expected of a prudent custodian in comparable circumstances.

4.2.3 The Depository agrees to deliver up in accordance with the LMEsword Regulations to an Account Holder any Warrant credited to any of the Account Holder's Accounts, including (for the avoidance of doubt) any held in a Customer Account of the Account Holder.

- 4.2.4 Where an Account Holder has duly established a Customer Account and a Warrant is credited to such a Customer Account, subject to Regulation 5.4.4, the Depository will hold the Warrant as sub-bailee to the order of the Account Holder in its capacity as bailee for its Customer. The Account Holder's Customer shall not, however, be a customer of the Depository and any duties to the Customer in respect of such a Warrant shall be owed by the Account Holder alone. Without prejudice to Regulation 4.3.2, the Depository shall hold any such Warrant to the order only of the Account Holder exclusively and except as required by law the Depository shall not be bound by or recognise any other interest in any such Warrant whatsoever (including, without limitation, the interest of any Customer of the Account Holder for which the Depository may hold a Warrant as sub-bailee).
- 4.2.5 The Depository agrees to hold or record any Warrant that belongs to it, if any, separately from any Warrant credited to an Account of an Account Holder.
- 4.2.6 The Depository will not claim any lien or right of retention or sale over any Warrant credited to an Account.
- 4.3 **Accounts**
- 4.3.1 All Account Holders must have at least one Account to which Warrants lodged by them or transferred to them under the LMEsword Regulations shall be credited.
- 4.3.2 All Account Holders shall be entitled to establish more than one Account to which specific Warrants can be credited. All Accounts shall be established in accordance with the LMEsword Operating Procedures. Account Holders agree that Warrants credited to an Account shall be held by the Depository as bailee (or in the case of Warrants credited to a Customer Account, sub- bailee) to the order of the Account Holder exclusively and except as required by law the Depository shall not be bound by or recognise any other interest in any such Warrant whatsoever (including, without limitation, the interest of any Customer of the Account Holder).
- 4.3.3 Only Account Holders which are permitted by applicable law to hold Warrants for Customers shall be entitled to establish Customer Accounts. Account Holders wishing to establish Customer Accounts must obtain the express written agreement of each Customer authorising them to lodge Warrants held for the Customer with the Depository on the terms of the LMEsword Regulations and to deal with such Warrants on the Customer's behalf. Subject to Regulation 5.4.4, only Warrants held by an Account Holder as a bailee for a Customer may be credited to a Customer Account in accordance with the LMEsword Regulations.
- 4.3.4 Each Clearing Participant shall have an Account (a "House Collection Account") for the purpose of receiving deliveries of Warrants in respect of the account maintained with the Clearing House to reflect the Clearing Participant's proprietary business, and another Account (a "Customer Collection Account") for the purpose of receiving deliveries of Warrants in respect of its client account(s) with the Clearing House, as provided for in Regulation 5.4. A Customer Collection Account shall not constitute a Customer Account and the Account Holder shall promptly effect Inter-Account Transfers of Warrants credited to it to one or more Customer Accounts in satisfaction of its delivery obligations to Customers.

4.4 Lodgement of a Warrant

4.4.1 An Account Holder may lodge a Warrant which satisfies the pre-conditions set out in Regulation 4.1 where:

- (i) it holds the Warrant for itself (whether or not as owner);
- (ii) it holds the Warrant for a Customer; or
- (iii) a person other than the Account Holder, which may be a Customer, holds a Warrant and has instructed the Account Holder to lodge the Warrant on its behalf.

4.4.2 Where an Account Holder wishes to lodge a Warrant, it shall issue a Warrant Lodge Instruction in accordance with the LMEsword Operating Procedures. No Warrant Lodge Instruction shall be accepted by the LMEsword System where the Warrant in question is at the relevant time the subject of a prior Warrant Lodge Instruction. The LMEsword System shall notify the Depository of all valid Warrant Lodge Instructions.

4.4.3 An Account Holder shall deliver, or make arrangements for the delivery of, all Warrants the subject of a valid Warrant Lodge Instruction to the Depository.

4.4.4 On delivery of a Warrant to the Depository for lodgement, the Depository shall check the details on the Warrant against the details on the electronic record of the Warrant and perform the other checks prescribed in the LMEsword Operating Procedures. The Depository shall not be required to check any other details of the Warrant and in particular shall not verify the authenticity or validity of the Warrant. If the requisite details match and the Depository's other checks prescribed in the LMEsword Operating Procedures are completed satisfactorily, the LMEsword System shall credit the Warrant to the Account of the Account Holder identified by it in its Warrant Lodge Instruction, and the Depository shall take delivery of the Warrant. From delivery, the Warrant shall be held by the Depository in accordance with Regulation 4.2.

4.4.5 If the details on the Warrant and on the electronic record of the Warrant do not match, or any of the other checks in relation to the Warrant are not completed satisfactorily, the Depository shall not take delivery of the Warrant. The Depository shall have no responsibility in relation to a Warrant until it has been credited to an Account and the Depository has taken delivery of it.

4.4.6 An Account Holder that delivers a Warrant to the Depository warrants to Account Holders and the Depository that the Warrant complies with the pre-conditions set out in Regulation 4.1.3 (bearer document) and 4.1.4 (not cancelled).

5. TRANSFER OF WARRANTS LODGED WITH THE DEPOSITORY

5.1 Transfers

An Account Holder shall be entitled to transfer within LMEsword in accordance with Regulation 5.2, 5.3, 5.4 or 5.5 any Warrant which is credited to its Account provided in the case of all transfers (other than an Inter-Account Transfer between House Accounts under Regulation 5.5) the electronic record has not been marked, in the case of a Metal Warrant, "rent not paid" in accordance with Regulation 6 or has not been marked, in the case of any Warrant, "not-valid" in accordance with Regulation 10.

5.2 Ex-cleared Transfers

- 5.2.1 An Account Holder wishing to transfer a Warrant or Warrants credited to its Account (referred to as the "Giver") to another Account Holder (the "Taker") shall issue an Ex-cleared Transfer Instruction identifying the Taker in accordance with the LMEsword Operating Procedures and specifying manual or automatic release. No Ex-cleared Transfer Instruction shall be accepted by the LMEsword System in respect of a Warrant which is subject to a prior and outstanding Ex- cleared Transfer Instruction.
- 5.2.2 The Taker shall be notified of any Ex-cleared Transfer Instruction issued identifying it as the Taker and of the details of the Warrants the subject of the Instruction. The Taker shall then either:
- (i) issue an Ex-cleared Transfer Accept Instruction in accordance with the LMEsword Operating Procedures, specifying the Account the Warrants should be credited to; or
 - (ii) issue an Ex-cleared Transfer Reject Instruction in accordance with the LMEsword Operating Procedures.
- 5.2.3 Where a Taker has issued a Transfer Reject Instruction, the relevant Ex-cleared Transfer Instruction shall be automatically cancelled and the Giver may issue a further Ex-cleared Transfer Instruction in respect of the same or different Warrants.
- 5.2.4 Where a Taker duly issues an Ex-cleared Accept Instruction in respect of an Ex-cleared Transfer Instruction in which the Giver specified automatic release, the Warrants the subject of the Ex- cleared Transfer Instruction shall immediately upon receipt by the LMEsword System of the Ex- cleared Transfer Accept Instruction be credited to the specified Account of the Taker.
- 5.2.5 Where a Taker duly issues an Ex-cleared Accept Instruction in respect of an Ex-cleared Transfer Instruction in which the Giver specified manual release, the Giver shall be notified and, if it wishes to effect the transfer, shall issue an Ex-cleared Release Instruction in accordance with the LMEsword Operating Procedures. Immediately upon receipt by the LMEsword System of such Ex-cleared Release Instruction the Warrants the subject of the Ex-cleared Transfer Instruction shall be debited from the Giver's Account(s) and credited to the relevant Account of the Taker.

5.3 Pledging of Warrants

- 5.3.1 Where an Account Holder wishes to pledge a Warrant to another Account Holder, it may deliver a Warrant pursuant to the pledge by effecting an ex-cleared transfer under Regulation 5.2.
- 5.3.2 Following such a transfer of a Warrant and the debiting and crediting of the relevant Accounts, the Depository shall hold the Warrant as bailee to the order of the Taker exclusively, without notice of the Giver's interest therein as pledgor. The Taker shall accordingly as against the Depository be entitled to transfer any such Warrant to any other Account Holder in accordance with this Regulation 5 and withdraw it from the Depository in accordance with Regulation 7.
- 5.3.3 In the event that such a Taker re-transfers a Warrant by way of an ex-cleared transfer under Regulation 5.2 to the original Giver pursuant to a trust receipt agreement entered into by them, the Depository shall hold the Warrant as bailee to the order of the

pledgor (which will be a Taker under the second transfer) exclusively, without notice of the pledgee's interest therein. The pledgor shall accordingly as against the Depository be entitled to transfer any such Warrant to any other Account Holder in accordance with this Regulation 5 and withdraw it from the Depository in accordance with Regulation 7.

5.4 Cleared Transfers

- 5.4.1 This section relates only to Account Holders which are Clearing Members ("Clearing Participants") and the Clearing House.
- 5.4.2 Subject to and in accordance with the Clearing House Rules and the LMEsword Operating Procedures and the terms of the relevant Contract, each Clearing Participant (a "Giving Clearing Participant") which has a delivery obligation of Warrants to the Clearing House in respect of any of its accounts (including, if applicable, its client account(s)) with the Clearing House for that day shall be notified of its delivery obligations by the LMEsword System.
- 5.4.3 By the time specified in the LMEsword Operating Procedures, each Giving Clearing Participant shall issue a Cleared Transfer Instruction in respect of each of its delivery obligations in accordance with the LMEsword Operating Procedures, specifying the Warrants to be transferred and the Account(s) from which they should be debited and identifying the Clearing House as the taker of the Warrants.
- 5.4.4 At the time delivery is required to be made to the Clearing House under the LMEsword Operating Procedures, the Warrants the subject of the Cleared Transfer Instruction shall be debited from the relevant Account(s) of the Giving Clearing Participant and credited to the Clearing House's Account. Where a Customer Account is so debited, the Warrant(s) in question shall be deemed to be delivered first to the Giving Clearing Participant and then immediately delivered on by the Giving Clearing Participant to the Clearing House.
- 5.4.5 Subject to and in accordance with the Clearing House Rules and the LMEsword Operating Procedures, the LMEsword System shall allocate the transferred Warrants for transfer to each Clearing Participant which has a delivery entitlement in respect of any of its accounts (including, if applicable, its client account) with the Clearing House for that day (a "Taking Clearing Participant"). At the time determined by the Clearing House in accordance with the LMEsword Operating Procedures the Clearing House shall issue a Cleared Transfer Instruction in accordance with the LMEsword Operating Procedures in respect of each such delivery entitlement, specifying the Warrants to be transferred, whereupon such Warrants shall be debited from the Clearing House's Account and credited to each Taking Clearing Participant's Customer Collection Account (in the case of Warrants allocated in satisfaction of a delivery entitlement in respect of a Taking Clearing Participant's client account(s) with the Clearing House) or House Collection Account (in the case of other Warrants). For the avoidance of doubt, delivery of Warrants to Taking Clearing Participants shall occur on their Accounts being credited and not at the time of allocation.
- 5.4.6 The LMEsword System shall calculate and notify to the Clearing House the liabilities arising consequent on such cleared transfers due to differences between the weight of metal agreed to be sold and the actual weight of the metal represented by the Warrants so transferred and accrued but unpaid rent thereon.

- 5.4.7 Where a Taking Clearing Participant is or may be a defaulter under the default rules of the Clearing House, Warrants shall be credited to the Taking Clearing Participant's account as provided for in Regulation 5.4.5. If the Clearing House so determines, such Warrants shall, however, immediately be re-transferred back to the Clearing House and in those circumstances the Warrants in question shall be deemed for all purposes not to have been so credited but to have remained in the Clearing House's account.

5.5 **Inter-Account Transfers**

- 5.5.1 An Account Holder which has more than one Account shall be entitled to transfer Warrants held in any of its Accounts to any other of its Accounts by issuing an Inter-Account Transfer Instruction in accordance with the LMEsword Operating Procedures, provided that in the case of such transfers to or from a Customer Account the Warrant is not marked "rent not paid" in accordance with Regulation 6 or "not valid" in accordance with Regulation 10. On the issue of an Inter-Account Transfer Instruction in accordance with the LMEsword Operating Procedures, the Warrants the subject of it shall be debited from and credited to the relevant Accounts.

- 5.5.2 Where an Account Holder issues an Inter-Account Transfer Instruction pursuant to which a Warrant will be transferred to a Customer Account from a House Account, the Depository acknowledges that following the debiting of the Warrant from the House Account and its crediting to the Customer Account it shall hold the Warrant in accordance with Regulation 4.2.4.

- 5.5.3 Where an Account Holder issues an Inter-Account Transfer Instruction pursuant to which a Warrant will be transferred from a Customer Account to a House Account, the Depository acknowledges that following transfer it shall cease to hold the Warrant in accordance with Regulation 4.2.4.

5.6 **Use of LMEsword for Settlement of Non-Platform Contracts**

LMEsword shall not be used to settle Non-LME Platform Contracts in breach of the requirements specified in Membership Regulation 20 (*Restrictions on use of LME Property or Systems for Non-Exchange Contracts*). Such restriction shall apply to any Account Holder, and shall not be limited to Members.

6. **RENT PAYMENTS**

6.1 **Rent Schedules**

- 6.1.1 Each Account Holder may in accordance with the LMEsword Operating Procedures obtain from the LMEsword System a rent schedule report setting out its accrued and due rent payment obligations in respect of Warrants credited to its Accounts.

- 6.1.2 Each London Agent may in accordance with the LMEsword Operating Procedures obtain from the LMEsword System a rent schedule report setting out the aggregate amount of rent accrued and due in respect of metal stored under all Warrants issued by it, including those which are lodged with the Depository and those marked "out of Depository", together with such other information as shall be provided for in the LMEsword Operating Procedures.

6.2 **Liability**

- 6.2.1 Liability for rent in respect of all Warrants shall be unaffected by LMEsword, and the obligations of London Agents in respect thereof, including the endorsement of

Warrants, shall continue to be governed by the Warehouse Contract, as supplemented by this Regulation 6.

- 6.2.2 The Depository shall in no circumstances have any liability for the payment of rent in respect of Warrants.

6.3 Payment

- 6.3.1 On the receipt by a Warehouse or its London Agent of any rent payment in respect of a Warrant issued by it (whether by the due date or afterwards), such London Agent shall issue a Warrant Endorse Instruction in accordance with the LMEsword Operating Procedures. On receipt, the LMEsword System shall mark the electronic record of the Warrant "rent paid". The fact that the electronic record of a Warrant is marked "rent paid" shall as against the Warehouse and for all Account Holders and the Depository, subject only to Regulation 11.9, be conclusive evidence of due payment of rent and a London Agent (and the Warehouse it represents) shall not be entitled to claim otherwise.
- 6.3.2 A London Agent shall only endorse a physical Warrant "rent paid" where it has issued a Warrant Endorse Instruction. The Depository shall not, for the avoidance of doubt, endorse as "rent paid" any Warrant lodged with it.
- 6.3.3 On withdrawal of a Warrant from the Depository in accordance with Regulation 7, if rent has been paid on the Warrant whilst it has been lodged with the Depository, the Account Holder shall present the Warrant to the London Agent which issued the Warrant for endorsement of "rent paid" on the physical Warrant.
- 6.3.4 Warrant holders must approach the Warehouse Company or its London Agent to settle the rent.

The London Agent and the Exchange will be informed of the withdrawing Account Holder's identity.

6.4 Non-payment

- 6.4.1 For Warrants where rent in respect of metal to which a Warrant relates is not paid by the end of Rent Payment Day (and the London Agent which issued the Warrant has not issued a Warrant Endorse Instruction in respect of it), the LMEsword System shall mark the electronic record of the Warrant as "rent not paid".
- 6.4.2 For Warrants where rent is subsequently paid in respect of any Warrant the electronic record of which is marked "rent not paid", on the issue of a Warrant Endorse Instruction the "rent not paid" mark shall be deleted and be replaced by "rent paid".

7. WITHDRAWAL OF WARRANTS

7.1 Entitlement and Instruction

- 7.1.1 Each Account Holder shall be entitled to require delivery to it of, and the Depository shall be obliged so to deliver, each Warrant credited to an Account Holder's Account (including any of its Customer Accounts).
- 7.1.2 Where an Account Holder wishes to take delivery of a Warrant lodged with the Depository, it shall issue a Warrant Withdrawal Instruction in accordance with the LMEsword Operating Procedures. No Warrant Withdrawal Instruction shall be

accepted by the LMEsword System where the Warrant in question is at the relevant time the subject of a prior Warrant Withdrawal Instruction.

7.2 Collection of Warrants

7.2.1 On receipt of a Warrant Withdrawal Instruction, the LMEsword System shall issue the Account Holder with a security code and notify the Depository by way of a Warrant Withdrawal Notification of the identity of the Account Holder and the Warrants the subject of the Warrant Withdrawal Instruction. On receipt of the notification, the Depository shall locate the Warrants to be withdrawn and arrange for them to be ready for collection and then issue to the Account Holder a Ready for Collection Instruction in accordance with the LMEsword Operating Procedures.

7.2.2 The Account Holder shall make arrangements for the collection of the Warrants in question from the Depository, in accordance with the LMEsword Operating Procedures.

7.2.3 On attendance at the Depository, the Account Holder or its representative shall present the relevant security code and any necessary identification in accordance with the LMEsword Operating Procedures. The Depository shall in accordance with the LMEsword Operating Procedures check the security code and, if it is valid, issue a Warrant Withdrawal Acknowledgement in accordance with the LMEsword Operating Procedures and simultaneously release the Warrant.

7.2.4 The LMEsword System shall thereupon debit the Warrant from the Account Holder's Account and mark it "out of Depository".

7.2.5 In the event that the electronic record of a Warrant withdrawn from the Depository is marked:

- (i) "rent not paid" in accordance with Regulation 4;
- (ii) "amended" in accordance with Regulation 9; or
- (iii) "not valid" in accordance with Regulation 10;

the Depository shall stamp the physical Warrant accordingly on its release of the Warrant.

8. WARRANT CANCELLATION AND METAL TAKE UP

8.1 Warrant Cancellation

8.1.1 The obligations of LMEsword Participants on the cancellation of a Warrant shall continue to be governed by the Warehouse Contract and the arrangements agreed between the Warehouse and the person for whom the Warehouse holds the metal in question, supplemented in the case of London Agents by this Regulation 8. The Depository shall have no responsibilities in relation to the cancellation of Warrants or the taking delivery of metal represented by Warrants.

8.1.2 On a Warrant being presented to a London Agent or Warehouse for cancellation, the London Agent or Warehouse shall apply its normal procedures prior to cancelling the Warrant. On satisfactory completion of those procedures, the London Agent shall issue a Warrant Cancel Instruction in accordance with the LMEsword Operating Procedures.

- 8.1.3 Only Warrants the electronic record of which are marked "out of Depository" may be cancelled. Provided the LMEsword System accepts the Warrant Cancel Instruction, it shall mark the electronic record of the Warrant as "cancelled" and notify the London Agent thereof. The London Agent shall thereupon cancel the Warrant.

8.2 **Time Expired Warrants**

After 16:30 each day an Account Holder and London Agent can run reports to inform them of the Warrants expired or due to expire. Upon Time Expiry the Account Holder must settle outstanding rent by contacting the London Agent in accordance with Regulation 6.3.4.

8.3 **Remove Warrant**

- 8.3.1 On the metal represented by a cancelled Warrant being delivered out by a Warehouse, the Warehouse shall notify its London Agent which shall issue a Remove Warrant Instruction in accordance with the LMEsword Operating Procedures. A Warehouse shall not so deliver metal unless the relevant Warrant has previously been cancelled in accordance with Regulation 8.1. The Exchange shall prescribe by Notice or in the LMEsword Operating Procedures the procedure for dealing with the reporting of deliveries out of only part of the metal represented by a Warrant.

- 8.3.2 Provided the electronic record of the Warrant in question is marked "cancelled", the LMEsword System shall following the issue of a Remove Warrant Instruction in accordance with the LMEsword Operating Procedures remove the Warrant from the LMEsword System (save that a record of its existence shall be retained within it solely for audit purposes).

- 8.3.3 A London Agent shall also issue a Remove Warrant Instruction in other circumstances as prescribed by the LMEsword Operating Procedures.

9. **WARRANT AMENDMENT AND REPLACEMENT**

9.1 **General Duties**

The requirements and procedures relating to the amendment and replacement of a Warrant shall be governed by the terms of the Warehouse Contract and the Warrant itself, as supplemented by this Regulation 9. Endorsement of a Warrant "rent paid" shall be subject to Regulation 6.

9.2 **Notification of Amendments**

- 9.2.1 On any LMEsword Participant becoming aware of a need to make an amendment to a detail of a Warrant which is prescribed in the LMEsword Operating Procedures (an "amendable detail"), it shall notify the London Agent which issued the Warrant.
- 9.2.2 On a London Agent becoming aware or being notified of a need to make an amendment to an amendable detail of a Warrant which it has issued, it shall issue a Warrant Amend Instruction in accordance with the LMEsword Operating Procedures.
- 9.2.3 On receipt of a Warrant Amend Instruction in respect of a Warrant, the LMEsword System shall amend the electronic record of the Warrant accordingly, mark its electronic record "amended" and, in the case of a Warrant lodged with the Depository, notify the relevant Account Holder of the amendment.

