

A Quick Guide to the Financial OTC Booking Fee

March 2018



SETTING THE GLOBAL STANDARD



Introduction

The London Metal Exchange (LME) has introduced a new Financial OTC Booking Fee

This guide is designed for all LME market participants and explains:

What the fee is

Who it applies to

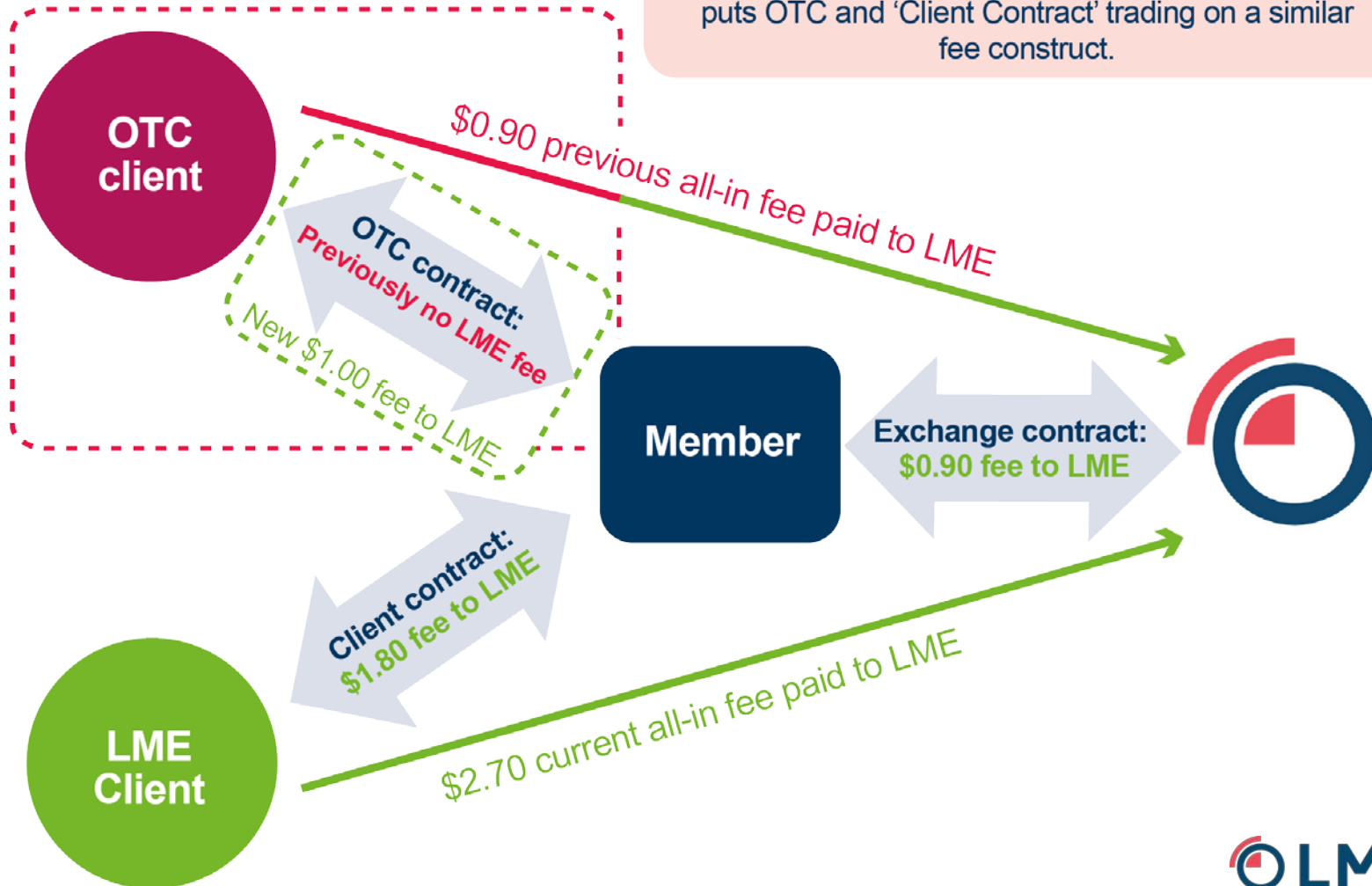
How the fee works

What you need to do

What is the Financial OTC Booking Fee?