9.3 **Replacement of Warrants**

- 9.3.1 On the amendment of an amendable detail of the electronic record of a Warrant marked "out of Depository" in circumstances where the Warrant has not been presented to the London Agent, the Exchange and the London Agent may take such steps as they deem appropriate to publicise the fact of such amendment.
- 9.3.2 The holder of such a Warrant must, on its becoming aware of the fact of such amendment, present the Warrant to the London Agent which issued the Warrant.
- 9.3.3 Where an Account Holder withdraws a Warrant from the Depository the electronic record of which is marked "amended" and which is itself stamped as such by the Depository in accordance with Regulation 7, the Account Holder must present the Warrant to the London Agent which issued the Warrant.
- 9.3.4 On presentation to a London Agent of a Warrant in accordance with this Regulation 9.3, the London Agent shall take delivery of the Warrant and issue a replacement Warrant utilising the LMEsword Software in accordance with the LMEsword Operating Procedures.
- 9.3.5 In other cases where a London Agent is entitled to issue a replacement Warrant in accordance with the Warehouse Contract, it shall do so utilising the LMEsword Software in accordance with the LMEsword Operating Procedures.

10. **INCORRECT OR INVALID WARRANTS**

10.1 **Notification**

- 10.1.1 The obligations of LMEsword Participants in relation to a Warrant, or to metal the subject of a Warrant, which does not comply with the requirements of the Exchange shall be as set out in the Rules and the Warehouse Contract, as supplemented by this Regulation 10.
- 10.1.2 On a LMEsword Participant becoming aware of any irregularity in respect of a Warrant or the metal to which a Warrant relates (not being the need to amend an amendable detail), it shall notify the Exchange thereof. The Exchange may make such enquiries and take such steps as it sees fit to determine the existence and nature of such irregularity.
- 10.1.3 On a LMEsword Participant other than the Clearing House being made aware of the need to return a Warrant to a London Agent for cancellation and reissue, it shall take all necessary steps to obtain and deliver up the Warrant to the London Agent which must cancel it and issue a new Warrant in accordance with the Warehouse Contract.

10.2 **Invalid Warrant Instruction**

- 10.2.1 In the event that the Exchange concludes that there is a material irregularity in a Warrant or the metal which it represents, or some other relevant regulatory event has occurred, it may issue an Invalid Warrant Instruction in accordance with the LMEsword Operating Procedures. On receipt, the LMEsword System shall mark the electronic record of the Warrant "not valid".
- 10.2.2 Delivery of a Warrant the electronic record of which is marked "not valid" shall not constitute good delivery under a Contract.

- 10.2.3 The Exchange may, where it is satisfied that the irregularity or event has been remedied, reverse an Invalid Warrant Instruction in accordance with the LMEsword Operating Procedures. On receipt the LMEsword System shall remove the "not valid" mark from the electronic record of the Warrant.
- 10.2.4 Where a Warehouse ceases to be listed in Appendix III of the Rules, Warrants previously issued by it shall continue to be treated as Warrants for the purposes of these LMEsword Regulations until the Exchange otherwise directs and/or issues an Invalid Warrant Instruction in accordance with this Regulation 10.2.
- 10.2.5 Each Account Holder agrees to withdraw from the Depository any Warrant the electronic record of which is credited to its Account where the Exchange so directs.

11. GENERAL

11.1 Charges and Fees

- 11.1.1 The Exchange shall fix the subscription, transaction and other fees payable by LMEsword Participants from time to time and publish them in an Administrative Procedure and will publish the same on the LME website. Such fees may vary for different classes of LMEsword Participant. Such fees shall be debts due to the Exchange and shall be payable in accordance with the LMEsword Operating Procedures.
- 11.1.2 Each LMEsword Participant agrees to pay all fees payable under the LMEsword Regulations promptly. Failure to pay such fees when due shall constitute a breach of the LMEsword Regulations by the LMEsword Participant in question.
- 11.1.3 If a LMEsword Participant serves a Withdrawal Notice in accordance with Regulation 2.6 but that Notice is not received by the Secretary on or before the 30th day of November of the year in which the LMEsword Participant intends its participation to cease, it will be liable for payment of the relevant annual subscription for the following year.

11.2 Reports and Enquires

LMEsword Participants may obtain reports from and make enquiries of the LMEsword System as described in the LMEsword Operating Procedures. Reports will be available at all times that the LMEsword System is operational and each Account Holder agrees that these will be transmitted electronically and can be printed by the Account Holder. Reports will detail the description and amounts of all Warrants credited to an Account or Accounts of the Account Holder. Each Account Holder agrees to treat such a report as a sufficient statement of its Warrants held by the Depository.

11.3 Instructions and Notices

- 11.3.1 Instructions to be issued under the LMEsword Regulations or LMEsword Operating Procedures must be issued in accordance with the LMEsword Operating Procedures. In the event that for any reason it is impossible for a LMEsword Participant, the Depository or the Exchange to issue or receive an Instruction, or the LMEsword System is unable to receive an Instruction, the Exchange shall specify the steps the affected person(s) should take. References in the remainder of this Regulation 11.3 to a notice or other communication shall not include an Instruction. Instructions shall be

deemed issued when received by the LMEsword System, and shall be processed in the order determined by the LMEsword System.

11.3.2 All notices and other communications to be served under the LMEsword Regulations or LMEsword Operating Procedures shall be served as follows:

(i) if to the Exchange, to:

Post Trade Operations
The London Metal Exchange
10 Finsbury Square
London EC2A 1AJ
Fax No. +44(0)20 7256 8864

E-mail: posttradeoperations@lme.com

(ii) if to another LMEsword Participant or the Depository, to the address and fax number notified to the Exchange by the LMEsword Participant or, as the case may be, the Depository from time to time.

11.3.3 All notices and other communications under the LMEsword Regulations shall be served by fax or in writing. Service will be deemed effective, in the case of notices sent by fax, on the date that transmission is received by an employee of, or other person working for, the recipient in legible form (with the burden of proving receipt being upon the sender which will not be met by a transmission report generated by the sender's fax machine). Notices or other communications shall not be capable of having the effect of an Instruction unless the Exchange provides otherwise in the LMEsword Operating Procedures or in a notice issued by the Exchange, for example in the event of an emergency.

11.3.4 In the event of difficulty in using fax to send notices under the LMEsword Regulations, notices and other communications may be served in writing and delivered in person or by courier or by post, with such service deemed effective on the date of receipt, unless that date is not a Business Day in which case the notice shall be deemed given and effective on the first following day that is a Business Day.

11.3.5 All notices and other communications shall be in writing and in the English language.

11.3.6 Notices and other communications shall only be validly served by a LMEsword Participant if they are signed by a designated signatory notified to the Exchange.

11.3.7 Neither the Exchange nor the Depository shall be liable for any actions taken or omitted to be taken in good faith on the basis of any Instruction served in accordance with the LMEsword Operating Procedures or notice or other communication however served which purports to have been given by or on behalf of a LMEsword Participant, nor shall any of them be taken to have notice of any matter disclosed in an Instruction (other than the existence of the Instruction). Neither the Exchange nor the Depository shall be under any duty to verify the genuineness of any Instruction or of the signature or the authority of the person which purports to sign a notice or other communication on behalf of a LMEsword Participant.

11.3.8 The Depository shall not be obliged to take account of or act on any direction of an Account Holder other than an Instruction or notice or communication permitted by the Exchange.

11.4 **Release**

Any liability to the Exchange under the LMEsword Regulations may in whole or in part be released, compounded or compromised or time or indulgence given by the Exchange in its absolute discretion as regards any LMEsword Participant under such liability without in any way prejudicing or affecting its rights against any other or others of the LMEsword Participants under the same or a like liability, whether joint and several or otherwise.

11.5 **Waiver**

Without prejudice to Regulation 2.5 of Part 1 of the Rules, no failure of the Exchange to exercise, and no delay by it in exercising, any right, power or remedy in connection with the LMEsword Regulations (each a "Right") will operate as a waiver thereof, nor will any single or partial exercise of any Right preclude any other or further exercise of such Right or the exercise of any other Right. The Rights provided in the LMEsword Regulations are cumulative and not exclusive of any other Rights (whether provided by law or otherwise). Any express waiver of any breach of the LMEsword Regulations shall not be deemed to be a waiver of any subsequent breach.

11.6 **Invalidity**

If any provision in the LMEsword Regulations shall be held to be illegal, invalid or unenforceable, in whole or in part, under any enactment or rule of law, such provision or part shall to that extent be deemed not to form part of the LMEsword Regulations but the legality, validity and enforceability of the remainder of the LMEsword Regulations shall not be affected.

11.7 **Governing Law and Submission to the Jurisdiction**

11.7.1 The LMEsword Regulations shall be governed by and construed in accordance with English law.

11.7.2 Except to the extent otherwise provided in the Warehouse Contract (in the case of Warehouses) or the relevant Service Level Agreement (in the case of the Depository and the Operator) any dispute arising out of or in connection with the LMEsword Regulations shall be referred to arbitration in accordance with the Rules.

11.8 **Exclusion of Liability**

11.8.1 The Exchange shall not have any liability for any damage, loss, expense or liability of any nature which a LMEsword Participant may suffer or incur due to or connected with it being or acting as a LMEsword Participant, including liability for negligence or liability arising out of development and operation of the LMEsword System, except to the extent of direct losses or expenses attributable to its fraud or wilful default. In no event shall the Exchange be liable for special, indirect or consequential damages or loss of any kind whatsoever regardless of whether it has notice of the likelihood of such damages or loss and regardless of the form of action.

11.8.2 The Depository shall have no liability for any damage, loss, expense or liability of any nature which a LMEsword Participant may suffer or incur due to or connected with it being or acting as a LMEsword Participant, except to the extent of direct losses or expenses attributable to the Depository's fraud, wilful default or negligence in the performance of its obligations expressly set out in these Regulations and provided that the Depository shall not be liable to the extent that any such damage, loss, expense

or liability is caused by a person other than the Depository. In no event shall the Depository be liable for special, indirect or consequential damage or loss of any kind whatsoever (including, without limitation, loss of bargain or profits), regardless of whether it has notice of the likelihood of such damages or loss and regardless of the form of action. The exclusions of liability set out in this Regulation 11.8.2 and Regulation 11.8.3 do not apply to death or personal injury arising from any failure by the Depository to take reasonable care or to exercise reasonable skill.

11.8.3 In the event of the loss, damage, destruction or wrongful release of a Warrant in circumstances in which the Depository is liable in accordance with Regulation 11.8.2, the maximum liability and obligation of the Depository shall be limited to issuing an indemnity in an amount not exceeding the market value of the Warrant at the time of the discovery of the loss, damage, destruction or wrongful release and otherwise on reasonable terms but not requiring the provision of any security.

11.8.4 Each Account Holder agrees to indemnify the Depository and to keep it indemnified against any costs, claims, losses, liabilities, damages, fines, penalties, taxes and other amounts which may be imposed on, incurred by or asserted against the Depository in respect of any liability arising from the fact that it holds any Warrants as bailee or sub-bailee for other persons (including, without limitation, any obligations to pay income, value added or any other tax or duty, or to maintain insurance in relation to any such Warrants) which is determined by the Depository to be applicable to that Account Holder and which is not due to the Depository's fraud, wilful default or negligence.

11.8.5 The Depository is not responsible for the production or the accuracy of reports generated by the LMEsword System and is not responsible for the operation or efficacy of the LMEsword System.

11.9 **Errors**

11.9.1 In the event that a Warrant is mistakenly credited to or debited from an Account Holder's Account, the affected Account Holder, shall immediately on their becoming aware of that event notify the Exchange which shall notify the affected parties and, if there is no disagreement as to the facts, make the necessary change to the LMEsword System's records, if any.

11.9.2 In the event that any LMEsword Participant becomes aware that any detail in the electronic record of a Warrant is or appears to be incorrect, it shall notify the Exchange which shall notify the London Agent which issued the Warrant and, if the Warrant is lodged with the Depository, the Depository and the Account Holder to whose Account the Warrant is credited. If there is no disagreement as to the facts, the Exchange shall make the necessary change to the LMEsword System's records.

11.9.3 In the event that there is disagreement as to the facts, the matter shall be referred to arbitration in accordance with the Rules.

11.10 **Legal Effect of Transfers**

11.10.1 By and upon the debiting of a Warrant by the LMEsword System from the Account of an Account Holder (the "Transferor") and its crediting to the Account of another Account Holder (the "Transferee"), the Depository shall hold the Warrant in question to the order of the Transferee, for as long as it remains in its Account. The Release Instruction (in the case of ex- cleared transfers under Regulation 5.2.5),

the Ex-cleared Transfer Instruction and Ex-cleared Transfer Accept Instruction (in the case of ex-cleared transfers under Regulation 5.2.4) and the Cleared Transfer Instruction (in the case of cleared transfers under Regulation 5.4) shall constitute an instruction by the Transferor (and, as applicable, the Transferee), on behalf of the Transferor and Transferee, to the Depository to hold the Warrant to the order of the Transferee. By and upon the crediting of the Warrant by the LMEsword System to the Transferee's Account the Depository makes attornment to the effect that it from that point holds the Warrant to the order of the Transferee.

11.10.2 In addition, the Depository is pursuant to the LMEsword Regulations authorised by each Warehouse to receive instructions concerning the holding of the metal represented by Warrants. By and upon the crediting of a Warrant by the LMEsword System to the Transferee's Account, the Depository makes attornment, for and on behalf of the Warehouse for whom the London Agent issued the Warrant, to the effect that the metal represented by the Warrant shall from the moment of the crediting of the Warrant to the Transferee's Account be held by the Warehouse to the order of the Transferee. The Depository shall not disclose to any Warehouse the identity of any Account Holder to whose order metal is held from time to time, unless explicitly provided for in these Regulations or the Exchange directs it to.

11.10.3 Unless the parties otherwise agree, property in the metal represented by a Warrant shall pass at the time the Warrant is delivered, that is (in the case of Warrants lodged with the Depository) at the time the parties' Accounts are debited and credited.

11.11 **Amendment of LMEsword Regulations**

The Exchange may amend the LMEsword Regulations or the LMEsword Operating Procedures in the same way as it may amend any other of its Rules. All LMEsword Participants shall be notified of any such amendment prior to its taking effect, except where an immediate amendment is in the opinion of the Exchange essential for the proper functioning of LMEsword.

11.12 **Force Majeure**

Nothing in these LMEsword Regulations shall require any person to do anything contrary to applicable English law or regulation and no person shall be liable for a breach of these LMEsword Regulations where compliance is impossible due to a failure of the LMEsword System and they have not caused the LMEsword System failure in question.

11.13 **Representation by Account Holder**

On each occasion the Depository is required to release a Warrant to an Account Holder in accordance with Regulation 7.2, the Account Holder is deemed to represent to the Depository that it is in full compliance with the laws and regulations of each jurisdiction which is or may be applicable to the withdrawal of the Warrant.

12. **INTERPRETATION**

12.1 **Definitions**

In these LMEsword Regulations terms defined in the Rules and not defined below shall have the same meanings and the following words and expressions shall, unless the context otherwise requires, bear the following meanings:

"Account" means an account of an Account Holder with the Depository, recorded by the LMEsword System and established in accordance with the LMEsword Regulations and LMEsword Operating Procedures, to which Warrants may be credited and debited;

"Account Holder" means the Clearing House and any person admitted as an Account Holder by the Exchange, and which has not withdrawn or ceased to be an Account Holder, under Regulation 2;

"Business Day" has the meaning given in the Rules;

"Clearing House" means the clearing house for the time being designated by the Exchange;

"Clearing Member" has the meaning given in the Rules;

"Clearing Participant" means a Clearing Member which is an Account Holder;

"Customer" means a person with whom an Account Holder has entered into a written agreement under which the Account Holder has authority to hold Warrants for the Customer as bailee and lodge such Warrants with the Depository as sub-bailee or bailee on the terms of the LMEsword Regulations and with authority to make delivery of such Warrants for and on behalf of the Customer;

"Customer Account" means an Account to which Warrants held by an Account Holder as bailee for its Customer may be credited and debited, which may comprise a single Account for Warrants held for some or all of the Account Holders' Customers and/or specific Accounts for one or more specific Customers;

"Customer Collection Account" has the meaning given in Regulation 4.3;

"Depository" means the person appointed from time to time by the Exchange to act as the Depository for LMEsword and which has agreed to be bound by the LMEsword Regulations;

"the Exchange" means the London Metal Exchange;

"Giver" has the meaning given in Regulation 5.2.1;

"Giving Clearing Participant" has the meaning given in Regulation 5.4.2;

"House Account" means an Account which is not a Customer Account; "House Collection Account" has the meaning given in Regulation 4.3; "Instruction" shall be construed in accordance with Regulation 12.2;

"LMEsword Operating Procedures" means the manual issued by the Exchange pursuant to the LMEsword Regulations setting out detailed procedures and information relating to the operation of LMEsword;

"LMEsword Participant" means an Account Holder or a Warehouse;

"LMEsword Regulations" means the Regulations governing the operation of LMEsword issued by the Exchange as amended from time to time in accordance with the terms thereof and forming Part 10 of the Rules;

"LMEsword Software" means the software licensed to each Account Holder and London Agent for the purpose of facilitating the issue of Warrants and the provision of details thereof to the LMEsword System;

"LMEsword System" means the system for, inter alia, the electronic transfer of title to Warrants governed and constituted by the LMEsword Regulations;

"London Agent" means a London agent appointed by a Warehouse in accordance with the terms of the Warehouse Contract or a London office of a Warehouse nominated to act as the Warehouse's London Agent for the purposes of LMEsword;

"Member" means a member of the Exchange;

"Overseas Undertaking" has the meaning given in the Rules;

"person" includes an individual, partnership, unincorporated association and body corporate;

"Premium Warrant" has the meaning given in the Rules;

"Remote Participant Agreement" means an agreement between Account Holders substantially in the form prescribed by the Exchange under which one Account Holder agrees to act for the other in the giving of Instructions to the LMEsword System in accordance with the LMEsword Regulations and LMEsword Operating Procedures;

"Rent Payment Day" means the day on which rent in respect of the storage of metal under Warrant becomes due;

"Rules" means the rules and regulations issued by the Exchange (and incorporating the LMEsword Regulations) governing the London Metal Exchange administered by the Exchange as the same may be amended in accordance with the Articles of Association of the Exchange and a reference to a Rule shall be construed accordingly;

"Secretary" means any person appointed to perform the duties of Secretary of the Exchange;

"Service Level Agreement" means the agreement entered into by the Depository with the Exchange under which it agrees to act as such and comply with the obligations set out therein;

"Software Licence Agreement" means the licence agreement to be entered into by each Account Holder and London Agent relating to the LMEsword Software;

"Taker" has the meaning given in Regulation 5.2.1;

"Taking Clearing Participant" has the meaning given in Regulation 5.4.5;

"Undertaking" has the same meaning as set out in Section 1161 Companies Act 2006;

"Warehouse" means a warehouse which is party to the Warehouse Contract and listed in Appendix III of the Rules;

"Warehouse Contract" means the agreement between the Exchange and each Warehouse setting out the Warehouse's obligations as a Warehouse and under which the Warehouse agrees to abide by the LMEsword Regulations;

"Warrant" means a warehouse warrant issued by a Warehouse in accordance with the Warehouse Contract;

"Withdrawal Notice" has the meaning given in Regulation 2.6.2.

12.2 Interpretation

- 12.2.1 Where the LMEsword Regulations refer to a document or thing being "prescribed", that shall mean prescribed by the Exchange from time to time in the LMEsword Operating Procedures or in a Notice issued by it, and the Exchange may prescribe different dates for different purposes, category of LMEsword Participant and metal.
- 12.2.2 Words importing the singular shall, where the context permits, include the plural and vice versa. Words importing gender shall include each gender.
- 12.2.3 Where the LMEsword Regulations refer to an act being undertaken by the Exchange, that act may be performed by the Exchange acting through the Directors of the Exchange or any duly authorised Committee of the Directors of the Exchange or duly authorised individual.
- 12.2.4 References to an "Instruction" shall mean any of the types of Instruction referred to in the LMEsword Regulations, such as, without limitation, a "Warrant Lodge Instruction" or "Ex- cleared Transfer Instruction", each of which shall consist of an electronic communication of the relevant type served by a LMEsword Participant in accordance with the LMEsword Operating Procedures. Any purported service of an Instruction otherwise than in accordance with the LMEsword Operating Procedures shall be of no effect unless the Exchange otherwise directs. The LMEsword Operating Procedures shall provide for the circumstances in which Instructions shall be deemed cancelled and all other details relevant to their issue.
- 12.2.5 Where reference is made to a London Agent which issued a Warrant, that shall be deemed also to refer to a London Agent which has succeeded to the responsibilities of the London Agent which issued the Warrant.
- 12.2.6 Where reference is made to "the" or "these" "LMEsword Regulations" that shall be deemed to include the LMEsword Operating Procedures where the context permit.
- 12.2.7 References to a "Category" of Member shall be construed in accordance with the definitions of the categories of Membership set out in the Rules.
- 12.2.8 In these LMEsword Regulations only, reference to a "Warrant" or "Warrants" shall include reference to a "Premium Warrant" or "Premium Warrants", as the context may allow.

PART 11

MONTHLY AVERAGE FUTURE REGULATIONS

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PART 11: MONTHLY AVERAGE FUTURE REGULATIONS

1. RELATIONSHIP WITH TRADING REGULATIONS

- 1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Monthly Average Future Regulations or unless the context otherwise requires, apply to Monthly Average Futures.
- 1.2 The Clearing House Rules shall apply to Cleared Monthly Average Futures.

2. PERMITTED MONTHLY AVERAGE FUTURES

- 2.1 Monthly Average Futures shall be available in respect of such metals and in such lot sizes as set out in Table 1.1 below:

Table 1.1

Metal	Lot size (tonnes)	Months
Primary Aluminium	25	63
NASAAC Aluminium Alloy	20	27
Aluminium Alloy	20	27
Special High Grade Zinc	25	27
Tin	5	15
Nickel	6	27
Copper Grade A	25	63
Lead	25	15

- 2.2 The Monthly Average Settlement Price for a Monthly Average Future month must be calculated by reference to a calendar month.
- 2.3 For each metal, Monthly Average Futures shall be available in respect of each tradable month from and including the month in which the Contract is made out to the number of months for that metal as set out in Table 1.1 above.
- 2.4 A new tradable month will become available for trading, in respect of any Monthly Average Future authorised by the Exchange, at the opening of business on the first Business Day of the month in which trading of a Monthly Average Future for the relevant underlying metal is authorised to begin.
- 2.5 Trading may be conducted, in respect of any Monthly Average Future authorised by the Exchange, until the close of business on the Last Trading Day for such Monthly Average Future. Trading times for all Monthly Average Futures shall not be later than 12.30 hours London time on the Last Business Day.
- 2.6 Monthly Average Futures shall be traded in US Dollars only.

- 2.7 Monthly Average Futures may be traded on the telephone and LME Select but not on the Ring.
- 2.8 The minimum price movement for a Monthly Average Future shall be \$0.01 US dollars per metric tonne.
- 2.9 All Monthly Average Futures shall be input into the Matching System and registered as such with the Clearing House, subject to and in accordance with the Trading Regulations and the Clearing House Rules.
- 3. **CASH SETTLEMENT FEE**
- 3.1 The Exchange may charge a fee in relation to each Monthly Average Future. The amount of such fee shall be determined and published by the Exchange from time to time.
- 4. **PRICE INFORMATION**
- 4.1 Regulation 4 of the Trading Regulations shall apply to Monthly Average Futures.
- 4.2 The Exchange shall publish the Notional Average Price and Monthly Average Settlement Price for the relevant metal for each tradable month.

PART 12
PREMIUM CONTRACT REGULATIONS

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PART 12: PREMIUM CONTRACT REGULATIONS

1. RELATIONSHIP WITH TRADING REGULATIONS

1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these Premium Contract Regulations or unless the context otherwise requires, apply to Premium Contracts.

1.2 The Clearing House Rules shall apply to Cleared Premium Contracts.

2. ALUMINIUM PREMIUM CONTRACT SPECIFICATION

2.1 Premium Warrant Jurisdictions

The following table sets out the Premium Warrant Jurisdiction for each type of Aluminium Premium Contract:

Premium Contract	Premium Warrant Jurisdiction
LME Aluminium US Premium	The following regions of the United States of America, as defined by the US Census Bureau: <ul style="list-style-type: none">• Mid-West• South
LME Aluminium West-Europe Premium	Western Europe, as defined by the UN Geoscheme M49 classification
LME Aluminium East-Asia Premium	Eastern Asia, as defined by the UN Geoscheme M49 classification
LME Aluminium South-East Asia Premium	South-Eastern Asia, as defined by the UN Geoscheme M49 classification

2.2 Metal and Premium Warrant

The underlying metal for each Aluminium Premium Contract shall be high grade primary aluminium satisfying the requirements of Part 6 of the Special Contract Rules for Metals that is:

- (a) held by a Qualifying Premium Warrant Warehouse in the Premium Warrant Jurisdiction applicable to the type of Aluminium Premium Contract; and
- (b) represented by a Premium Warrant issued by the Qualifying Premium Warrant Warehouse.

2.3 Lot Size

The Lot size for each Aluminium Premium Contract is 25 tonnes.

2.4 **Prompt Date**

The Prompt Date for each Aluminium Premium Contract shall be the third Wednesday of each maturity month, subject to the Trading Regulations.

2.5 **Maturity Months**

Monthly for fifteen months, unless the Contract is made after the Last Trading Time (see 2.9 below) for the calendar month on which the Contract is made, in which case, fourteen months.

2.6 **Trading Platform**

Aluminium Premium Contracts may be traded:

- (a) in the Ring;
- (b) in the inter-office market; or
- (c) through LME Select

2.7 **Trading Hours**

Aluminium Premium Contracts may be traded on the following platforms at the following times:

Platform	Trading Hours
Ring	For Official Prices: 5 minutes at the end of R2 For Closing Prices: 5 minutes at the end of kerb trading
LME Select	Between 01:00 and 19:00 London time on a Business Day
Inter-office market	24 hours a day during a Business Day

2.8 **Last Trading Time**

The last trading time for Aluminium Premium Contracts shall be 19:00 London time on the Last Trading Day.

2.9 **Settlement Basis**

Aluminium Premium Contracts shall be physically settled in accordance with Regulation 3 below.

2.10 **Currency**

US Dollars.

2.11 **Price Information**

- (a) Regulation 4 of the Trading Regulations shall apply to Premium Contracts.
- (b) Official Prices for Premium Contracts shall be determined in accordance with Trading Regulation 5.
- (c) Closing Prices for Premium Contracts shall be determined in accordance with Trading Regulation 6.

2.12 **Minimum Price Movement**

The minimum price movement for any Aluminium Premium Contract shall be as follows:

	Minimum price movement per tonne	
Venue	Outright	Carries
Ring	\$0.50	\$0.01
LME Select	\$0.50	\$0.01
Inter-office market	\$0.01	\$0.01

3. **SETTLEMENT OF ALUMINIUM PREMIUM CONTRACTS**

3.1 Aluminium Premium Contracts shall be settled on the basis set out in this Regulation 3.

3.2 Settlement of Aluminium Premium Contracts that are:

- (a) Cleared Premium Contracts shall be made by offset or by delivery and settlement of differences on the Prompt Date in accordance with Regulations 3.4 and 3.5 and 3.7 to 3.9 below;
- (b) Client Premium Contracts shall be made by offset or by delivery in accordance with Regulations 3.4 and 3.5 and 3.10 to 3.11 below.

3.3 The net Lots covered by the Aluminium Premium Contracts remaining following offset under Regulation 3.8 or 3.10 (as applicable) shall be settled on their Prompt Date by payment, subject in the case of Cleared Premium Contracts to the Clearing House Rules.

3.4 **Seller's Delivery Obligation**

The seller's obligation under Aluminium Premium Contracts shall be to deliver Premium Warrants corresponding to the net Lots covered by such Contracts to the buyer.

3.5 **Buyer's Delivery and Payment Obligations**

The buyer's obligation under Aluminium Premium Contracts shall be to deliver to the seller:

- (a) Standard Warrants, for high grade primary aluminium satisfying the requirements of Part 6C of the Special Contract Rules for Metals, corresponding to the net Lots covered by such Contracts;

plus

- (b) the Settlement Price for the Aluminium Premium Contract, subject to any adjustments made pursuant to these Regulations in order to take account of:
 - (i) any rent and weight adjustments; and
 - (ii) the "Free on Truck" charges levied by the Qualifying Premium Warrant Warehouse that issued the Premium Warrant delivered under (a) above.

The buyer and seller's respective obligations shall be subject to the application of offsetting and settlement of differences pursuant to Regulations 3.7 and 3.8 below.

3.6 **Cleared Premium Contracts – General**

- (a) Settlement of all Cleared Premium Contracts whether by offset or by delivery and the settlement of differences shall be made on the relevant Prompt Date by reference to the Settlement Price determined for that Prompt Date for that Premium Contract.
- (b) In the event that:
 - (i) a buyer under a Cleared Premium Contract with an obligation to deliver Standard Warrants on the Prompt Date is also a buyer under a Cleared Metal Contract with an entitlement to receive Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date; or
 - (ii) a seller under a Cleared Premium Contract with an entitlement to receive Standard Warrants on the Prompt Date is also a seller under a Cleared Metal Contract with an obligation to deliver Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date,

then the respective obligations and entitlements of the buyer or seller (as applicable) under the Cleared Premium Contract in respect of the delivery of Standard Warrants shall be netted against the respective entitlements and obligations of that party under the Cleared Metal Contract in respect of the delivery of such Standard Warrants, in order to produce a net entitlement to receive or deliver Standard Warrants under both Contracts.

3.7 **Cleared Premium Contracts - Settlement of Differences:**

Differences shall be established on the relevant Prompt Date, in respect of all Cleared Premium Contracts, between the Premium Contract Price and the Settlement Price determined for that Prompt Date. The Clearing House shall account to Clearing Members for differences thus established by placing the same to their credit or debit as the case may require in accordance with the Clearing House Rules.

3.8 **Cleared Premium Contracts – Settlement by Offset:**

Bought and sold Cleared Premium Contracts of a Clearing Member for the same Premium Warrant Jurisdiction and Prompt Date and in the same currency shall, to the extent that they match each other, be settled on their Prompt Date by offsetting.

Cleared Premium Contracts - Settlement by Delivery

- (a) The net Lots covered by Cleared Premium Contracts following offset under Regulation 3.8 which match as to Premium Warrant Jurisdiction and tonnage but not necessarily as to currency, shall be offset for the purposes of establishing the net number of Premium Warrants to be settled by delivery subject to the Clearing House Rules.
- (b) Subject to Trading Regulation 17.8, delivery of Premium Warrants under Regulation 3.5(a) above or Standard Warrants under Regulation 3.5(b) above shall be effected pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures and the Clearing House Rules.
- (c) The Clearing House shall raise invoices or credit notes for the contract weight of the net Lots covered by such Cleared Premium Contracts at the Settlement Price and in the currency of the relevant Cleared Premium Contract and shall deliver the same to the relevant Clearing Members. Such invoices and credit notes will include the value of the Standard Warrant (if applicable) and shall be for the contract weight without allowance for storage rent accrued and differences between contract weight and Warrant weight.
- (d) On the Business Day following the Prompt Date the Clearing House shall call on:
 - (i) the seller or buyer as requisite in order that allowances for accrued storage rent, and any difference between Premium Warrant weight and contract weight be accounted for in respect of Premium Warrants transferred to the buyer in accordance with the Clearing House Rules; and
 - (ii) the seller or buyer as requisite in order that allowances for accrued storage rent, and any difference between Standard Warrant weight and contract weight be accounted for in respect of Standard Warrants transferred to the seller in accordance with the Clearing House Rules; and
 - (iii) the buyer in order that the "Free on Truck" charges applicable to the Premium Warrants received by the buyer are debited from the buyer.
- (e) Payments and receipts in respect of the invoices and credit notes raised by the Clearing House under Regulation 3.9(c) shall be effected through the payment system or, in the case of payments to sellers, in such other form as shall be specified by the Clearing House.
- (f) If a Clearing Member fails duly to deliver a Premium Warrant or Standard Warrant due to be delivered to the Clearing House, the Clearing House may, without prejudice to its rights under the Clearing House Rules:
 - (i) without prejudice to the accrued rights for damages of the Clearing House and any other affected Clearing Member(s), direct the Premium Warrant or Standard Warrant be delivered to and by the Clearing Member on the Business Day next following the Prompt Date, that the Contract terms be adjusted accordingly and the parties' payment obligations and entitlements thereunder be adjusted to give such rate of compensation to the party

entitled to receive the Premium Warrant or Standard Warrant as the Exchange may from time to time direct; or

(ii) where:

- (1) the Exchange has taken steps or issued directions under Trading Regulation 17.1 or 17.2; or
- (2) the Exchange or the Clearing House otherwise direct,

Invoice Back the metal due to be delivered in accordance with Trading Regulation 10.4.

This Regulation 3.9(f) shall apply subject to any directions of the Exchange made under Trading Regulation 17.1 or 17.2. The Exchange may prescribe such penalties for non-delivery of Standard Warrants or Premium Warrants as it may from time to time deem fit in the Operating Procedures or by Administrative Procedure.

3.10 **Client Premium Contracts - by Offset:**

- (a) Offsetting bought and sold Client Premium Contracts with the same Premium Warrant Jurisdiction, Prompt Date and currency shall be settled on contract (round) weights, buyer and seller paying or receiving as the case may be any difference between the Premium Contract Prices of the Contracts so offset.
- (b) In the event that:
 - (i) a buyer under a Client Premium Contract with an obligation to deliver Standard Warrants on the Prompt Date is also a buyer under a Client Metal Contract with an entitlement to receive Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date; or
 - (ii) a seller under a Client Premium Contract with an entitlement to receive Standard Warrants on the Prompt Date is also a seller under a Client Metal Contract with an obligation to deliver Standard Warrants falling within Regulation 3.5(a) above on that Prompt Date; and
 - (iii) the Client counterparty to the Client Premium Contract and the Client counterparty to the Client Metal Contract are allocated to the same Client Account in the Clearing House;

then the respective obligations and entitlements of the buyer or seller (as applicable) under the Client Premium Contract in respect of the delivery of Standard Warrants shall be netted against the respective entitlements and obligations of that party under the Client Metal Contract in respect of the delivery of such Standard Warrants, in order to produce a net entitlement to receive or deliver Standard Warrants under both Contracts.

3.11 **Client Premium Contracts – Settlement by Delivery**

- (a) Delivery due under a Client Premium Contract shall be effected on the Prompt Date by delivery of Premium Warrants in exchange for Standard Warrants plus a

cash payment in accordance with Regulation 3.5 above. Premium Warrants and Standard Warrants shall be delivered either by way of a transfer pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers or (until further notice) by delivery of a physical Premium Warrant or Standard Warrant (as applicable). The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the option of the party making delivery.

- (b) In relation to Client Premium Contracts, Premium Warrants shall be invoiced and paid for at the Contract weight and at the Settlement Price pertaining to the Prompt Date, buyer and seller paying and receiving (as the case may be) any difference between Settlement Price and the Premium Contract Price. Such invoice will include the value of the Standard Warrant (if applicable).
- (c) In relation to Client Premium Contracts, weight differences (between Contract weight and actual Warrant weight) shall be settled at the Settlement Price. Warehouse rental accruals (where relevant) shall be allowed on the invoice.
- (d) Delivery of Premium Warrants and Standard Warrants and settlement in respect of unmatched Client Premium Contracts shall be effected in accordance with the terms of the Client Premium Contract between the parties and these Regulations. Such terms must require:
 - (i) Premium Warrants to be delivered by the seller under the Premium Contract:
 - (1) no later than 09:00 hours on the Prompt Date, when a Trading-Only Member or non- Member is the seller and transferor; and
 - (2) no later than 11:00 hours (so far as enabled by the seller's best endeavours) when a Clearing Member is the seller and transferor of the Premium Warrants;
 - (ii) Standard Warrants to be delivered by the buyer under the Premium Contract:
 - (1) no later than 09:00 hours on the Prompt Date when a Trading-Only Member or non-Member is the buyer and transferor; and
 - (2) no later than 13.30 hours (so far as enabled by the buyer's best endeavours) when a Clearing Member is the buyer and transferor of the Standard Warrants.
- (e) Delivery shall be effected either pursuant to LMEsword in accordance with the LMEsword Regulations and Operating Procedures governing ex-cleared transfers or (until further notice) by delivery of the physical Premium Warrant or Standard Warrant (as applicable). The manner of delivery shall be as agreed by the parties or, in the absence of agreement, at the option of the party making delivery.
- (f) Weights of Premium Warrants and Standard Warrants in all cases shall be accepted as between buyer and seller.

3.12 **Cleared Contracts**

- (a) In these Premium Contract Regulations, references to "Cleared Contracts", "Cleared Metal Contracts" and "Cleared Premium Contracts" shall be construed to include any Cleared Contract that arises pursuant to the Clearing House Rules upon:
 - (i) the Execution of any Agreed Trade, pursuant to these Rules and the Clearing House Rules; and
 - (ii) the Execution of any Agreed Trade having equivalent characteristics to such Agreed Trade, pursuant to these Rules and the Clearing House Rules. Trading Regulation 9.1 shall apply to these Premium Contract Regulations for the purposes of explaining the meaning of the term "equivalent characteristics".
- (b) Any Cleared Contract that arises between a Clearing Member and the Clearing House pursuant to the Clearing House Rules, following the acceptance by the Clearing House of an Agreed Client Trade in respect of a Client Premium Contract, shall be settled in accordance with (i) Regulations 3.6 to 3.9 above and (ii) the provisions of the Clearing House Rules.

4. **MATTERS TO BE AGREED ON EXECUTION OF A PREMIUM CONTRACT**

Without prejudice to Trading Regulation 3, a Premium Contract shall be conditional on the agreement between the parties to the Premium Contract of the following matters:

- (a) the Premium Warrant Jurisdiction; and
- (b) the Premium Contract Price, being the contract price for the Premium Contract, and a Premium Contract may not come into effect unless such matters are so agreed.

PART 13
LMEPRECIOUS REGULATIONS

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PART 13: LMEPRECIOUS REGULATIONS

1. RELATIONSHIP WITH OTHER REGULATIONS

1.1 The Trading Regulations and the Contract Regulations shall, unless otherwise provided in these LMEprecious Regulations or unless the context otherwise requires, apply to LMEprecious Futures.

1.2 Parts 1, 2, 8 and 9 shall all apply to LMEprecious Futures.

1.3 The Clearing House Rules shall apply to Cleared LMEprecious Futures.

2. LMEPRECIOUS FUTURE SPECIFICATIONS

2.1 Types of LMEprecious Future

The following types of Contract shall be LMEprecious Futures:

- (a) "LMEprecious Gold Futures" (being LMEprecious Futures having the characteristics specified in the paragraphs below where the underlying metal is Gold); and
- (b) "LMEprecious Silver Futures" (being LMEprecious Futures having the characteristics specified in the paragraphs below where the underlying metal is Silver).

2.2 Metal

The underlying metal for each LMEprecious Future shall be as follows:

Contract	Metal
LMEprecious Gold Future	Gold
LMEprecious Silver Future	Silver

2.3 Lot Size

The Lot size for each LMEprecious Future shall be as follows:

Contract	Lot size	Code
LMEprecious Gold Future	100 fine troy ounces	AU
LMEprecious Silver Future	5000 troy ounces	AG

2.4 Prompt Date

LMEprecious Futures may have the following Prompt Dates:

Type	Prompt Date Structure	Prompt Date
Daily ("Daily")	T+1 to T+25	The Prompt Dates which are valid Daily Dates are: - T+1, provided that T+1 exists; and

Date"))		<p>- T+2 to T+25.</p> <p>For the avoidance of doubt, a Prompt Date which is a valid Daily Date may also be a valid Monthly Date.</p>
Monthly ("Monthly Date"))	M1 to either M24 or M25 (dependent on Booking Date and Booking Time as further specified in this table)	<p>The Prompt Dates which are valid Monthly Dates are dependent on the Booking Date and Booking Time:</p> <ol style="list-style-type: none"> 1. If the Booking Date is between (i) the start of the first calendar day of the Booking Month and (ii) the end of the calendar day being three Business Days prior to the third Wednesday of the Booking Month: <ul style="list-style-type: none"> – The Prompt Dates which are valid Monthly Dates are M1 to M25 2. If the Booking Date is after the calendar day being three Business Days prior to the third Wednesday of the Booking Month: <ul style="list-style-type: none"> – The Prompt Dates which are valid Monthly Dates are M1 to M24. <p>For the avoidance of doubt, at midnight at the start of the Business Day two days prior to the third Wednesday of the Booking Month, the Prompt Dates represented by the notation M_n will each be advanced incrementally by one calendar month. Accordingly, the Prompt Date which immediately prior to such Business Day was identified as M1 will remain available for trading as the T+2 and then the T+1 Daily Date, until the Last Trading Time for the T+1 Prompt Date on the Business Day prior to the third Wednesday of the Booking Month.</p> <p>In each case above, if the third Wednesday of the Booking Month would not be a valid Settlement Business Day, then references to the third Wednesday of the Booking Month should be read as references to the relevant replacement Prompt Date pursuant to Regulation 8.4.1 of the Trading Regulations.</p>
Quarterly ("Quarterly Date"))	12 Calendar Quarterly Dates following the Monthly Dates	<p>The Prompt Dates which are valid Quarterly Dates are:</p> <ul style="list-style-type: none"> – the first Calendar Quarterly Date which is not any of (i) M1-M24, where M25 is not a valid Monthly Date per the definition above, or (ii) M1-M25, where M25 is a valid Monthly Date per the definition above (the "First Quarterly Date"); <p>and</p> <ul style="list-style-type: none"> – the eleven subsequent Calendar Quarterly Dates following the First Quarterly Date.

For the purpose of this paragraph 2.4, the following terms have the following meanings.

- (a) "**T+n**" (where n is a positive integer) identifies a Prompt Date in reference to the Business Day (for the avoidance of doubt, being a twenty four (24) hour period starting at 00:00 (midnight), London time) on which a Contract is entered into (the "**Booking Date**"). To identify the appropriate settlement date for a given "**T+n**" reference, first determine whether the first Business Day following the Booking Date is also a Settlement Business Day.

(A) If the first Business Day following the Booking Date is also a Settlement Business Day:

count forward "n" Settlement Business Day(s) from the Booking Date and it will fall upon that Settlement Business Day. For example:

- (i) assuming 2 January, 3 January, 4 January, 5 January are all Settlement Business Days;
- (ii) if 2 January is the Booking Date:
- (A) 3 January is T+1;
- (B) 4 January is T+2;
- (C) 5 January is T+3, and so on.

(B) If the first Business Day following the Booking Date is not also a Settlement Business Day:

count forward "n" minus one (n-1) Settlement Business Day(s) from the Booking Date and it will fall upon that Settlement Business Day. In this scenario, T+1 will not exist. For example:

- (i) assuming 3 January is a Business Day but not a Settlement Business Day, and 2 January, 4 January, 5 January are all Settlement Business Days;
- (ii) if 2 January is the Booking Date:
- (A) T+1 does not exist;
- (B) 4 January is T+2;
- (C) 5 January is T+3, and so on.