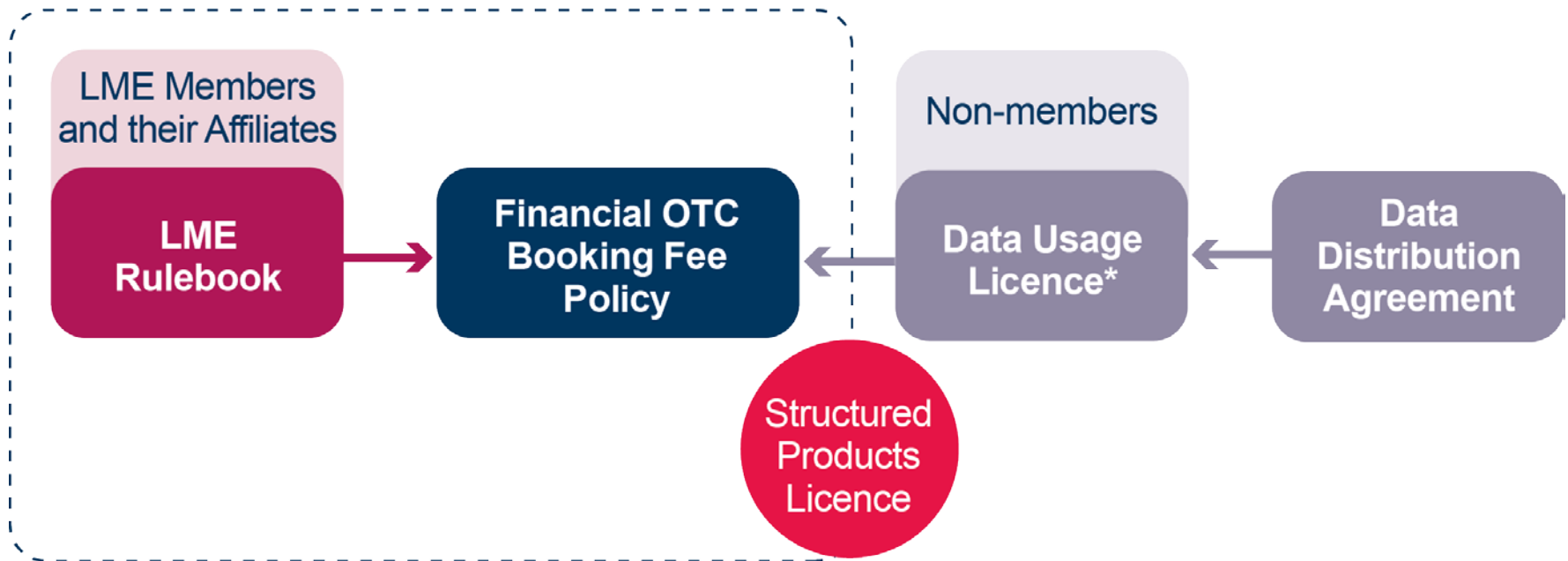
As part of LME strategic pathway the LME has introduced a financial-intermediary booking fee for relevant LME metals OTC contracts.

Intended to be fairer, the Financial OTC Booking Fee puts OTC and 'Client Contract' trading on a similar fee construct.



What does the new policy cover?

The LME has introduced a new Financial OTC Booking Fee Policy, as well as the required LME Rulebook changes as per the below:



*The Data Usage Licence was also updated to incorporate proposed changes

What do I need to know?

The below process is designed to help you determine whether you need to register and what you need to do:



1

Do I need to register?

The Financial OTC Booking Fee Policy applies to you, and you will need to register, if you are:

1

An LME Member

Physical LME Members with no Financial Institutions in their group are exempt

2

An Affiliate of an LME Member that does OTC LME business

Affiliates who are Physical Participants or Client Asset Managers are exempt and Affiliates unrelated to LME business are not included

3

A Financial Intermediary that licenses LME data and does OTC LME business

No one else needs to register:

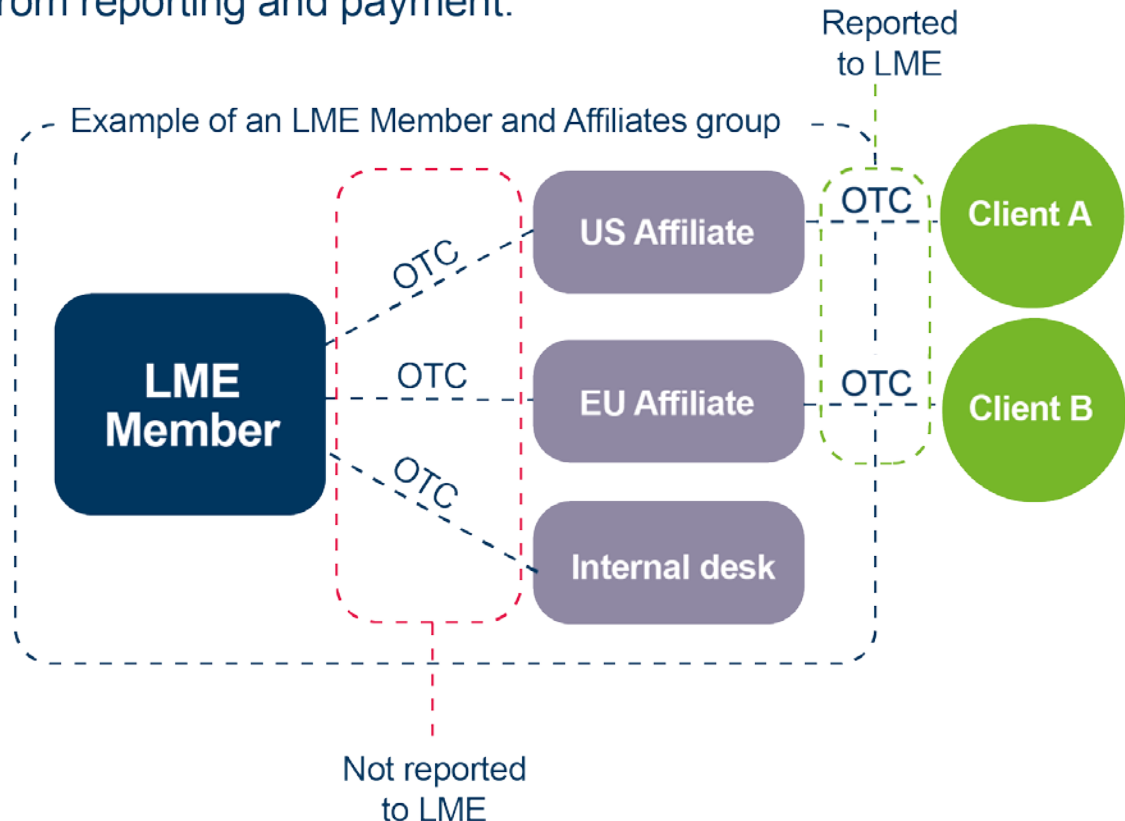
The fee is not designed to apply to physical participants or investors. Your member may pass on costs on your OTC trades – please speak to your member

Work out your group structure

The LME allows any affiliated entities, who need to register, to report and pay as a 'group'. This reduces administrative burden and exempts all trades within the group from reporting and payment.

What to do?