- (b) "**Mn**" (where n is a positive integer) identifies a monthly Prompt Date in reference to the date on which a Contract is entered into (the "**Booking Date**"). Let the "**Booking Month**" be the calendar month in which the Booking Date falls. Then:

- (i) if the T+2 Prompt Date in respect of the Booking Date falls before the third Wednesday in the Booking Month, then M1 is the third Wednesday of the Booking Month, M2 is the third Wednesday of the calendar month following the Booking Month, and so on (with each increment of n representing one further calendar month); or

- (ii) if the T+2 Prompt Date in respect of the Booking Date falls on or after the third Wednesday in the Booking Month, then M1 is the third Wednesday of the calendar month following the Booking Month, M2 is the third Wednesday of the calendar month following the calendar month following the Booking Month, and so on (with increment of n representing one further calendar month).

In each case above, if the third Wednesday in the Booking Month would not be a Settlement Business Day, then references to the third Wednesday of the Booking Month should be read as references to the relevant replacement Prompt Date pursuant to Regulation 8.4.1 of the Trading Regulations.

- (c) "**Booking Time**" means, in respect of a Contract Executed on a Booking Date, the time of Execution of the Contract.
- (d) "**Calendar Quarter**" means a period of three consecutive months, commencing on 1 January, 1 April, 1 July or 1 October in any calendar year.
- (e) "**Calendar Quarterly Date**" identifies a quarterly Prompt Date falling on the third Wednesday in the third calendar month of the relevant Calendar Quarter.

2.5 **Trading Platform**

LMEprecious Futures may be traded on LME Select and the inter-office market but not in the Ring.

2.6 **Trading Hours**

LMEprecious Futures may be traded on the following platforms at the following times:

Platform	Trading Hours
LME Select	Between 01:00 and 20:00 London time on a Business Day
Inter-office market	24 hours a day during a Business Day

2.7 **Last Trading Time**

The last trading time for LMEprecious Futures shall be 16:00 London time on the Last Trading Day.

The Last Trading Day for LMEprecious Futures shall be the Business Day which is one Business Day before the Prompt Date.

2.8 **Settlement Basis**

LMEprecious Futures shall be physically settled in accordance with Regulation 9 of the Trading Regulations.

2.9 **Currency**

US Dollars.

2.10 Minimum Price Movement

(a) The minimum price movement for any LMEprecious Gold Future shall be as follows:

	Minimum price movement per fine troy ounce	
Venue	Outright	Carries
LME Select	\$0.1000	\$0.001
Inter-office market	\$0.0001	\$0.001

(b) The minimum price movement for any LMEprecious Silver Future shall be as follows:

	Minimum price movement per troy ounce	
Venue	Outright	Carries
LME Select	\$0.00500	\$0.00001
Inter-office market	\$0.00001	\$0.00001

APPENDICES

I Listed Brands

This appendix is no longer reproduced in the LME Rulebook but is available on the LME website at <http://www.lme.com/trading/warehousing-and-brands/brands/approved-brands/> or in hard copy from the Exchange.

II Listed Samplers and Assayers

This appendix is no longer reproduced in the LME Rulebook but is available on the LME website at <http://www.lme.com/trading/warehousing-and-brands/brands/samplers-and-assayers/> or in hard copy from the Exchange.

III Listed Warehouses

This appendix is no longer reproduced in the LME Rulebook but is available on the LME website at <http://www.lme.com/trading/warehousing-and-brands/warehousing/approved-warehouses/> or in hard copy from the Exchange.

IV Miscellany

Market Calls – LME trading times are no longer reproduced in the LME Rulebook but are available on the LME website at <http://www.lme.com/trading/times-and-dates/>

APPENDIX IV

MISCELLANY

In this section may be stored sheets of additional information from time to time distributed. Provided with this book is an example – the current timetable of LME market calls. Users of the book may, as they choose, install further items, recording their titles on the contents table on the following page.

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APPENDIX VI



Financial OTC Booking Fee Policy

INTRODUCTION AND EXECUTIVE SUMMARY

Background

This policy sets out the requirements applying to parties that are involved in the trading of over-the-counter (“**OTC**”) contracts referencing the prices, data or other information that is proprietary to and/or published by The London Metal Exchange (the “**Exchange**” or “**LME**”). Such requirements include obligations for parties that are captured by this policy to:

- report to the Exchange such relevant OTC contracts in the manner set out in this policy; and
- pay to the Exchange a “booking fee” in respect of relevant OTC contracts entered into (the “**FOTC Booking Fee**”). Certain fees may be waived, offset or discounted.

This Financial OTC Booking Policy (“**FOTCBF Policy**”) sets out:

- to whom the FOTCBF Policy applies, and the exemptions that apply to certain types of person (Part 1);
- the process for registering under the FOTCBF Policy (Part 2);
- the trades that are subject to reporting (Relevant OTC Contracts) (Part 3);
- how the FOTC Booking Fee is calculated and the arrangements for payment (Part 4);
- how the Relevant OTC Contracts should be reported to the Exchange, and the arrangements for auditing compliance with this policy (Part 5);
- how the FOTCBF Policy may be changed from time to time (Part 6);
- some example scenarios (Part 7); and
- a glossary of defined terms in this FOTCBF Policy (Part 8).

To the extent that this policy applies to:

- Members and (through ~~Members~~ Members’ obligations to ensure that their Affiliates comply with this policy) Affiliates of Members, it is supplemental to the obligations of Members under the LME’s Rulebook (as amended from time to time) available on the Exchange’s website at: <https://www.lme.com/regulation/rules/rulebook/> (the “**Rules**”); or
- entities that are licensees under a Data Agreement or entitled to use or receive LME Data pursuant to a Data Usage Licence (in each case “**Licensees**”), that incorporates this policy by reference or otherwise requires compliance with this policy by such entities.

It should be noted that, in this policy, references to “**Members**” are to Category 1, 2, 3 and 4 Members (as defined in the Rules). To the extent that this policy is relevant to any other category of member, such category shall be specifically identified by reference to its designation under the Rules.

Executive Summary

- (A) The effect of this FOTCBF Policy is that entities (Booking Fee Participants) falling within the scope of this FOTCBF Policy will be required to:
- (i) report Relevant OTC Contracts to the Exchange; and
 - (ii) pay, to the Exchange, the FOTC Booking Fee in respect of each such Relevant OTC Contracts. Certain fees may be waived, offset or discounted.
- (B) This FOTCBF Policy will apply the FOTC Booking Fee to:
- (i) entities falling within the definition of Booking Fee Participant; in respect of
 - (ii) Relevant OTC Contracts.
- (C) The table below summarises: (i) the type of entities which will fall within the definition of Booking Fee Participants, (ii) whether exemptions may be available to remove certain entities from the definition of Booking Fee Participants, and (iii) the contractual document that creates the binding obligations to comply with this FOTCBF Policy. For the full definitions of the terms used in the table below, please see Part 8 of this FOTCBF Policy.

Type of Entity	Potential Exemptions	Governing Contract(s)
Member (Category 1, 2, 3 or 4)	<ul style="list-style-type: none"> No Financial Institution within Group (including Member) 	<ul style="list-style-type: none"> Rules
Affiliate of Member (Category 1, 2, 3 or 4)	<ul style="list-style-type: none"> No Financial Institution within Group (including Affiliate) Client Asset Manager Physical Participant 	<ul style="list-style-type: none"> Rules (obligations on Member)
Licensee that is a Financial Intermediary (a Category 5 Member may be such a Licensee)		<ul style="list-style-type: none"> Data Agreement or other relevant contract

- (D) The potential exemptions identified in the table above are set out in this FOTCBF Policy. Any entity to which an exemption specified in the table above applies will not be caught by the definition of Booking Fee Participant and will accordingly not be required to pay the FOTC Booking Fee or to report Relevant OTC Contracts. The scope of application of each such exemption is set out in Part 1 of this FOTCBF Policy.
- (E) Booking Fee Participants who are Affiliates of each other have the option to report as a group. In addition to reporting efficiencies, this structure also means that OTC transactions between those Affiliates will not be classified ~~as~~ Relevant OTC Contracts, and hence are not required to be reported nor subject to a fee. It does not dis-apply the application of the FOTC Booking Fee, or the reporting obligation, for Relevant OTC Contracts with entities outside the relevant reporting group.
- (F) The following table summarises the types of contracts to which the FOTCBF Policy applies (contracts that are Relevant OTC Contracts):

Contracts or products that are not input into LMEsmart or cleared by LME Clear, such as (but not limited to) contracts that are:	Which have any of the following characteristics:	And which are not:
<ul style="list-style-type: none"> • Subject to an ISDA • Documented by long-form confirmation • Documented in any other form; or • Un-documented 	<ul style="list-style-type: none"> • May settle by reference to or refer to LME prices or data • Include LME branding or IP or references to the LME • Are margined on the basis of LME Data • May be settled using LME infrastructure • <u>Uses Specifies settlement:</u> <ul style="list-style-type: none"> (1) <u>at a list specific set of specifications, delivery brands, locations or warehouses;</u> (2) <u>using the facilities of a specific set of warehouse operators; and</u> (3) <u>by the transfer of metal of a given specification or of a specific set of brands</u> • <u>and where physically settling) which utilises each of (1), (2), and (3) above utilise a database or other list compiled by the Exchange specifying the metal that may be used to settle Contracts</u> 	<ul style="list-style-type: none"> • Contracts with platinum or palladium as the underlying metal • Contracts with ferrous metals as the underlying metal • Contracts which have as the underlying metal a precious metal which is the same as an LMEprecious Contract • Contracts already subject to thean LME Derived Data Licence • <u>Contracts subject to an LME Structured Products Licence</u> • Contracts between Affiliates which are in the same Reporting Group • Contracts that refer to the London Metal Exchange Index (LMEX) as the basis for determining their value • <u>Contracts that are Financing Transactions</u> • Contracts entered into before this FOTCBF Policy is brought into force by notice (see 3.1(gh) below)

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Interpretation

Terms which are used in this FOTCBF Policy are defined in Part 8 of this FOTCBF Policy. Terms not otherwise defined in this FOTCBF Policy shall have the meaning ascribed to them in the Rules.

References to “Paragraphs” refer to the paragraphs of this FOTCBF Policy. References to “Regulations” in this FOTCBF Policy are references to the regulations of the Rules unless otherwise stated.

In the event of any conflict between the terms of the FOTCBF Policy and the Rules, the terms of the FOTCBF Policy shall prevail. In the event of any conflict between the terms of the FOTCBF Policy and any Data Agreement, the terms of the FOTCBF Policy shall prevail.

In this FOTCBF Policy, unless the context requires otherwise:

- (a) references to the words “includes” or “including” will be construed without limitation to the generality of preceding words;
- (b) references to the word “aggregate” will be construed as meaning gross total of positives and negatives, rather than netting;
- (c) headings are for convenience only and do not affect the interpretation of this Agreement;
- (d) words or phrases importing the singular include the plural and vice versa; and
- (e) any reference in this FOTCBF Policy to any part of any legislation, statute or regulation includes the equivalent provision under any related or replacement legislation, statute or regulation from time to time.

References in this agreement to “tonnes” means “metric tonnes” (as set out in the Rules).

1. **PART 1 – Who does this policy apply to?**

1.1 **Principle of Application**

As more specifically described below, the FOTCBF Policy is intended to apply to financial participants entering into OTC transactions for LME metals, either with other financial participants, or with their clients.

1.2 **Booking Fee Participants**

This FOTCBF Policy shall apply to Booking Fee Participants and all Booking Fee Participants must comply with this FOTCBF Policy.

A “**Booking Fee Participant**” shall include any person who falls within the following categories of person:

- (a) all Members, other than such a Member to which the Non-Financial Group Exemption applies;
- (b) any Affiliate of a Member that is party to a Relevant OTC Contract, other than:
 - (i) an Affiliate of a Member to which the Non-Financial Group Exemption applies;
 - (ii) an Affiliate that is a Client Asset Manager; or
 - (iii) an Affiliate to which the Physical Participant Exemption applies;
- (c) any Licensee that is a Financial Intermediary and party to a Relevant OTC Contract.

A person falling into category (a) or (b) shall not also be classified under category (c). By way of example, this means that an Affiliate of a Member that is also a Licensee shall be treated as a Booking Fee Participant falling under (b) above and not under (c).

1.3 **Non-Financial Group Exemption**

A Member may declare itself and its Affiliates as exempt from the application of this FOTCBF Policy, on the basis that such Member is not, and does not have within its Group any Affiliate that is, a Financial Institution. Such exemption shall be the “**Non-Financial Group Exemption**”.

In order to be effective, such declaration must be notified to the Exchange in writing by the Member, and must be validly made in accordance with the terms of the Non-Financial Group Exemption specified in the Paragraph above. Such notification shall be made using Form 1 (see Annex 1), in accordance with the process set out in Paragraph 2.6 below.

The effect of a valid declaration by a Member for the application of the Non-Financial Group Exemption shall be that such Member and its Affiliates shall not be Booking Fee Participants, and therefore this FOTCBF Policy shall not apply to such Member or to its Affiliates.

1.4 **Physical Participant Exemption**

An Affiliate of a Member shall be exempt from the application of this FOTCBF Policy where such Affiliate is a Physical Participant, unless the Member notifies the Exchange

that such Affiliate should be treated as a Booking Fee Participant. Such exemption shall be the “**Physical Participant Exemption**”. The LME reserves the right in its sole discretion to re-categorise an entity seeking the Physical Participant Exemption as a Booking Fee Participant under Paragraph 1.2 above, where that entity has been erroneously or incorrectly categorised as a Physical Participant.

In order to dis-apply the Physical Participant Exemption in respect of an Affiliate which is a Physical Participant, the Member must notify the Exchange in writing, specifying the identity of the Affiliate and indicating that such Affiliate should be treated as a Booking Fee Participant. Such notification shall be made using Form 1, in accordance with the process set out in Paragraph 2.6 below.

Where the Physical Participant Exemption applies to an Affiliate, such Affiliate shall not be a Booking Fee Participant, and therefore this FOTCBF Policy shall not apply to such Affiliate.

2. PART 2 – How to report under this FOTCBF Policy?

Reporting Groups

- 2.1 Any set of Booking Fee Participants who are Affiliates of each other may choose to report as a group (a “**Reporting Group**”), or a set of Reporting Groups. It is not a requirement that group reporting is undertaken, and Affiliates may choose to construct one or more Reporting Groups as they wish. Each Booking Fee Participant may only be a member of one Reporting Group.
- 2.2 With each Reporting Group, one Booking Fee Participant (the “**Group Reporting Participant**”) must head the Reporting Group and take responsibility for reporting and payment. Once a Reporting Group has been formed and advised to the Exchange, and until the Reporting Group ceases to operate:
- (a) OTC trades between Booking Fee Participants in the Reporting Group shall not be classified as Relevant OTC Contracts, as specified in Paragraph 3.1(e);
 - (b) the Group Reporting Participant must ensure that it reports the aggregate Relevant OTC Contracts for all Booking Fee Participants in the Reporting Group, and all reporting requirements in this FOTCBF Policy shall be read as applying to the aggregate Relevant OTC Contracts for all Booking Fee Participants in the Reporting Group;
 - (c) the Group Reporting Participant shall be responsible for paying the FOTC Booking Fee in respect of all Relevant OTC Contracts under (b); and
 - (d) all other Booking Fee Participants in the Reporting Group shall not have an obligation under this FOTCBF Policy to: (i) separately register as Booking Fee Participants; (ii) submit reports on Relevant OTC Contracts to the Exchange, or (iii) pay to the Exchange the FOTC Booking Fee. However, all other elements of this FOTCBF Policy shall apply to such other Booking Fee Participants, and in particular audit rights, such that the Exchange can assess that the Group Reporting Participant has correctly reported the activity of such other Booking Fee Participants.
- If a Reporting Group contains ~~one~~ Member, then the Group Reporting Participant must be that Member. ~~-A Reporting Group may not only contain more than one Member- where those Members are Affiliates; in such circumstances, one Member within the Reporting Group must be identified as the Group Reporting Participant.~~ Booking Fee Participants may only be a member of one Reporting Group.
- 2.3 Reporting Groups must be advised to the Exchange in accordance with the process laid out in Paragraphs 2.5 - 2.8 below.
- 2.4 In the event that the Group Reporting Participant fails to discharge its obligations under this FOTCBF Policy, then the Exchange may dissolve the Reporting Group. In such event:
- (a) each individual Booking Fee Participant shall be required to report its Relevant OTC Contracts and pay the FOTC Booking Fee on an on-going basis; and
 - (b) the Exchange may require reporting and payment from each individual Booking Fee Participant for the period during which the Group Reporting Participant has failed to discharge its obligations.

Registration of Booking Fee Participants and Reporting Groups with the LME

- 2.5 Each Booking Fee Participant must register with the Exchange in accordance with the procedure set out in Paragraph 2.6, 2.7 or 2.8, as applicable (unless that Booking Fee Participant is a member of a Reporting Group, and not the Group Reporting Participant for that Reporting Group). Such registration must be made on the earlier of: (i) the entity in question becoming a Booking Fee Participant; or (ii) the date advised by Notice following the entry into force of this FOTCBF Policy⁺.

2.6 Members

Each Member must, using Form 1 ~~÷~~ (see Annex 1):

- (a) notify the Exchange whether the Non-Financial Group Exemption applies;
- (b) where (a) does not apply, such that the Member is a Booking Fee Participant:
 - (i) provide to the Exchange a list of all of its Affiliates that constitute Booking Fee Participants pursuant to Paragraph 1.2(b); and
 - (ii) specify
 - (1) whether the Member will be included within the Reporting Group of another affiliated Member; or
 - (2) which of such Affiliates should be included within the ~~Member's~~ Member's Reporting Group (in which case, the Member will act as the Group Reporting Participant in respect of the Reporting Group).

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The Member must promptly notify the Exchange in writing in the event that any of the details previously notified to the Exchange pursuant to (a) and/or (b) above become incorrect (including, without limitation, where any other Affiliate becomes a Booking Fee Participant for any reason) as well as the date on which (a) and/or (b) above became incorrect.

2.7 Affiliates of Members not in a Member's Reporting Group

Where any Affiliate of a Member is a Booking Fee Participant and is not included in a Reporting Group headed by the Member or another Affiliate, such Affiliate must notify the Exchange using Form 2 (see Annex 2), specifying the basis on which it wishes to report its Relevant OTC Contracts to the Exchange. The permissible bases for reporting are:

- (a) acting as the Group Reporting Participant for a Reporting Group (together with other Affiliates of the Member, who must be named on Form 2) that is not the ~~Member's~~ Member's Reporting Group; or
- (b) on a standalone basis.

⁺ ~~The date is currently anticipated to be 12 March 2018, but is subject to change.~~

An Affiliate must promptly notify the Exchange in writing in the event that any of the details previously notified to the Exchange pursuant to the above become incorrect, or if the Affiliate is no longer part of a Reporting Group.

In the event of any inconsistency or overlap between the Reporting Group notified by the Member pursuant to Paragraph 2.6(b) and any Reporting Group notified by an Affiliate pursuant to this Paragraph 2.47, the Exchange may notify such Member and the Member shall be responsible for resolving such inconsistency or overlap.

2.8 Licensees

Each Licensee that is a Booking Fee Participant and is not included in a Reporting Group headed by an Affiliate must, using Form 2, notify the Exchange of this fact, and specify the basis on which it wishes to report its Relevant OTC Contracts to the Exchange. The permissible bases for reporting are:

- (a) acting as the Group Reporting Participant for a Reporting Group (together with Affiliates of the Licensee, who must be named on Form 2); or
- (b) on a standalone basis.

A Licensee must promptly notify the Exchange in writing in the event that any of the details previously notified to the Exchange pursuant to the above become incorrect, or if the Licensee is no longer part of a Reporting Group.

Verification by LME

- 2.9 The Exchange may undertake such enquiries of any Member, Affiliate of a Member or Licensee as the Exchange considers appropriate to determine whether such Member, Affiliate and/or Licensee has correctly determined whether any person should or should not be treated as a Booking Fee Participant. Such enquiries may include, without limitation, an assessment of whether:
 - (a) a person has been correctly identified as either being or not being an Affiliate of another person; and/or
 - (b) a person has been correctly identified as a Client Asset Manager, or as a Physical Participant; and/or
 - (c) the Member and/or any Affiliate satisfies the criteria for the application of the Non-Financial Group Exemption.
- 2.10 A Member, any Affiliate of a Member or any Licensee must co-operate with any such enquiries undertaken by the Exchange pursuant to Paragraph 2.9 and must provide to the Exchange such information as the Exchange may request in connection with such enquiries, including any information that the Exchange considers necessary to assess whether a person has been correctly identified as either being or not being a Booking Fee Participant.
- 2.11 In the event that the Exchange determines that a person has been incorrectly identified as not being a Booking Fee Participant (whether due to the incorrect application of an Exemption or otherwise), such person shall be deemed to be a Booking Fee Participant and shall:

- (a) be liable to pay the FOTC Booking Fee in respect of all future Relevant OTC Contracts entered into by such Booking Fee Participant following the date of such determination by the Exchange; and
- (b) report to the Exchange all Relevant OTC Contracts entered into by such Booking Fee Participant in the period prior to such determination, during which the Booking Fee Participant had sought to rely upon the incorrect identification; and
- (c) be liable to pay to the Exchange such FOTC Booking Fees and any applicable interest and/or charges accrued pursuant to Paragraph 4.~~49~~20 in respect of the Relevant OTC Contracts identified pursuant to 2.11(b) above as the Exchange shall calculate and notify to the Booking Fee Participant.

3. PART 3 – Which trades are subject to the OTC Booking Fee?

Trades Subject to the FOTC Booking Fees (Relevant OTC Contracts)

3.1 “Relevant OTC Contract” means any contract or product, howsoever executed:

- (a) that is not input into LMEsmart or cleared by LME Clear, and which may include, but shall not be limited to, trades referenced (between two or more parties) whether:
 - (i) formally documented under an International Swaps and Derivatives Association (ISDA) standard agreement;
 - (ii) documented by a long-form confirmation;
 - (iii) any other documentation; or
 - (iv) undocumented; and
- (b) which has any of the following characteristics:
 - (i) it is, or may be, settled on the basis of, or with direct or indirect reference to, the ~~LME's~~LME's Official Prices, Closing Prices, or other Exchange reference prices, or prices calculated on the basis of LME Data, or which refer to or use such prices in any other way;
 - (ii) its terms, branding, name or description reference in any way the Exchange by its name, or use any of the trade marks or intellectual property of the Exchange;
 - (iii) it is margined or valued on the basis of LME Data;
 - (iv) it is, or may be, physically settled using the infrastructure, systems or facilities maintained or operated by Exchange, including but not limited to LMEsword; or
 - (v) ~~it is or may be physically settled by underlying metal according to specifies settlement:~~
 - ~~(1) at a list specific set of specifications, brands, locations and/or;~~
 - ~~(2) using the facilities of a specific set of warehouse operators; and~~
 - ~~(3) by the transfer of metal of a given specification or of a specific set of brands~~
 - ~~(v) and such list utilises all or part of anywhere each of (1), (2), and (3) utilise a database or other list compiled by the Exchange for specifying metal which may be used to settle any Contract, as set out in the Rules or as otherwise published by the Exchange; and~~
- (c) ~~and~~ which is not a contract or product for which the underlying metal is: a precious metal of the same type as is the underlying metal for an LMEprecious Contract; a ferrous metal; platinum; or palladium; and

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- (d) which is not covered by the terms of an LME Derived Data Licence; or an LME Structured Products Licence under which the Booking Fee Participant is a licensee;
- (e) which is not a transaction between Booking Fee Participants who are part of the same Reporting Group;
- (f) which is not a contract that refers to the London Metal Exchange Index (LMEX) as the basis for determining its value; ~~and~~
- (g) which is not a Financing Transaction; and
- ~~(e)~~(h) entered into on or after the date advised by Notice following the entry into force of this FOTCBF Policy².

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- 3.2 LME options volatilities may not be used as reference prices in any derivative contract or other financial instrument.
- 3.3 The Exchange acknowledges that Relevant OTC Contracts could be entered into using a Non-LME Multi Dealer Trading System (as defined in the Rules). However, this FOTCBF Policy expressly prohibits any Member, Affiliate and Licensee from entering into Relevant OTC Contracts on a Non-LME Multi Dealer Trading System that has not been approved by the Exchange, pursuant to the Rules. Such approval will be publicised under the Rules where, as determined by the LME in its sole discretion and acting reasonably, any Non-LME Multi Dealer Trading System is lawfully making use of the Intellectual Property Rights of the Exchange, including, without limitation, where such Non-LME Multi Dealer Trading System has: (i) entered into a licence agreement for the use of Intellectual Property Rights belonging to the Exchange; or (ii) been granted open access rights pursuant to prevailing applicable legislation.

² ~~The date is currently anticipated to be 3 April 2018, but is subject to change.~~

4. **PART 4 – Calculation and Payment of the FOTC Booking Fee**

Core principle of applicable fee

- 4.1 The core principle for calculating the applicable FOTC Booking Fee for any trade is that if it is assumed that every Prompt Date is immediately tradable via Contracts on the Exchange, and that any tonnage is tradable as Contracts on the Exchange, the total tonnage of Contracts which would need to be traded to offset the market risk created by the Relevant OTC Contract would be the **“Exchange Equivalent Tonnage”**.
- 4.2 Part 7 of this FOTCBF Policy sets out how the FOTC Booking Fee would be calculated in a range of different scenarios.

Calculation of applicable fee

- 4.3 The ~~LME~~ FOTC Booking Fee shall be a price per Exchange Equivalent Lot (as defined in (a) below), and shall be as specified in the fee schedule set out on the Exchange's website (as amended from time to time)³. In order to assist with the determination of such calculation:
- (a) The **“Exchange Equivalent Lots”** are calculated as the gross Exchange Equivalent Tonnage in a Reporting Period, divided by the relevant contract size for each metal, as such contract size is specified in the Rules (as amended from time to time).
 - (b) The **“gross Exchange Equivalent Tonnage”** in a Reporting Period is the sum of the Exchange Equivalent Tonnage of all trades within that Reporting Period, all modifications within the Reporting Period, and all early terminations within the Reporting Period.
 - (c) The Exchange Equivalent Tonnage for any trade is the sum of the metric tonne notional of the trade (or notional converted to metric tonnes), per leg, per settlement period.

Calendar spread transactions

- 4.4 A calendar spread transaction gives rise to two chargeable legs. The aggregate tonnage of both legs must be reported in the party's Report.

Option transactions

- 4.5 For vanilla options trades that expire into either a physically settled forward, or a financially settled swap, the Exchange Equivalent Tonnage is calculated per the position that would be created, should the option be exercised at expiry. This should be reported in the month that the option is traded, irrespective of whether it is exercised or not.
- 4.6 For options which are cash settled upon expiry, the Exchange Equivalent Tonnage is calculated as the equivalent hedge that would need to be traded on expiry to offset the change in delta, if the option is in the money (i.e. the Exchange Equivalent Tonnage should the option be a 100% delta).

³ ~~As of the date of this FOTCBF Policy, it is proposed that such fee be one US dollar per Exchange Equivalent Lot.~~

Structured transactions

4.7 For structured transactions, which are Bespoke Transactions, and which have features including (but not limited to):

- (a) having multiple commodity reference price (or other) inputs for settlement pricing;
or
- (b) having non-vanilla optionality,

the Exchange Equivalent Tonnage of each metal should be calculated as:

- (i) the sum of the total notional value (adjusted for any leverage) of the delta of each metal in the structure at inception (using a fair and reasonable pricing method),

divided by

- (ii) the per tonne price of the relevant metal at inception of the trade.

Modifications and cancellations

4.8 Where a Relevant OTC Contract is subject to the FOTC Booking Fee, and during its lifecycle such Relevant OTC Contract is modified, cancelled, or terminated early and such action affects the market risk of the transaction (a “**Modification**”), such Relevant OTC Contract must be reported, and shall incur an additional fee due to the Modification, as if it was a new Relevant OTC Contract to offset the original transaction. In the event that a Relevant OTC Contract is subject to the FOTC Booking Fee and is subsequently cancelled or terminated early as the direct result of the transaction having been brought-onto the Exchange, under the OTC Bring-On category pursuant to the Rules, then such cancellation or termination does not need to be reported to the Exchange and no additional FOTC Booking Fee shall be due in respect of such cancellation or termination.

4.9 Where a Relevant OTC Contract is financially or physically settled on the day that it was originally scheduled to settle, as per the original contract, without modification (a “**Close-Out**”), this does not create a new Relevant OTC Contract. As such, no reporting requirements apply, and no FOTC Booking Fee shall be applied to the Close-Out.

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4.10 Where a Relevant OTC Contract (or set of Relevant OTC Contracts) is novated either to or from a Booking Fee Participant to or from another counterparty, without changing the market risk on the trade (or trades) (a “**Novation**”), this does not create a new Relevant OTC Contract. As such, no reporting requirements apply and no FOTC Booking Fee shall be payable in respect of the Novation.

Waivers of OTC Booking Fees

~~4.104.11~~ Relevant OTC Contracts that are ~~Spot~~ Physical Spot Trades shall not incur any FOTC Booking Fee (“**Physical Spot Waiver**”). The Physical Spot Waiver shall not apply where a Booking Fee Participant executes two Physical Spot Trades as a calendar spread between each other. For the avoidance of doubt, such Relevant OTC Contracts must still be reported by the Booking Fee Participant: notwithstanding the application of the Physical Spot Waiver.

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Offsets of OTC Booking Fees

4.114.12 Where a Booking Fee Participant is not a Member and, within a Reporting Period:

- (a) enters into Relevant OTC Contracts; and
- (b) is issued, as a Client, Client Contracts by any Member,

then, when calculating the applicable OTC Booking Fee for such Booking Fee Participant, the Exchange shall offset such Relevant OTC Contracts against such Client Contracts (where such Client Contracts are reported in a Report) on the basis that the offset shall apply between the number of Lots under the Client Contracts and the Exchange Equivalent Lots under the Relevant OTC Contracts ("**Client Contract Offset**"). The offset need not be implemented on a trade-by-trade basis. It should be implemented on an aggregate basis across all Client Contracts issued, per metal, for the Booking Fee Participant, offsetting the aggregate FOTC Booking Fee in that metal, during each Reporting Period.

4.124.13 Where, within a Reporting Period, a Booking Fee Participant that is a Member brings a Relevant OTC Contract to which it is party onto the Exchange, under the OTC Bring-On category pursuant to the Rules, the Exchange shall, when calculating the applicable OTC Booking Fee, offset such brought-on Relevant OTC Contracts (where such OTC Bring-On trades are reported in a Report) against the total number of Exchange Equivalent Lots for Relevant OTC Contracts of the same metal entered into by the Booking Fee Participant during the same Reporting Period ("**OTC Bring-On Offset**"). The offset need not be implemented on a trade-by-trade basis, but on an aggregate basis across all contracts brought-on to the Exchange, per metal, for the Booking Fee Participant, offsetting the aggregate FOTC Booking Fee in that metal, during each Reporting Period.

4.134.14 Entities that hold a Data Usage Licence issued by the Exchange may offset the fee paid for such licence (as set out in the Data Agreement) against any fees payable under the FOTCBF Policy annually, in respect of any metal ("**Usage Licence Offset**"). This can span across multiple Reporting Periods and invoice periods (within the relevant calendar year) until the licence fee is fully offset. In order to utilise a Usage Licence Offset, the entity must notify the Exchange of its intent to do so, pursuant to the relevant Report(s).

4.144.15 In the case of Reporting Groups, the offsets set out in Paragraphs 4.412 to 4.431 apply across the aggregate activity of the Booking Fee Participants within the Reporting Group. For example:

- (a) if a Booking Fee Participant within the Reporting Group receives a given number of Client Contracts, these can be offset against Relevant OTC Contracts entered into by any other Booking Fee Participant within the same Reporting Group. For the avoidance of doubt, the Client Contracts may be issued by a Member within the Reporting Group;
- (b) if a Member within the Reporting Group brings a given number of Relevant OTC Contracts onto the Exchange, these can be offset against Relevant OTC Contracts entered into by any other Booking Fee Participant within the same Reporting Group; and
- (c) for each Booking Fee Participant within the Reporting Group which pays fees for a Usage Licence, such fees can be offset against FOTC Booking Fees payable by any Booking Fee Participant within the same Reporting Group.

Discounts to OTC Booking Fees

4.154.16 Where a Relevant OTC Contract is: (i) a calendar spread trade (including two fixed-float swaps traded as a calendar spread, a float-float swap, or a float-delivery); and (ii) all pricing and settlement dates are within 60 calendar days of the first pricing date, Booking Fee Participants shall benefit from a 50% reduction to the FOTC Booking Fee in respect of such Relevant OTC Contract, subject to Paragraph 4.4617 below ("**Short-Dated Spread Discount**").

4.164.17 To benefit from the Short-Dated Spread Discount:

- (a) the aggregate tonnage of both legs of the trades must be reported within the party's Report, under the relevant "spread" trade types section; and
- (b) the Physical Spot Waiver does not apply on any leg of the spread trade to which the discount applies.

Paying applicable fees

4.174.18 In consideration of allowing the Booking Fee Participant (and, where applicable, other Booking Fee Participants within the Reporting Group) to use LME Data by entering into a Relevant OTC Contract, the Booking Fee Participant shall pay to the Exchange the FOTC Booking Fees determined in accordance with this Part 4.

4.184.19 All payments made by a Booking Fee Participant pursuant to this FOTCBF Policy shall be made in full, without any deduction, withholding, set-off or counterclaim (other than any deduction or withholding of tax as required by law). All Booking Fees shall be exclusive of any applicable taxes including VAT or local taxes for which the Booking Fee Participant shall remain liable. Each Booking Fee Participant agrees to pay all bank charges relating to any payment, due to the Exchange.

4.194.20 Where any amount due to the Exchange remains unpaid or where there is an adjustment to the amount due as a result of any incorrect reporting pursuant to Paragraph 2.11 or Part 5 of this FOTCBF Policy, without prejudice to any other right or remedy, the Exchange may charge interest at an annual rate of 4% above the base rate of Lloyds Bank PLC in the United Kingdom calculated on a daily basis in respect of any amount which is overdue and remains unpaid, and where applicable may charge a Booking Fee Participant for the ~~Exchange's~~Exchange's reasonable expenses of collection (including but not limited to, lawyers' and ~~experts'~~experts' charges, as well as court costs and the administrative costs of the Exchange).

4.204.21 The Exchange may add to or change the OTC Booking Fees payable from time to time upon the provision of at least thirty (30) ~~days'~~days' written notice, with changes to be effective on the date specified in such written notice.

4.214.22 The Exchange may at any time set-off any OTC Booking Fees owed by a Booking Fee Participant to the Exchange against any amounts owed by the Exchange to the Booking Fee Participant, whether such amount is a present debt or will arise in the future, and whether or not such amount arises under this FOTCBF Policy. Any exercise by the Exchange of its rights under this Paragraph 4.2422 shall not limit or affect any other rights or remedies available to it under the FOTCBF Policy or otherwise.

4.224.23 The Exchange will invoice fees payable under the FOTCBF Policy on a quarterly basis in arrears on or around the 1st May (for the periods January-March), 1st August (for the periods April-June), 1st November (for the periods July-September) and 1st February (for the ~~preceeding October-December periods~~preceding October-December periods). If a Booking Fee Participant becomes subject to the FOTC Booking Fee during the course of a quarterly period, fees payable from the point at which fees are due under the FOTCBF Policy, until the end of the quarter, shall be invoiced at the end of such quarterly period.

Disapplication by the LME

4.234.24 The LME may, at its sole discretion acting reasonably, dis-apply any exemption, discount or offset conferred under this Policy, where it believes that any trade or combination of trades are being used primarily to avoid payment of the FOTC Booking Fee.

5. **PART 5 – Reporting and Audit**

Reporting Relevant OTC Trades

- 5.1 The reporting period (“**Reporting Period**”) for the FOTC Booking Fee is one calendar month, starting on the first day of each month.
- 5.2 All reports under the FOTCBF Policy (“**Reports**”) should be approved and submitted by the appropriate senior compliance officer(s) responsible for metals trading of the Booking Fee Participant (the “**Reporting Officer(s)**”). The Exchange shall be entitled to rely on any report submitted by the Reporting Officer(s) as being fully accurate in respect of Relevant OTC Contracts transacted by the Reporting Group, on the basis that it has been reviewed and approved by the relevant Reporting Officer(s).
- 5.3 When a Group Reporting Participant is reporting on behalf of a Reporting Group, a compliance officer at the Group Reporting Participant may rely on reports from compliance officers from other Booking Fee Participants in the Reporting Group. For the avoidance of doubt, the Exchange maintains a right of audit over the other Booking Fee Participants.
- 5.4 All Booking Fee Participants (unless part of a Reporting Group and not the Group Reporting Participant) must report their transactions in Relevant OTC Contracts to the Exchange in every Reporting Period. In the event that no applicable transactions have been done in that period, a nil return must be reported (such that a report is submitted with a zero value in the relevant reporting field(s)).
- 5.5 Reports must be submitted to the Exchange on or before the 14th calendar day of the month following each Reporting Period.
- 5.6 Reports shall be made on a summary, aggregate basis, for each combination of the below categories, in gross total metric tonnes:

(a) ~~meta~~**Metal**:

- Aluminium
- Aluminium alloy
- Cobalt
- Copper
- Lead
- Molybdenum
- NASAAC
- Nickel
- Tin
- Zinc

(b) **Trade type:**

Trade Type	Applicability of Discount, Offset or Waiver
Financially-settled Relevant OTC Contracts	Specify those eligible for Short-Dated Spread Discount
Physically-settled Relevant OTC Contracts	Specify those eligible for Short-Dated Spread Discount
Physical Spot Trades	Eligible for waiver of fee per the Physical Spot Waiver
Client Contracts received	Offset will be provided per the Client Contract Offset
OTC bring-on transactions	Offset will be provided per the OTC Bring-On Offset

(c) **Other data:**

Data	Relevant Information
Usage Licence fees paid	Offset will be provided per the Usage Licence Offset, subject to notification being made to the Exchange that the Booking Fee Participant wishes to utilise the Usage Licence Offset

- 5.7 For the avoidance of doubt, the notional tonnage on options transactions should also be aggregated into the figures provided.
- 5.8 Any leverage within transactions should be applied to the specified notional in the transaction, in order to calculate the Exchange Equivalent Tonnage of the trade.
- 5.9 The Exchange provides a reporting spreadsheet on its website and at Annex 3 of this FOTCBF Policy (the "**Reporting Template**"). The Reporting Template must be used for the purpose of submitting Reports.
- 5.10 Reports may be submitted to the Exchange via the secure Universal Data Gateway. A new login will be provided for the nominated Reporting Officer(s) for each Booking Fee Participant to be able to submit Reports. Alternatively, a Booking Fee Participant may submit a Report by email if, acting prudently, it considers such method of delivering its Report to the Exchange to be appropriately secure.

Right to Audit and Record Keeping

- 5.11 Each Booking Fee Participant shall keep complete, accurate and up-to-date records relating to the Relevant OTC Contracts it enters into for a minimum of five years from the date of creation of such Relevant OTC Contracts. Such records must be sufficient to identify all OTC Booking Fees payable to the Exchange under this FOTCBF Policy.

5.12 The Exchange may request at any time, and the Booking Fee Participant will ensure, that the Reporting Officer of the Booking Fee Participant confirms, in writing, the Booking Fee Participant's compliance with the terms of this FOTCBF Policy.

5.13 Upon the provision of at least thirty (30) ~~days'~~days written notice (but without notice ~~in the case of a breach or suspected breach of this FOTCBF Policy or~~ where required by any competent regulatory body), the Booking Fee Participant shall permit the Exchange and/or its advisors and/or its regulators and/or any independent professional auditors acting on behalf of the Exchange:

(a) to gain access (both physical and remote) during normal business hours to the systems, controls, books and records of the Booking Fee Participant and (where appropriate) its Affiliates, and any other information ("**Records**") held at the Booking Fee Participant's or its ~~Affiliates'~~Affiliates premises or on the Booking Fee Participant's or its ~~Affiliates'~~Affiliates information technology or other systems owned or operated by the Booking Fee Participant or its Affiliates; and

(b) to inspect and take copies of all such Records,

in each case as the Exchange may reasonably require for the purposes of auditing the Booking Fee Participant's compliance with this FOTCBF Policy, including the reporting of Relevant OTC Contracts and the payment of any OTC Booking Fees. The Exchange shall and shall ensure that its advisors and its auditors treat all information obtained in the audit as Confidential Information in accordance with the Rules or Data Agreement (as applicable).

6. PART 6 – Changes to the FOTCBF Policy

Changes to FOTCBF Policy

- 6.1 The Exchange reserves the right to modify or update the terms of this FOTCBF Policy at any time, for any reason, without seeking the prior consent of any Member, Licensee or other Booking Fee Participant.
- 6.2 Subject to Paragraphs 6.3 and 6.4 below, the Exchange shall use reasonable endeavours to enter into dialogue with Booking Fee Participants in respect of any material change to the FOTCBF Policy that is likely to have a substantial impact on the operational burden imposed on Booking Fee Participants generally.
- 6.3 Any such dialogue shall offer Booking Fee Participants a reasonable period, as determined by the Exchange, to review and comment on the proposed change. The Exchange shall take any comments received from Booking Fee Participants into account, but it shall be under no obligation to amend its proposed changes or to act in any way on the basis of the comments received from Booking Fee Participants. Any changes implemented, or not implemented, by the Exchange shall be at the absolute discretion of the Exchange.
- 6.4 The Exchange shall not be required to enter into dialogue with Booking Fee Participants, or otherwise consult, on any change to the FOTCBF Policy that:
- (a) does not fall within Paragraph 6.32 above;
 - (b) is required to comply with any direction given to the Exchange by any competent regulator of the Exchange;
 - (c) is required to comply with any change in applicable law or regulation in circumstances where there is, in the opinion of the Exchange, not sufficient time to conduct a consultation;
 - (d) is a non-material administrative change; and/or
 - (e) is a change to the level of the OTC Booking Fee.
- and any such changes shall be notified to Booking Fee Participants by a Notice issued by the Exchange.
- 6.5 Any change to the FOTCBF Policy shall come into effect upon the expiry of 30 days following the issue by the Exchange of notice of the proposed change or thereafter on such date prescribed by the Exchange in its absolute discretion. The Exchange may specify a shorter notice period than required pursuant to this Paragraph 6.5, where the Exchange considers that it is appropriate to do so, having regard to the interests of the Exchange and the Booking Fee Participants and to the obligations of the Exchange to ensure continued compliance with applicable law and regulation.

7. PART 7 – Example Scenarios

The scenarios below are given as examples of the applicable FOTC Booking Fee in various situations, though are not exhaustive.

In each example, it is assumed that all trades have been booked OTC, unless otherwise mentioned, and that the FOTC Booking Fee is set at one US dollar per Exchange Equivalent Lot.

Trade type examples:

7.1 Example 1 – Cash settled fixed-float trade:

Initial trade:	On 17th May 2018 2019: Client A (a hedge fund) buys 1,000 metric tonnes ("mt") of June 2018 2019 copper from Member A, financially settled against the average LME Official Cash Settlement prices during June 2018 2019, at \$6,000/mt <ul style="list-style-type: none"> 1,000mt of LME equivalent copper tonnage is accumulated for this trade and reported by Member A in their May 20182019 report (\$40 accumulated respectively)
Modification:	On 31st May 2018 2019: Client A sells 500mt of this trade back to Member A at \$6,100 /mt (partial early termination) <ul style="list-style-type: none"> 500mt of LME equivalent copper tonnage is accumulated for this trade and reported by Member A in their May 20182019 report (\$20 accumulated respectively)
Final pricing period:	During June 2018 2019, the remaining 500mt prices out at \$6,200/mt <ul style="list-style-type: none"> No additional accumulation of FOTC Booking Fee, given that contract closed-out per its original terms
Result:	In this example, an aggregate total of \$60 is payable in respect of the FOTC Booking Fee.

7.2 Example 2 – Physical forward trade:

Initial trade:	On 7th May 2018 2019: Client B (a consumer) buys 5,000mt aluminium, from Member B, for delivery 2nd July 2018 2019, at \$2,000/mt <ul style="list-style-type: none"> 5,000mt of LME equivalent aluminium tonnage is accumulated for this trade and reported by Member B in their May 20182019 report (\$200 accumulated respectively)
OTC Bring on:	On 28th June 2018 2019: Client B instructs Member B to bring the trade on to the LME, and transfer to Member C <ul style="list-style-type: none"> Accumulation of 5,000mt of aluminium OTC bring-on offset, reported by Member B in their June 20182019 report (which will offset \$200 of FOTCBF accumulated elsewhere in the May 20182019 report)
Result:	In this example, an aggregate total of \$200 is payable in respect of the May report and value equating to 5,000mt of aluminium offset is available

	in the June report.
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7.3 Example 3 – Float-deliver trade:

Initial trade:	<p>On 17th May 20182019: Client C (a producer) agrees to sell 500mt nickel, to Member C, at average of July 20182019, prompt 2nd August at +\$15/mt (contango)</p> <ul style="list-style-type: none"> 1000mt of LME equivalent nickel tonnage is accumulated for this trade (a float-deliver trade is a spread and so both legs are reported) and reported by Member C in their May 20182019 report (reported as an eligible spread as pricing and settlement dates are within 60 days of each other) (\$83.33 accumulated respectively)
Close out:	<p>On 31st July 20182019: Client C buys 500mt nickel, from Member C, for Cash (2nd Aug) at second ring close, to close out their exposure from the initial trade</p> <ul style="list-style-type: none"> Physical Spot physical-exemptionWaiver applies, and no fee is accumulated, though 500mt of spot-physical <u>spot</u> nickel trades must be reported by Member C in their July 20182019 report
Result:	In this example, an aggregate total of \$83.33 is payable in respect of the FOTC Booking Fee.

7.4 Example 4 – Float-float trade:

Initial trade:	<p>On 8th August 20182019: Client D (a merchant) buys 750mt aluminium average of October 20182019, vs. sells average of November 20182019, for financial settlement on 4th3rd December 20182019 at + \$10/mt (contango), with Member D</p> <ul style="list-style-type: none"> 1,500mt of LME equivalent aluminium tonnage is accumulated for this trade (a float-float trade is a spread and so both legs are reported) and reported by Member D in their August 20182019 report (not able to be reported as eligible spreads as pricing and settlement dates are not within 60 days of each other) (\$60 accumulated respectively) No additional accumulation of FOTC Booking Fee, given that contract closed-out per its original terms
Result:	In this example, an aggregate total of \$60 is payable in respect of the FOTC Booking Fee.

7.5 Example 5 – Calendar strip trade:

Initial trade:	On 21st September 2018: Client E (a producer) sells, to Member E, 250mt per month of Cal19 lead at \$2,500/mt, financially settled monthly vs. the average Cash Official Settlement Price on the 2nd business day of the following month.
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	<ul style="list-style-type: none"> 3,000mt of LME equivalent lead tonnage is accumulated for this trade, and reported by Member E in their September 2018 report (\$120 accumulated respectively) No additional accumulation of FOTC Booking Fee, given that contract closed-out per its original terms
Result:	In this example, an aggregate total of \$120 is payable in respect of the FOTC Booking Fee.

User type examples:

7.6 Example 1 – physical trader:

Scenario	On 7th August 2018: Client A (a non-member physical trader), trades 500mt of 3-month copper with Member A on an OTC basis.
Reports	<ul style="list-style-type: none"> Member A reports 500mt of LME equivalent copper tonnage accumulated in August 2018 report (\$20 accumulated respectively) Client A makes no report to the LME as it is not a Booking Fee Participant

7.7 Example 2 – Financial intermediary:

Scenario	On 18th April 2018 2019: Bank B (a non-member Financial Intermediary), trades 1,000mt of June 2018 2019 aluminium with Client B on an OTC basis, and hedges 1,000mt of 3-month aluminium with Member B as an LME Client Contract.
Reports	<ul style="list-style-type: none"> Bank B reports 1,000mt of LME equivalent aluminium tonnage accumulated in April 20182019 report (\$40 accumulated fee) Bank B reports 1,000mt of aluminium Client Contract received in April 20182019 report (\$40 accumulated offset) Bank B has no accumulated fee from these transactions due to offset Member B has only issued LME Client Contracts, and does not report these Client B makes no report to the LME as it is not a Booking Fee Participant

7.8 Example 3 – OTC financial intermediary:

Scenario	On 18th April 2018 2019: Bank C (a non-member financial institution), trades 1,000mt of June 2018 2019 aluminium with Client C on an OTC basis, and hedges 1,000mt of 3-month aluminium with Member C on an OTC basis.
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Reports	<ul style="list-style-type: none"> Bank C reports 2,000mt of LME equivalent aluminium tonnage accumulated in April 20182019 report (1,000mt per trade, \$80 accumulated fee) Member C reports 1,000mt of LME equivalent aluminium tonnage accumulated in April 20182019 report (\$40 accumulated fee) Client C makes no report to the LME as it is not a Booking Fee Participant
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7.9 **Example 4 – OTC affiliate intermediary:**

Scenario	On 25th 20th May 2018 2019: Entity D (an Affiliate of LME Member D, with both entities sitting within the same Reporting Group) trades 100mt of August 2018 2019 tin with Client D on an OTC basis, and hedges 100mt of 3-month tin with Member D on an OTC basis.
Reports	<ul style="list-style-type: none"> Member D reports 100mt of LME equivalent tin tonnage accumulated in May 20182019 report (100mt client trade, \$20 accumulated fee) Neither Entity D nor Member D report the trade between them, as they are within the same Reporting Group Client D makes no report to the LME as it is not a Booking Fee Participant

8. PART 8 – Definitions

In this FOTCBF Policy, the following words and expressions shall, unless the context otherwise requires, have the meanings set out opposite them:

Term	Definition
“Affiliate”	has the meaning set out in the Rules;
“Bank”	means: (a) an authorised credit institution within the meaning of Article 4.1(1) of the Capital Requirements Regulation (Regulation (EU) No 575/2013), whether authorised in the United Kingdom or by the competent authority of an EEA State other than the United Kingdom; or (b) an entity which is the same or a similar type of business as those entities covered by a (above), and/or which undertakes the same or similar types of activities, which is authorised, supervised or regulated by the competent regulatory authority of any non-EU jurisdiction;
“Bespoke Transaction”	means a transaction that does not have standardised terms, and which is not agreed on the basis that regular trading in the type of transaction may occur;
“Booking Fee Participant”	has the meaning given to it in Paragraph 1.2;
“Broker Dealer”	means an Investment Firm that executes transactions in financial instruments on behalf of its clients, whether: (a) as agent on behalf of such clients; or (b) as principal (whether against its own proprietary capital or otherwise);
“Client Asset Manager”	means an entity that has as its primary business is the performance of services comprising the discretionary management of a portfolio of money or other assets where the majority of such money or assets are attributable to another person that is not an Affiliate of the person performing such services;
“Client Contract Offset”	has the meaning given to it in Paragraph 4.11.12;
“Clients”	has the meaning set out in the Rules;
“Close-Out”	has the meaning set out in Paragraph 4.9;
“Data Agreement”	means any licence or other agreement pursuant to which a person is permitted to access or use any LME Data, prices or other Intellectual Property Rights, including any Data Usage Licence;

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“Data Usage Licence”	means any licence governing the use of LME Data, prices or other Intellectual Property Rights, in a form prescribed by the Exchange;
“Exchange Equivalent Lot”	has the meaning set out in Paragraph 4.3;
“Exchange Equivalent Tonnage”	has the meaning set out in Paragraphs 4.1 and 4.3(a); ;
“Financial Institution”	means a person that is: (a) an Investment Firm (including a branch established in the United Kingdom of such a firm); or (b) a Bank (including a branch established in the United Kingdom of such an institution); or (c) any other authorised person or exempt person within the meaning of Part III of the Financial Services and Markets Act 2000; or (d) an entity which is the same or a similar type of business as those entities covered by c (above), and/or which undertakes the same or similar types of activities, which is authorised, supervised or regulated by the competent regulatory authority of any non-UK jurisdiction;
“Financial Intermediary”	means a Financial Institution that is: (a) a Bank; or (b) a Broker Dealer;
<u>“Financing Transaction”</u>	<u>means a transaction, the purpose and effect of which is to provide financing of one counterparty's physical metal inventory holdings, and where the full value of such holdings are transferred from such counterparty to the other counterparty;</u>
“FOTC Booking Fee”	means the fees applied to Relevant OTC Contracts, as determined in accordance with this FOTCBF Policy;
“Group”	has the meaning set out in the Rules;
“Group Reporting Participant”	has the meaning set out in Paragraph 2.2;
“Investment Firm”	means: (a) an authorised investment firm within the meaning of Article 4 of MiFID II (Directive 2014/65/EU), whether authorised in the United Kingdom or by the competent authority of an EEA State other than the United Kingdom; or (b) an entity which is the same or a similar type of business as those entities covered by a (above), and/or which undertakes the same or similar types of activities, which

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	is authorised, supervised or regulated by the competent regulatory authority of any non-EU jurisdiction;
“Licensee”	has the meaning set out on page 2 (<i>Introductions and Executive Summary</i>) of this FOTCBF Policy;
“LME Data”	has the meaning set out in the Rules;
“ <u>LME Derived Data Licence</u> ”	<u>means a licence agreement, in a form prescribed or agreed by the Exchange, pursuant to which a licensee may use LME Data for the calculation, creation, structuring, developing, publication, managing, hedging, trading, marketing, listing and/or promotion of a derived product (including, without limitation, any product, index, strategy, and/or financial instrument, using a derived calculation) as permitted by LME under such agreement;</u>
“ <u>LME Derived Data Structured Products Licence</u> ”	means a licence agreement, in a form prescribed or agreed by the Exchange, pursuant to which a licensee may use LME Data for the purpose of the development of <u>or distribution of</u> structured financial products <u>or transactions</u> ;
“Member”	has the meaning set out on page 2 (<i>Introductions and Executive Summary</i>) of this FOTCBF Policy;
“Modification”	has the meaning set out in Paragraph 4.8;
“Non-Financial Group Exemption”	has the meaning set out in Paragraph 1.3;
“Non-LME Multi Dealer Trading System”	has the meaning set out in the Rules;
“OTC”	has the meaning set out on page 2 (<i>Introductions and Executive Summary</i>) of this FOTCBF Policy;
“OTC Bring-on Offset”	has the meaning set out in Paragraph 4.4213;
“Physical Participant”	means an entity that has as its primary business: (i) the mining, refining or processing of base metals; or (ii) the production of consumer goods, finished or part-finished components, buildings or other physical structures, using a base metal as a component material for such products;
“Physical Participant Exemption”	has the meaning set out in Paragraph 1.4;
“ <u>Physical Spot Trade</u> ”	<u>means a trade which physically settles either one or two Business Days after the trade date; and</u>
“Physical Spot Waiver”	has the meaning set out in Paragraph 4.4011;
“Records”	has the meaning set out in Paragraph 5.13;

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"Relevant OTC ContractsContract"	has the meaning set out in Paragraph 3.1;
"Report"	has the meaning set out in Paragraph 5.2;
"Reporting Group"	means the manner in which affiliate entities are grouped in under this FOTCBF Policy for the purposes of fulfilling their reporting obligations under this FOTCBF Policy, as further defined in Paragraph 2.1;
"Reporting Officer"	has the meaning set out in Paragraph 5.2;
"Reporting Period"	has the meaning set out in Paragraph 5.1;
"Reporting Template"	has the meaning set out in Paragraph 5.9;
"Rules"	has the meaning set out on page 2 (<i>Introductions and Executive Summary</i>) of this FOTCBF Policy;
"Short-Dated Spread Discount"	has the meaning set out in Paragraph 4. 45 16;
"Spot Trade" Physical Trade	means a trade which physically settles two Business Days after the trade date; and
"Usage Licence Offset"	has the meaning set out in Paragraph 4. 13 14.

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ANNEX 1

FORM 1

Link: ~~Financial OTC Booking Fee Policy – Form 1~~Financial OTC Booking Fee Policy –
Form 1

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ANNEX 2

FORM 2

| Link: ~~Financial OTC Booking Fee Policy – Form 2~~Financial OTC Booking Fee Policy – Form 2

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ANNEX 3

REPORTING TEMPLATE

~~[Link: Financial OTC Booking Fee Policy – Reporting Template](#)~~
~~[Link: Financial OTC Booking Fee Policy – Reporting Template](#)~~

APPENDIX VI



Financial OTC Booking Fee Policy

INTRODUCTION AND EXECUTIVE SUMMARY

Background

This policy sets out the requirements applying to parties that are involved in the trading of over-the-counter (“**OTC**”) contracts referencing the prices, data or other information that is proprietary to and/or published by The London Metal Exchange (the “**Exchange**” or “**LME**”). Such requirements include obligations for parties that are captured by this policy to:

- report to the Exchange such relevant OTC contracts in the manner set out in this policy; and
- pay to the Exchange a “booking fee” in respect of relevant OTC contracts entered into (the “**FOTC Booking Fee**”). Certain fees may be waived, offset or discounted.

This Financial OTC Booking Policy (“**FOTCBF Policy**”) sets out:

- to whom the FOTCBF Policy applies, and the exemptions that apply to certain types of person (Part 1);
- the process for registering under the FOTCBF Policy (Part 2);
- the trades that are subject to reporting (Relevant OTC Contracts) (Part 3);
- how the FOTC Booking Fee is calculated and the arrangements for payment (Part 4);
- how the Relevant OTC Contracts should be reported to the Exchange, and the arrangements for auditing compliance with this policy (Part 5);
- how the FOTCBF Policy may be changed from time to time (Part 6);
- some example scenarios (Part 7); and
- a glossary of defined terms in this FOTCBF Policy (Part 8).

To the extent that this policy applies to:

- Members and (through Members’ obligations to ensure that their Affiliates comply with this policy) Affiliates of Members, it is supplemental to the obligations of Members under the LME’s Rulebook (as amended from time to time) available on the Exchange’s website at: <https://www.lme.com/regulation/rules/rulebook/> (the “**Rules**”); or
- entities that are licensees under a Data Agreement or entitled to use or receive LME Data pursuant to a Data Usage Licence (in each case “**Licensees**”), that incorporates this policy by reference or otherwise requires compliance with this policy by such entities.

It should be noted that, in this policy, references to “**Members**” are to Category 1, 2, 3 and 4 Members (as defined in the Rules). To the extent that this policy is relevant to any other category of member, such category shall be specifically identified by reference to its designation under the Rules.

Executive Summary

- (A) The effect of this FOTCBF Policy is that entities (Booking Fee Participants) falling within the scope of this FOTCBF Policy will be required to:
- (i) report Relevant OTC Contracts to the Exchange; and
 - (ii) pay, to the Exchange, the FOTC Booking Fee in respect of each such Relevant OTC Contracts. Certain fees may be waived, offset or discounted.
- (B) This FOTCBF Policy will apply the FOTC Booking Fee to:
- (i) entities falling within the definition of Booking Fee Participant; in respect of
 - (ii) Relevant OTC Contracts.
- (C) The table below summarises: (i) the type of entities which will fall within the definition of Booking Fee Participants, (ii) whether exemptions may be available to remove certain entities from the definition of Booking Fee Participants, and (iii) the contractual document that creates the binding obligations to comply with this FOTCBF Policy. For the full definitions of the terms used in the table below, please see Part 8 of this FOTCBF Policy.

Type of Entity	Potential Exemptions	Governing Contract(s)
Member (Category 1, 2, 3 or 4)	<ul style="list-style-type: none"> No Financial Institution within Group (including Member) 	<ul style="list-style-type: none"> Rules
Affiliate of Member (Category 1, 2, 3 or 4)	<ul style="list-style-type: none"> No Financial Institution within Group (including Affiliate) Client Asset Manager Physical Participant 	<ul style="list-style-type: none"> Rules (obligations on Member)
Licensee that is a Financial Intermediary (a Category 5 Member may be such a Licensee)		<ul style="list-style-type: none"> Data Agreement or other relevant contract

- (D) The potential exemptions identified in the table above are set out in this FOTCBF Policy. Any entity to which an exemption specified in the table above applies will not be caught by the definition of Booking Fee Participant and will accordingly not be required to pay the FOTC Booking Fee or to report Relevant OTC Contracts. The scope of application of each such exemption is set out in Part 1 of this FOTCBF Policy.
- (E) Booking Fee Participants who are Affiliates of each other have the option to report as a group. In addition to reporting efficiencies, this structure also means that OTC transactions between those Affiliates will not be classified as Relevant OTC Contracts, and hence are not required to be reported nor subject to a fee. It does not dis-apply the application of the FOTC Booking Fee, or the reporting obligation, for Relevant OTC Contracts with entities outside the relevant reporting group.
- (F) The following table summarises the types of contracts to which the FOTCBF Policy applies (contracts that are Relevant OTC Contracts):

Contracts or products that are not input into LMEsmart or cleared by LME Clear, such as (but not limited to) contracts that are:	Which have any of the following characteristics:	And which are not:
<ul style="list-style-type: none"> • Subject to an ISDA • Documented by long-form confirmation • Documented in any other form; or • Un-documented 	<ul style="list-style-type: none"> • May settle by reference to or refer to LME prices or data • Include LME branding or IP or references to the LME • Are margined on the basis of LME Data • May be settled using LME infrastructure • Specifies settlement: <ol style="list-style-type: none"> (1) at a specific set of locations; (2) using the facilities of a specific set of warehouse operators; and (3) by the transfer of metal of a given specification or of a specific set of brands <p>and where each of (1), (2), and (3) above utilise a database or other list compiled by the Exchange</p>	<ul style="list-style-type: none"> • Contracts with platinum or palladium as the underlying metal • Contracts with ferrous metals as the underlying metal • Contracts which have as the underlying metal a precious metal which is the same as an LMEprecious Contract • Contracts subject to an LME Derived Data Licence • Contracts subject to an LME Structured Products Licence • Contracts between Affiliates which are in the same Reporting Group • Contracts that refer to the London Metal Exchange Index (LMEX) as the basis for determining their value • Contracts that are Financing Transactions • Contracts entered into before this FOTCBF Policy is brought into force by notice (see 3.1(h) below)

Interpretation

Terms which are used in this FOTCBF Policy are defined in Part 8 of this FOTCBF Policy. Terms not otherwise defined in this FOTCBF Policy shall have the meaning ascribed to them in the Rules.

References to “Paragraphs” refer to the paragraphs of this FOTCBF Policy. References to “Regulations” in this FOTCBF Policy are references to the regulations of the Rules unless otherwise stated.

In the event of any conflict between the terms of the FOTCBF Policy and the Rules, the terms of the FOTCBF Policy shall prevail. In the event of any conflict between the terms of the FOTCBF Policy and any Data Agreement, the terms of the FOTCBF Policy shall prevail.

In this FOTCBF Policy, unless the context requires otherwise:

- (a) references to the words “includes” or “including” will be construed without limitation to the generality of preceding words;
- (b) references to the word “aggregate” will be construed as meaning gross total of positives and negatives, rather than netting;
- (c) headings are for convenience only and do not affect the interpretation of this Agreement;
- (d) words or phrases importing the singular include the plural and vice versa; and
- (e) any reference in this FOTCBF Policy to any part of any legislation, statute or regulation includes the equivalent provision under any related or replacement legislation, statute or regulation from time to time.

References in this agreement to “tonnes” means “metric tonnes” (as set out in the Rules).

1. **PART 1 – Who does this policy apply to?**

1.1 **Principle of Application**

As more specifically described below, the FOTCBF Policy is intended to apply to financial participants entering into OTC transactions for LME metals, either with other financial participants, or with their clients.

1.2 **Booking Fee Participants**

This FOTCBF Policy shall apply to Booking Fee Participants and all Booking Fee Participants must comply with this FOTCBF Policy.

A “**Booking Fee Participant**” shall include any person who falls within the following categories of person:

- (a) all Members, other than such a Member to which the Non-Financial Group Exemption applies;
- (b) any Affiliate of a Member that is party to a Relevant OTC Contract, other than:
 - (i) an Affiliate of a Member to which the Non-Financial Group Exemption applies;
 - (ii) an Affiliate that is a Client Asset Manager; or
 - (iii) an Affiliate to which the Physical Participant Exemption applies;
- (c) any Licensee that is a Financial Intermediary and party to a Relevant OTC Contract.

A person falling into category (a) or (b) shall not also be classified under category (c). By way of example, this means that an Affiliate of a Member that is also a Licensee shall be treated as a Booking Fee Participant falling under (b) above and not under (c).

1.3 **Non-Financial Group Exemption**

A Member may declare itself and its Affiliates as exempt from the application of this FOTCBF Policy, on the basis that such Member is not, and does not have within its Group any Affiliate that is, a Financial Institution. Such exemption shall be the “**Non-Financial Group Exemption**”.

In order to be effective, such declaration must be notified to the Exchange in writing by the Member, and must be validly made in accordance with the terms of the Non-Financial Group Exemption specified in the Paragraph above. Such notification shall be made using Form 1 (see Annex 1), in accordance with the process set out in Paragraph 2.6 below.

The effect of a valid declaration by a Member for the application of the Non-Financial Group Exemption shall be that such Member and its Affiliates shall not be Booking Fee Participants, and therefore this FOTCBF Policy shall not apply to such Member or to its Affiliates.

1.4 **Physical Participant Exemption**

An Affiliate of a Member shall be exempt from the application of this FOTCBF Policy where such Affiliate is a Physical Participant, unless the Member notifies the Exchange

that such Affiliate should be treated as a Booking Fee Participant. Such exemption shall be the “**Physical Participant Exemption**”. The LME reserves the right in its sole discretion to re-categorise an entity seeking the Physical Participant Exemption as a Booking Fee Participant under Paragraph 1.2 above, where that entity has been erroneously or incorrectly categorised as a Physical Participant.

In order to dis-apply the Physical Participant Exemption in respect of an Affiliate which is a Physical Participant, the Member must notify the Exchange in writing, specifying the identity of the Affiliate and indicating that such Affiliate should be treated as a Booking Fee Participant. Such notification shall be made using Form 1, in accordance with the process set out in Paragraph 2.6 below.

Where the Physical Participant Exemption applies to an Affiliate, such Affiliate shall not be a Booking Fee Participant, and therefore this FOTCBF Policy shall not apply to such Affiliate.

2. **PART 2 – How to report under this FOTCBF Policy?**

Reporting Groups

- 2.1 Any set of Booking Fee Participants who are Affiliates of each other may choose to report as a group (a “**Reporting Group**”), or a set of Reporting Groups. It is not a requirement that group reporting is undertaken, and Affiliates may choose to construct one or more Reporting Groups as they wish. Each Booking Fee Participant may only be a member of one Reporting Group.
- 2.2 With each Reporting Group, one Booking Fee Participant (the “**Group Reporting Participant**”) must head the Reporting Group and take responsibility for reporting and payment. Once a Reporting Group has been formed and advised to the Exchange, and until the Reporting Group ceases to operate:
- (a) OTC trades between Booking Fee Participants in the Reporting Group shall not be classified as Relevant OTC Contracts, as specified in Paragraph 3.1(e);
 - (b) the Group Reporting Participant must ensure that it reports the aggregate Relevant OTC Contracts for all Booking Fee Participants in the Reporting Group, and all reporting requirements in this FOTCBF Policy shall be read as applying to the aggregate Relevant OTC Contracts for all Booking Fee Participants in the Reporting Group;
 - (c) the Group Reporting Participant shall be responsible for paying the FOTC Booking Fee in respect of all Relevant OTC Contracts under (b); and
 - (d) all other Booking Fee Participants in the Reporting Group shall not have an obligation under this FOTCBF Policy to: (i) separately register as Booking Fee Participants; (ii) submit reports on Relevant OTC Contracts to the Exchange, or (iii) pay to the Exchange the FOTC Booking Fee. However, all other elements of this FOTCBF Policy shall apply to such other Booking Fee Participants, and in particular audit rights, such that the Exchange can assess that the Group Reporting Participant has correctly reported the activity of such other Booking Fee Participants.
- If a Reporting Group contains one Member, then the Group Reporting Participant must be that Member. A Reporting Group may only contain more than one Member where those Members are Affiliates; in such circumstances, one Member within the Reporting Group must be identified as the Group Reporting Participant. Booking Fee Participants may only be a member of one Reporting Group.
- 2.3 Reporting Groups must be advised to the Exchange in accordance with the process laid out in Paragraphs 2.5 - 2.8 below.
- 2.4 In the event that the Group Reporting Participant fails to discharge its obligations under this FOTCBF Policy, then the Exchange may dissolve the Reporting Group. In such event:
- (a) each individual Booking Fee Participant shall be required to report its Relevant OTC Contracts and pay the FOTC Booking Fee on an on-going basis; and
 - (b) the Exchange may require reporting and payment from each individual Booking Fee Participant for the period during which the Group Reporting Participant has failed to discharge its obligations.

Registration of Booking Fee Participants and Reporting Groups with the LME

- 2.5 Each Booking Fee Participant must register with the Exchange in accordance with the procedure set out in Paragraph 2.6, 2.7 or 2.8, as applicable (unless that Booking Fee Participant is a member of a Reporting Group, and not the Group Reporting Participant for that Reporting Group). Such registration must be made on the earlier of: (i) the entity in question becoming a Booking Fee Participant; or (ii) the date advised by Notice following the entry into force of this FOTCBF Policy.

2.6 Members

Each Member must, using Form 1 (see Annex 1):

- (a) notify the Exchange whether the Non-Financial Group Exemption applies;
- (b) where (a) does not apply, such that the Member is a Booking Fee Participant:
 - (i) provide to the Exchange a list of all of its Affiliates that constitute Booking Fee Participants pursuant to Paragraph 1.2(b); and
 - (ii) specify
 - (1) whether the Member will be included within the Reporting Group of another affiliated Member; or
 - (2) which of such Affiliates should be included within the Member's Reporting Group (in which case, the Member will act as the Group Reporting Participant in respect of the Reporting Group).

The Member must promptly notify the Exchange in writing in the event that any of the details previously notified to the Exchange pursuant to (a) and/or (b) above become incorrect (including, without limitation, where any other Affiliate becomes a Booking Fee Participant for any reason) as well as the date on which (a) and/or (b) above became incorrect.

2.7 Affiliates of Members not in a Member's Reporting Group

Where any Affiliate of a Member is a Booking Fee Participant and is not included in a Reporting Group headed by the Member or another Affiliate, such Affiliate must notify the Exchange using Form 2 (see Annex 2), specifying the basis on which it wishes to report its Relevant OTC Contracts to the Exchange. The permissible bases for reporting are:

- (a) acting as the Group Reporting Participant for a Reporting Group (together with other Affiliates of the Member, who must be named on Form 2) that is not the Member's Reporting Group; or
- (b) on a standalone basis.

An Affiliate must promptly notify the Exchange in writing in the event that any of the details previously notified to the Exchange pursuant to the above become incorrect, or if the Affiliate is no longer part of a Reporting Group.

In the event of any inconsistency or overlap between the Reporting Group notified by the Member pursuant to Paragraph 2.6(b) and any Reporting Group notified by an Affiliate pursuant to this Paragraph 2.7, the Exchange may notify such Member and the Member shall be responsible for resolving such inconsistency or overlap.

2.8 Licensees

Each Licensee that is a Booking Fee Participant and is not included in a Reporting Group headed by an Affiliate must, using Form 2, notify the Exchange of this fact, and specify the basis on which it wishes to report its Relevant OTC Contracts to the Exchange. The permissible bases for reporting are:

- (a) acting as the Group Reporting Participant for a Reporting Group (together with Affiliates of the Licensee, who must be named on Form 2); or
- (b) on a standalone basis.

A Licensee must promptly notify the Exchange in writing in the event that any of the details previously notified to the Exchange pursuant to the above become incorrect, or if the Licensee is no longer part of a Reporting Group.

Verification by LME

2.9 The Exchange may undertake such enquiries of any Member, Affiliate of a Member or Licensee as the Exchange considers appropriate to determine whether such Member, Affiliate and/or Licensee has correctly determined whether any person should or should not be treated as a Booking Fee Participant. Such enquiries may include, without limitation, an assessment of whether:

- (a) a person has been correctly identified as either being or not being an Affiliate of another person; and/or
- (b) a person has been correctly identified as a Client Asset Manager, or as a Physical Participant; and/or
- (c) the Member and/or any Affiliate satisfies the criteria for the application of the Non-Financial Group Exemption.

2.10 A Member, any Affiliate of a Member or any Licensee must co-operate with any such enquiries undertaken by the Exchange pursuant to Paragraph 2.9 and must provide to the Exchange such information as the Exchange may request in connection with such enquiries, including any information that the Exchange considers necessary to assess whether a person has been correctly identified as either being or not being a Booking Fee Participant.

2.11 In the event that the Exchange determines that a person has been incorrectly identified as not being a Booking Fee Participant (whether due to the incorrect application of an Exemption or otherwise), such person shall be deemed to be a Booking Fee Participant and shall:

- (a) be liable to pay the FOTC Booking Fee in respect of all future Relevant OTC Contracts entered into by such Booking Fee Participant following the date of such determination by the Exchange; and

- (b) report to the Exchange all Relevant OTC Contracts entered into by such Booking Fee Participant in the period prior to such determination, during which the Booking Fee Participant had sought to rely upon the incorrect identification; and
- (c) be liable to pay to the Exchange such FOTC Booking Fees and any applicable interest and/or charges accrued pursuant to Paragraph 4.20 in respect of the Relevant OTC Contracts identified pursuant to 2.11(b) above as the Exchange shall calculate and notify to the Booking Fee Participant.

3. **PART 3 – Which trades are subject to the OTC Booking Fee?**

Trades Subject to the FOTC Booking Fees (Relevant OTC Contracts)

3.1 **“Relevant OTC Contract”** means any contract or product, howsoever executed:

- (a) that is not input into LMEsmart or cleared by LME Clear, and which may include, but shall not be limited to, trades referenced (between two or more parties) whether:
 - (i) formally documented under an International Swaps and Derivatives Association (ISDA) standard agreement;
 - (ii) documented by a long-form confirmation;
 - (iii) any other documentation; or
 - (iv) undocumented; and
- (b) which has any of the following characteristics:
 - (i) it is, or may be, settled on the basis of, or with direct or indirect reference to, the LME’s Official Prices, Closing Prices, or other Exchange reference prices, or prices calculated on the basis of LME Data, or which refer to or use such prices in any other way;
 - (ii) its terms, branding, name or description reference in any way the Exchange by its name, or use any of the trade marks or intellectual property of the Exchange;
 - (iii) it is margined or valued on the basis of LME Data;
 - (iv) it is, or may be, physically settled using the infrastructure, systems or facilities maintained or operated by Exchange, including but not limited to LMEsword; or
 - (v) specifies settlement:
 - (1) at a specific set of locations;
 - (2) using the facilities of a specific set of warehouse operators; and
 - (3) by the transfer of metal of a given specification or of a specific set of brandsand where each of (1), (2), and (3) utilise a database or other list compiled by the Exchange;
- (c) and which is not a contract or product for which the underlying metal is: a precious metal of the same type as is the underlying metal for an LMEprecious Contract; a ferrous metal; platinum; or palladium; and
- (d) which is not covered by the terms of an LME Derived Data Licence or an LME Structured Products Licence under which the Booking Fee Participant is a licensee;

- (e) which is not a transaction between Booking Fee Participants who are part of the same Reporting Group;
 - (f) which is not a contract that refers to the London Metal Exchange Index (LMEX) as the basis for determining its value;
 - (g) which is not a Financing Transaction; and
 - (h) entered into on or after the date advised by Notice following the entry into force of this FOTCBF Policy.
- 3.2 LME options volatilities may not be used as reference prices in any derivative contract or other financial instrument.
- 3.3 The Exchange acknowledges that Relevant OTC Contracts could be entered into using a Non-LME Multi Dealer Trading System (as defined in the Rules). However, this FOTCBF Policy expressly prohibits any Member, Affiliate and Licensee from entering into Relevant OTC Contracts on a Non-LME Multi Dealer Trading System that has not been approved by the Exchange, pursuant to the Rules. Such approval will be publicised under the Rules where, as determined by the LME in its sole discretion and acting reasonably, any Non-LME Multi Dealer Trading System is lawfully making use of the Intellectual Property Rights of the Exchange, including, without limitation, where such Non-LME Multi Dealer Trading System has: (i) entered into a licence agreement for the use of Intellectual Property Rights belonging to the Exchange; or (ii) been granted open access rights pursuant to prevailing applicable legislation.

4. **PART 4 – Calculation and Payment of the FOTC Booking Fee**

Core principle of applicable fee

- 4.1 The core principle for calculating the applicable FOTC Booking Fee for any trade is that if it is assumed that every Prompt Date is immediately tradable via Contracts on the Exchange, and that any tonnage is tradable as Contracts on the Exchange, the total tonnage of Contracts which would need to be traded to offset the market risk created by the Relevant OTC Contract would be the **“Exchange Equivalent Tonnage”**.
- 4.2 Part 7 of this FOTCBF Policy sets out how the FOTC Booking Fee would be calculated in a range of different scenarios.

Calculation of applicable fee

- 4.3 The FOTC Booking Fee shall be a price per Exchange Equivalent Lot (as defined in (a) below), and shall be as specified in the fee schedule set out on the Exchange’s website (as amended from time to time). In order to assist with the determination of such calculation:
- (a) The **“Exchange Equivalent Lots”** are calculated as the gross Exchange Equivalent Tonnage in a Reporting Period, divided by the relevant contract size for each metal, as such contract size is specified in the Rules (as amended from time to time).
 - (b) The **“gross Exchange Equivalent Tonnage”** in a Reporting Period is the sum of the Exchange Equivalent Tonnage of all trades within that Reporting Period, all modifications within the Reporting Period, and all early terminations within the Reporting Period.
 - (c) The Exchange Equivalent Tonnage for any trade is the sum of the metric tonne notional of the trade (or notional converted to metric tonnes), per leg, per settlement period.

Calendar spread transactions

- 4.4 A calendar spread transaction gives rise to two chargeable legs. The aggregate tonnage of both legs must be reported in the party’s Report.

Option transactions

- 4.5 For vanilla options trades that expire into either a physically settled forward, or a financially settled swap, the Exchange Equivalent Tonnage is calculated per the position that would be created, should the option be exercised at expiry. This should be reported in the month that the option is traded, irrespective of whether it is exercised or not.
- 4.6 For options which are cash settled upon expiry, the Exchange Equivalent Tonnage is calculated as the equivalent hedge that would need to be traded on expiry to offset the change in delta, if the option is in the money (i.e. the Exchange Equivalent Tonnage should the option be a 100% delta).

Structured transactions

- 4.7 For structured transactions, which are Bespoke Transactions, and which have features including (but not limited to):

- (a) having multiple commodity reference price (or other) inputs for settlement pricing;
or
- (b) having non-vanilla optionality,

the Exchange Equivalent Tonnage of each metal should be calculated as:

- (i) the sum of the total notional value (adjusted for any leverage) of the delta of each metal in the structure at inception (using a fair and reasonable pricing method),

divided by

- (ii) the per tonne price of the relevant metal at inception of the trade.

Modifications and cancellations

- 4.8 Where a Relevant OTC Contract is subject to the FOTC Booking Fee, and during its lifecycle such Relevant OTC Contract is modified, cancelled, or terminated early and such action affects the market risk of the transaction (a “**Modification**”), such Relevant OTC Contract must be reported, and shall incur an additional fee due to the Modification, as if it was a new Relevant OTC Contract to offset the original transaction. In the event that a Relevant OTC Contract is subject to the FOTC Booking Fee and is subsequently cancelled or terminated early as the direct result of the transaction having been brought-onto the Exchange, under the OTC Bring-On category pursuant to the Rules, then such cancellation or termination does not need to be reported to the Exchange and no additional FOTC Booking Fee shall be due in respect of such cancellation or termination.
- 4.9 Where a Relevant OTC Contract is financially or physically settled on the day that it was originally scheduled to settle, as per the original contract, without modification (a “**Close-Out**”), this does not create a new Relevant OTC Contract. As such, no reporting requirements apply, and no FOTC Booking Fee shall be applied to the Close-Out.
- 4.10 Where a Relevant OTC Contract (or set of Relevant OTC Contracts) is novated either to or from a Booking Fee Participant to or from another counterparty, without changing the market risk on the trade (or trades) (a “**Novation**”), this does not create a new Relevant OTC Contract. As such, no reporting requirements apply and no FOTC Booking Fee shall be payable in respect of the Novation.

Waivers of OTC Booking Fees

- 4.11 Relevant OTC Contracts that are Physical Spot Trades shall not incur any FOTC Booking Fee (“**Physical Spot Waiver**”). The Physical Spot Waiver shall not apply where a Booking Fee Participant executes two Physical Spot Trades as a calendar spread between each other. For the avoidance of doubt, such Relevant OTC Contracts must still be reported by the Booking Fee Participant notwithstanding the application of the Physical Spot Waiver.

Offsets of OTC Booking Fees

- 4.12 Where a Booking Fee Participant is not a Member and, within a Reporting Period:
 - (a) enters into Relevant OTC Contracts; and
 - (b) is issued, as a Client, Client Contracts by any Member,

then, when calculating the applicable OTC Booking Fee for such Booking Fee Participant, the Exchange shall offset such Relevant OTC Contracts against such Client Contracts (where such Client Contracts are reported in a Report) on the basis that the offset shall apply between the number of Lots under the Client Contracts and the Exchange Equivalent Lots under the Relevant OTC Contracts ("**Client Contract Offset**"). The offset need not be implemented on a trade-by-trade basis. It should be implemented on an aggregate basis across all Client Contracts issued, per metal, for the Booking Fee Participant, offsetting the aggregate FOTC Booking Fee in that metal, during each Reporting Period.

- 4.13 Where, within a Reporting Period, a Booking Fee Participant that is a Member brings a Relevant OTC Contract to which it is party onto the Exchange, under the OTC Bring-On category pursuant to the Rules, the Exchange shall, when calculating the applicable OTC Booking Fee, offset such brought-on Relevant OTC Contracts (where such OTC Bring-On trades are reported in a Report) against the total number of Exchange Equivalent Lots for Relevant OTC Contracts of the same metal entered into by the Booking Fee Participant during the same Reporting Period ("**OTC Bring-On Offset**"). The offset need not be implemented on a trade-by-trade basis, but on an aggregate basis across all contracts brought-on to the Exchange, per metal, for the Booking Fee Participant, offsetting the aggregate FOTC Booking Fee in that metal, during each Reporting Period.
- 4.14 Entities that hold a Data Usage Licence issued by the Exchange may offset the fee paid for such licence (as set out in the Data Agreement) against any fees payable under the FOTCBF Policy annually, in respect of any metal ("**Usage Licence Offset**"). This can span across multiple Reporting Periods and invoice periods (within the relevant calendar year) until the licence fee is fully offset. In order to utilise a Usage Licence Offset, the entity must notify the Exchange of its intent to do so, pursuant to the relevant Report(s).
- 4.15 In the case of Reporting Groups, the offsets set out in Paragraphs 4.12 to 4.14 apply across the aggregate activity of the Booking Fee Participants within the Reporting Group. For example:
- (a) if a Booking Fee Participant within the Reporting Group receives a given number of Client Contracts, these can be offset against Relevant OTC Contracts entered into by any other Booking Fee Participant within the same Reporting Group. For the avoidance of doubt, the Client Contracts may be issued by a Member within the Reporting Group;
 - (b) if a Member within the Reporting Group brings a given number of Relevant OTC Contracts onto the Exchange, these can be offset against Relevant OTC Contracts entered into by any other Booking Fee Participant within the same Reporting Group; and
 - (c) for each Booking Fee Participant within the Reporting Group which pays fees for a Usage Licence, such fees can be offset against FOTC Booking Fees payable by any Booking Fee Participant within the same Reporting Group.

Discounts to OTC Booking Fees

- 4.16 Where a Relevant OTC Contract is: (i) a calendar spread trade (including two fixed-float swaps traded as a calendar spread, a float-float swap, or a float-delivery); and (ii) all pricing and settlement dates are within 60 calendar days of the first pricing date, Booking Fee Participants shall benefit from a 50% reduction to the FOTC Booking Fee in respect

of such Relevant OTC Contract, subject to Paragraph 4.17 below ("**Short-Dated Spread Discount**").

4.17 To benefit from the Short-Dated Spread Discount:

- (a) the aggregate tonnage of both legs of the trades must be reported within the party's Report, under the relevant "spread" trade types section; and
- (b) the Physical Spot Waiver does not apply on any leg of the spread trade to which the discount applies.

Paying applicable fees

- 4.18 In consideration of allowing the Booking Fee Participant (and, where applicable, other Booking Fee Participants within the Reporting Group) to use LME Data by entering into a Relevant OTC Contract, the Booking Fee Participant shall pay to the Exchange the FOTC Booking Fees determined in accordance with this Part 4.
- 4.19 All payments made by a Booking Fee Participant pursuant to this FOTCBF Policy shall be made in full, without any deduction, withholding, set-off or counterclaim (other than any deduction or withholding of tax as required by law). All Booking Fees shall be exclusive of any applicable taxes including VAT or local taxes for which the Booking Fee Participant shall remain liable. Each Booking Fee Participant agrees to pay all bank charges relating to any payment, due to the Exchange.
- 4.20 Where any amount due to the Exchange remains unpaid or where there is an adjustment to the amount due as a result of any incorrect reporting pursuant to Paragraph 2.11 or Part 5 of this FOTCBF Policy, without prejudice to any other right or remedy, the Exchange may charge interest at an annual rate of 4% above the base rate of Lloyds Bank PLC in the United Kingdom calculated on a daily basis in respect of any amount which is overdue and remains unpaid, and where applicable may charge a Booking Fee Participant for the Exchange's reasonable expenses of collection (including but not limited to, lawyers' and experts' charges, as well as court costs and the administrative costs of the Exchange).
- 4.21 The Exchange may add to or change the OTC Booking Fees payable from time to time upon the provision of at least thirty (30) days' written notice, with changes to be effective on the date specified in such written notice.
- 4.22 The Exchange may at any time set-off any OTC Booking Fees owed by a Booking Fee Participant to the Exchange against any amounts owed by the Exchange to the Booking Fee Participant, whether such amount is a present debt or will arise in the future, and whether or not such amount arises under this FOTCBF Policy. Any exercise by the Exchange of its rights under this Paragraph 4.22 shall not limit or affect any other rights or remedies available to it under the FOTCBF Policy or otherwise.
- 4.23 The Exchange will invoice fees payable under the FOTCBF Policy on a quarterly basis in arrears on or around the 1st May (for the periods January-March), 1st August (for the periods April-June), 1st November (for the periods July-September) and 1st February (for the preceding October-December periods). If a Booking Fee Participant becomes subject to the FOTC Booking Fee during the course of a quarterly period, fees payable from the point at which fees are due under the FOTCBF Policy, until the end of the quarter, shall be invoiced at the end of such quarterly period.

Disapplication by the LME

- 4.24 The LME may, at its sole discretion acting reasonably, dis-apply any exemption, discount or offset conferred under this Policy, where it believes that any trade or combination of trades are being used primarily to avoid payment of the FOTC Booking Fee.

5. **PART 5 – Reporting and Audit**

Reporting Relevant OTC Trades

- 5.1 The reporting period (“**Reporting Period**”) for the FOTC Booking Fee is one calendar month, starting on the first day of each month.
- 5.2 All reports under the FOTCBF Policy (“**Reports**”) should be approved and submitted by the appropriate senior compliance officer(s) responsible for metals trading of the Booking Fee Participant (the “**Reporting Officer(s)**”). The Exchange shall be entitled to rely on any report submitted by the Reporting Officer(s) as being fully accurate in respect of Relevant OTC Contracts transacted by the Reporting Group, on the basis that it has been reviewed and approved by the relevant Reporting Officer(s).
- 5.3 When a Group Reporting Participant is reporting on behalf of a Reporting Group, a compliance officer at the Group Reporting Participant may rely on reports from compliance officers from other Booking Fee Participants in the Reporting Group. For the avoidance of doubt, the Exchange maintains a right of audit over the other Booking Fee Participants.
- 5.4 All Booking Fee Participants (unless part of a Reporting Group and not the Group Reporting Participant) must report their transactions in Relevant OTC Contracts to the Exchange in every Reporting Period. In the event that no applicable transactions have been done in that period, a nil return must be reported (such that a report is submitted with a zero value in the relevant reporting field(s)).
- 5.5 Reports must be submitted to the Exchange on or before the 14th calendar day of the month following each Reporting Period.
- 5.6 Reports shall be made on a summary, aggregate basis, for each combination of the below categories, in gross total metric tonnes:
- (a) **Metal:**
- Aluminium
 - Aluminium alloy
 - Cobalt
 - Copper
 - Lead
 - Molybdenum
 - NASAAC
 - Nickel
 - Tin
 - Zinc
- (b) **Trade type:**

Trade Type	Applicability of Discount, Offset or Waiver
Financially-settled Relevant OTC Contracts	Specify those eligible for Short-Dated Spread Discount
Physically-settled Relevant OTC Contracts	Specify those eligible for Short-Dated Spread Discount
Physical Spot Trades	Eligible for waiver of fee per the Physical Spot Waiver
Client Contracts received	Offset will be provided per the Client Contract Offset
OTC bring-on transactions	Offset will be provided per the OTC Bring-On Offset

(c) **Other data:**

Data	Relevant Information
Usage Licence fees paid	Offset will be provided per the Usage Licence Offset, subject to notification being made to the Exchange that the Booking Fee Participant wishes to utilise the Usage Licence Offset

- 5.7 For the avoidance of doubt, the notional tonnage on options transactions should also be aggregated into the figures provided.
- 5.8 Any leverage within transactions should be applied to the specified notional in the transaction, in order to calculate the Exchange Equivalent Tonnage of the trade.
- 5.9 The Exchange provides a reporting spreadsheet on its website and at Annex 3 of this FOTCBF Policy (the “**Reporting Template**”). The Reporting Template must be used for the purpose of submitting Reports.
- 5.10 Reports may be submitted to the Exchange via the secure Universal Data Gateway. A new login will be provided for the nominated Reporting Officer(s) for each Booking Fee Participant to be able to submit Reports. Alternatively, a Booking Fee Participant may submit a Report by email if, acting prudently, it considers such method of delivering its Report to the Exchange to be appropriately secure.

Right to Audit and Record Keeping

- 5.11 Each Booking Fee Participant shall keep complete, accurate and up-to-date records relating to the Relevant OTC Contracts it enters into for a minimum of five years from the date of creation of such Relevant OTC Contracts. Such records must be sufficient to identify all OTC Booking Fees payable to the Exchange under this FOTCBF Policy.

- 5.12 The Exchange may request at any time, and the Booking Fee Participant will ensure, that the Reporting Officer of the Booking Fee Participant confirms, in writing, the Booking Fee Participant's compliance with the terms of this FOTCBF Policy.
- 5.13 Upon the provision of at least thirty (30) days' written notice (but without notice where required by any competent regulatory body), the Booking Fee Participant shall permit the Exchange and/or its advisors and/or its regulators and/or any independent professional auditors acting on behalf of the Exchange:
- (a) to gain access (both physical and remote) during normal business hours to the systems, controls, books and records of the Booking Fee Participant and (where appropriate) its Affiliates, and any other information ("**Records**") held at the Booking Fee Participant's or its Affiliates' premises or on the Booking Fee Participant's or its Affiliates' information technology or other systems owned or operated by the Booking Fee Participant or its Affiliates; and
 - (b) to inspect and take copies of all such Records,

in each case as the Exchange may reasonably require for the purposes of auditing the Booking Fee Participant's compliance with this FOTCBF Policy, including the reporting of Relevant OTC Contracts and the payment of any OTC Booking Fees. The Exchange shall and shall ensure that its advisors and its auditors treat all information obtained in the audit as Confidential Information in accordance with the Rules or Data Agreement (as applicable).

6. PART 6 – Changes to the FOTCBF Policy

Changes to FOTCBF Policy

- 6.1 The Exchange reserves the right to modify or update the terms of this FOTCBF Policy at any time, for any reason, without seeking the prior consent of any Member, Licensee or other Booking Fee Participant.
- 6.2 Subject to Paragraphs 6.3 and 6.4 below, the Exchange shall use reasonable endeavours to enter into dialogue with Booking Fee Participants in respect of any material change to the FOTCBF Policy that is likely to have a substantial impact on the operational burden imposed on Booking Fee Participants generally.
- 6.3 Any such dialogue shall offer Booking Fee Participants a reasonable period, as determined by the Exchange, to review and comment on the proposed change. The Exchange shall take any comments received from Booking Fee Participants into account, but it shall be under no obligation to amend its proposed changes or to act in any way on the basis of the comments received from Booking Fee Participants. Any changes implemented, or not implemented, by the Exchange shall be at the absolute discretion of the Exchange.
- 6.4 The Exchange shall not be required to enter into dialogue with Booking Fee Participants, or otherwise consult, on any change to the FOTCBF Policy that:
- (a) does not fall within Paragraph 6.2 above;
 - (b) is required to comply with any direction given to the Exchange by any competent regulator of the Exchange;
 - (c) is required to comply with any change in applicable law or regulation in circumstances where there is, in the opinion of the Exchange, not sufficient time to conduct a consultation;
 - (d) is a non-material administrative change; and/or
 - (e) is a change to the level of the OTC Booking Fee.
- and any such changes shall be notified to Booking Fee Participants by a Notice issued by the Exchange.
- 6.5 Any change to the FOTCBF Policy shall come into effect upon the expiry of 30 days following the issue by the Exchange of notice of the proposed change or thereafter on such date prescribed by the Exchange in its absolute discretion. The Exchange may specify a shorter notice period than required pursuant to this Paragraph 6.5, where the Exchange considers that it is appropriate to do so, having regard to the interests of the Exchange and the Booking Fee Participants and to the obligations of the Exchange to ensure continued compliance with applicable law and regulation.

7. PART 7 – Example Scenarios

The scenarios below are given as examples of the applicable FOTC Booking Fee in various situations, though are not exhaustive.

In each example, it is assumed that all trades have been booked OTC, unless otherwise mentioned, and that the FOTC Booking Fee is set at one US dollar per Exchange Equivalent Lot.

Trade type examples:

7.1 Example 1 – Cash settled fixed-float trade:

Initial trade:	<p>On 17th May 2019: Client A (a hedge fund) buys 1,000 metric tonnes (“mt”) of June 2019 copper from Member A, financially settled against the average LME Official Cash Settlement prices during June 2019, at \$6,000/mt</p> <ul style="list-style-type: none"> 1,000mt of LME equivalent copper tonnage is accumulated for this trade and reported by Member A in their May 2019 report (\$40 accumulated respectively)
Modification:	<p>On 31st May 2019: Client A sells 500mt of this trade back to Member A at \$6,100 /mt (partial early termination)</p> <ul style="list-style-type: none"> 500mt of LME equivalent copper tonnage is accumulated for this trade and reported by Member A in their May 2019 report (\$20 accumulated respectively)
Final pricing period:	<p>During June 2019, the remaining 500mt prices out at \$6,200/mt</p> <ul style="list-style-type: none"> No additional accumulation of FOTC Booking Fee, given that contract closed-out per its original terms
Result:	<p>In this example, an aggregate total of \$60 is payable in respect of the FOTC Booking Fee.</p>

7.2 Example 2 – Physical forward trade:

Initial trade:	<p>On 7th May 2019: Client B (a consumer) buys 5,000mt aluminium, from Member B, for delivery 2nd July 2019, at \$2,000/mt</p> <ul style="list-style-type: none"> 5,000mt of LME equivalent aluminium tonnage is accumulated for this trade and reported by Member B in their May 2019 report (\$200 accumulated respectively)
OTC Bring on:	<p>On 28th June 2019: Client B instructs Member B to bring the trade on to the LME, and transfer to Member C</p> <ul style="list-style-type: none"> Accumulation of 5,000mt of aluminium OTC bring-on offset, reported by Member B in their June 2019 report (which will offset \$200 of FOTCBF accumulated elsewhere in the May 2019 report)
Result:	<p>In this example, an aggregate total of \$200 is payable in respect of the May report and value equating to 5,000mt of aluminium offset is available in the June report.</p>

7.3 Example 3 – Float-deliver trade:

Initial trade:	<p>On 17th May 2019: Client C (a producer) agrees to sell 500mt nickel, to Member C, at average of July 2019, prompt 2nd August at +\$15/mt (contango)</p> <ul style="list-style-type: none"> 1000mt of LME equivalent nickel tonnage is accumulated for this trade (a float-deliver trade is a spread and so both legs are reported) and reported by Member C in their May 2019 report (reported as an eligible spread as pricing and settlement dates are within 60 days of each other) (\$83.33 accumulated respectively)
Close out:	<p>On 31st July 2019: Client C buys 500mt nickel, from Member C, for Cash (2nd Aug) at second ring close, to close out their exposure from the initial trade</p> <ul style="list-style-type: none"> Physical Spot Waiver applies, and no fee is accumulated, though 500mt of physical spot nickel trades must be reported by Member C in their July 2019 report
Result:	In this example, an aggregate total of \$83.33 is payable in respect of the FOTC Booking Fee.

7.4 Example 4 – Float-float trade:

Initial trade:	<p>On 8th August 2019: Client D (a merchant) buys 750mt aluminium average of October 2019, vs. sells average of November 2019, for financial settlement on 3rd December 2019 at + \$10/mt (contango), with Member D</p> <ul style="list-style-type: none"> 1,500mt of LME equivalent aluminium tonnage is accumulated for this trade (a float-float trade is a spread and so both legs are reported) and reported by Member D in their August 2019 report (not able to be reported as eligible spreads as pricing and settlement dates are not within 60 days of each other) (\$60 accumulated respectively) No additional accumulation of FOTC Booking Fee, given that contract closed-out per its original terms
Result:	In this example, an aggregate total of \$60 is payable in respect of the FOTC Booking Fee.

7.5 Example 5 – Calendar strip trade:

Initial trade:	<p>On 21st September 2018: Client E (a producer) sells, to Member E, 250mt per month of Cal19 lead at \$2,500/mt, financially settled monthly vs. the average Cash Official Settlement Price on the 2nd business day of the following month.</p> <ul style="list-style-type: none"> 3,000mt of LME equivalent lead tonnage is accumulated for this trade, and reported by Member E in their September 2018 report
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	<p>(\$120 accumulated respectively)</p> <ul style="list-style-type: none"> No additional accumulation of FOTC Booking Fee, given that contract closed-out per its original terms
Result:	In this example, an aggregate total of \$120 is payable in respect of the FOTC Booking Fee.

User type examples:

7.6 Example 1 – physical trader:

Scenario	On 7th August 2018: Client A (a non-member physical trader), trades 500mt of 3-month copper with Member A on an OTC basis.
Reports	<ul style="list-style-type: none"> Member A reports 500mt of LME equivalent copper tonnage accumulated in August 2018 report (\$20 accumulated respectively) Client A makes no report to the LME as it is not a Booking Fee Participant

7.7 Example 2 – Financial intermediary:

Scenario	On 18th April 2019: Bank B (a non-member Financial Intermediary), trades 1,000mt of June 2019 aluminium with Client B on an OTC basis, and hedges 1,000mt of 3-month aluminium with Member B as an LME Client Contract.
Reports	<ul style="list-style-type: none"> Bank B reports 1,000mt of LME equivalent aluminium tonnage accumulated in April 2019 report (\$40 accumulated fee) Bank B reports 1,000mt of aluminium Client Contract received in April 2019 report (\$40 accumulated offset) Bank B has no accumulated fee from these transactions due to offset Member B has only issued LME Client Contracts, and does not report these Client B makes no report to the LME as it is not a Booking Fee Participant

7.8 Example 3 – OTC financial intermediary:

Scenario	On 18th April 2019: Bank C (a non-member financial institution), trades 1,000mt of June 2019 aluminium with Client C on an OTC basis, and hedges 1,000mt of 3-month aluminium with Member C on an OTC basis.
Reports	<ul style="list-style-type: none"> Bank C reports 2,000mt of LME equivalent aluminium tonnage accumulated in April 2019 report (1,000mt per trade, \$80

	<p>accumulated fee)</p> <ul style="list-style-type: none">• Member C reports 1,000mt of LME equivalent aluminium tonnage accumulated in April 2019 report (\$40 accumulated fee)• Client C makes no report to the LME as it is not a Booking Fee Participant
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7.9 **Example 4 – OTC affiliate intermediary:**

Scenario	On 20th May 2019: Entity D (an Affiliate of LME Member D, with both entities sitting within the same Reporting Group) trades 100mt of August 2019 tin with Client D on an OTC basis, and hedges 100mt of 3-month tin with Member D on an OTC basis.
Reports	<ul style="list-style-type: none">• Member D reports 100mt of LME equivalent tin tonnage accumulated in May 2019 report (100mt client trade, \$20 accumulated fee)• Neither Entity D nor Member D report the trade between them, as they are within the same Reporting Group• Client D makes no report to the LME as it is not a Booking Fee Participant

8. PART 8 – Definitions

In this FOTCBF Policy, the following words and expressions shall, unless the context otherwise requires, have the meanings set out opposite them:

Term	Definition
“Affiliate”	has the meaning set out in the Rules;
“Bank”	means: (a) an authorised credit institution within the meaning of Article 4.1(1) of the Capital Requirements Regulation (Regulation (EU) No 575/2013), whether authorised in the United Kingdom or by the competent authority of an EEA State other than the United Kingdom; or (b) an entity which is the same or a similar type of business as those entities covered by a (above), and/or which undertakes the same or similar types of activities, which is authorised, supervised or regulated by the competent regulatory authority of any non-EU jurisdiction;
“Bespoke Transaction”	means a transaction that does not have standardised terms, and which is not agreed on the basis that regular trading in the type of transaction may occur;
“Booking Fee Participant”	has the meaning given to it in Paragraph 1.2;
“Broker Dealer”	means an Investment Firm that executes transactions in financial instruments on behalf of its clients, whether: (a) as agent on behalf of such clients; or (b) as principal (whether against its own proprietary capital or otherwise);
“Client Asset Manager”	means an entity that has as its primary business is the performance of services comprising the discretionary management of a portfolio of money or other assets where the majority of such money or assets are attributable to another person that is not an Affiliate of the person performing such services;
“Client Contract Offset”	has the meaning given to it in Paragraph 4.12;
“Clients”	has the meaning set out in the Rules;
“Close-Out”	has the meaning set out in Paragraph 4.9;
“Data Agreement”	means any licence or other agreement pursuant to which a person is permitted to access or use any LME Data, prices or other Intellectual Property Rights, including any Data Usage Licence;

“Data Usage Licence”	means any licence governing the use of LME Data, prices or other Intellectual Property Rights, in a form prescribed by the Exchange;
“Exchange Equivalent Lot”	has the meaning set out in Paragraph 4.3;
“Exchange Equivalent Tonnage”	has the meaning set out in Paragraphs 4.1;
“Financial Institution”	means a person that is: <ul style="list-style-type: none"> (a) an Investment Firm (including a branch established in the United Kingdom of such a firm); or (b) a Bank (including a branch established in the United Kingdom of such an institution); or (c) any other authorised person or exempt person within the meaning of Part III of the Financial Services and Markets Act 2000; or (d) an entity which is the same or a similar type of business as those entities covered by c (above), and/or which undertakes the same or similar types of activities, which is authorised, supervised or regulated by the competent regulatory authority of any non-UK jurisdiction;
“Financial Intermediary”	means a Financial Institution that is: <ul style="list-style-type: none"> (a) a Bank; or (b) a Broker Dealer;
“Financing Transaction”	means a transaction, the purpose and effect of which is to provide financing of one counterparty’s physical metal inventory holdings, and where the full value of such holdings are transferred from such counterparty to the other counterparty;
“FOTC Booking Fee”	means the fees applied to Relevant OTC Contracts, as determined in accordance with this FOTCBF Policy;
“Group”	has the meaning set out in the Rules;
“Group Reporting Participant”	has the meaning set out in Paragraph 2.2;
“Investment Firm”	means: <ul style="list-style-type: none"> (a) an authorised investment firm within the meaning of Article 4 of MiFID II (Directive 2014/65/EU), whether authorised in the United Kingdom or by the competent authority of an EEA State other than the United Kingdom; or (b) an entity which is the same or a similar type of business as those entities covered by a (above), and/or which undertakes the same or similar types of activities, which

	is authorised, supervised or regulated by the competent regulatory authority of any non-EU jurisdiction;
“Licensee”	has the meaning set out on page 2 (<i>Introductions and Executive Summary</i>) of this FOTCBF Policy;
“LME Data”	has the meaning set out in the Rules;
“LME Derived Data Licence”	means a licence agreement, in a form prescribed or agreed by the Exchange, pursuant to which a licensee may use LME Data for the calculation, creation, structuring, developing, publication, managing, hedging, trading, marketing, listing and/or promotion of a derived product (including, without limitation, any product, index, strategy, and/or financial instrument, using a derived calculation) as permitted by LME under such agreement;
“LME Structured Products Licence”	means a licence agreement, in a form prescribed or agreed by the Exchange, pursuant to which a licensee may use LME Data for the purpose of the development of or distribution of structured financial products or transactions;
“Member”	has the meaning set out on page 2 (<i>Introductions and Executive Summary</i>) of this FOTCBF Policy;
“Modification”	has the meaning set out in Paragraph 4.8;
“Non-Financial Group Exemption”	has the meaning set out in Paragraph 1.3;
“Non-LME Multi Dealer Trading System”	has the meaning set out in the Rules;
“OTC”	has the meaning set out on page 2 (<i>Introductions and Executive Summary</i>) of this FOTCBF Policy;
“OTC Bring-on Offset”	has the meaning set out in Paragraph 4.13;
“Physical Participant”	means an entity that has as its primary business: (i) the mining, refining or processing of base metals; or (ii) the production of consumer goods, finished or part-finished components, buildings or other physical structures, using a base metal as a component material for such products;
“Physical Participant Exemption”	has the meaning set out in Paragraph 1.4;
“Physical Spot Trade”	means a trade which physically settles either one or two Business Days after the trade date; and
“Physical Spot Waiver”	has the meaning set out in Paragraph 4.11;
“Records”	has the meaning set out in Paragraph 5.13;

“Relevant OTC Contract”	has the meaning set out in Paragraph 3.1;
“Report”	has the meaning set out in Paragraph 5.2;
“Reporting Group”	means the manner in which affiliate entities are grouped in under this FOTCBF Policy for the purposes of fulfilling their reporting obligations under this FOTCBF Policy, as further defined in Paragraph 2.1;
“Reporting Officer”	has the meaning set out in Paragraph 5.2;
“Reporting Period”	has the meaning set out in Paragraph 5.1;
“Reporting Template”	has the meaning set out in Paragraph 5.9;
“Rules”	has the meaning set out on page 2 (<i>Introductions and Executive Summary</i>) of this FOTCBF Policy;
“Short-Dated Spread Discount”	has the meaning set out in Paragraph 4.16;
“Usage Licence Offset”	has the meaning set out in Paragraph 4.14.

ANNEX 1

FORM 1

Link: [Financial OTC Booking Fee Policy – Form 1](#)

ANNEX 2

FORM 2

Link: [Financial OTC Booking Fee Policy – Form 2](#)

ANNEX 3
REPORTING TEMPLATE

Link: [Financial OTC Booking Fee Policy – Reporting Template](#)