- Once you know all of your Affiliates who need to report, decide which ones you want to register as a group
- Each group only requires one registration form, completed by the entity which will be doing the reporting for the group



3

Fill out a registration form

If you are a Member,
fill out Form 1:

1: Fill out your
company
details here

2: If you are
exempt because
you are purely
physical,
tick here

3: List all your
Affiliates who
need to register
here

4: Tick if you want
to report on
behalf of the
Affiliate

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Financial OTC Booking Fee Policy – FORM 1

Member Registration

a) Member Entity: _____

b) This Member entity and its Affiliates are exempt from the Financial OTC Booking Fee Policy under the **Non-Financial Group Exemption**:

No ☐

Yes ☐

c) If "no" was answered in section b) above, please list all Affiliates of the Member entity, who are Booking Fee Participants, detailing which will be included in the Member's Reporting Group (please include additional Affiliate entities on additional page to this form if necessary):

Affiliate entity	Will be included in this Member's Reporting Group	
	Y	N
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>

d) This Member entity will join another Member's Reporting Group:

No ☐

Yes ☐

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e) If "yes" was answered in section d) above, please specify the Member Entity which will act as the Group Reporting Participant:

I confirm on behalf of _____ [insert Member Entity] that, to the best of my knowledge, the information in this form is true, accurate, and complete.

Signature: _____

Name: _____


Position: _____

3

Fill out a registration form

If you are not a Member, fill out Form 2:

1: Fill out your company details here



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Financial OTC Booking Fee Policy – FORM 2

Non-Member Registration

a) Reporting Entity: _____

b) Other Booking Fee Participants, who are Affiliated with the above Reporting Entity, and electing to be included in its Reporting Group.

Affiliated entities

I confirm on behalf of _____ [insert Reporting Entity] that, to the best of my knowledge, the information in the form is true, accurate, and complete.

Signature: _____

Name: _____

Position: _____

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2: List any Affiliates you want to report on behalf of

4a

Which trades are reported?

Contracts not cleared at the LME, such as:

- Trades done under ISDA
- Documented by long form confirmation
- Documented in any other form
- Undocumented

Which have any of the following characteristics:

- Swaps settling against LME reference prices
- Physical forwards settled using LME infrastructure (e.g. LMEsword)
- Physical forwards settled on the basis of LME brand and warehouse lists

And which are not:

- Precious metals contracts
- Ferrous metals contracts
- Contracts covered by another licence (such as the Derived Data Licence or Structured Product Licence)

4b

How to report

The LME provides a reporting sheet to be completed on a monthly basis

On a monthly basis, fill in reporting sheet provided by the LME with total amounts traded

	A	B	C
1	Metal	User	Tonnage
2	AA	Client contracts received	1,000
3	AA	Financial Swap	1,000
4	AA	Eligible Spreads - Financial	0
5	AA	OTC Bring-on	0
6	AA	Physical Forward	0
7	AA	Eligible Spreads - Physical	0
8	AA	Physical Spot	0
9	AH	Client contracts received	12,025
10	AH	Financial Swap	52,500
11	AH	Eligible Spreads - Financial	46,500
12	AH	OTC Bring-on	25,250
13	AH	Physical Forward	55,600
14	AH	Eligible Spreads - Physical	24,600
15	AH	Physical Spot	38,000
16	CA	Client contracts received	
17	CA	Financial Swap	
18	CA	Eligible Spreads - Financial	
19	CA	OTC Bring-on	
20	CA	Physical Forward	
21	CA	Eligible Spreads - Physical	

Reporting sheet automatically calculates indicative fees – this will be confirmed by the LME

AA		AH	
User	Tonnage	User	Tonnage
Outright	1,000	Outright	108,100
Spreads	0	Spreads	71,100
Total	1,000	Total	179,200
Available offsets		Available offsets	
	Tonnage		Tonnage
OTC Bring-on	0	OTC Bring-on	25,250
Client contracts received	1,000	Client contracts received	12,025
Total	1,000	Total	37,275
Waived		Waived	
	Tonnage		Tonnage
Physical Spot	0	Physical Spot	38,000
Net by user		Net by user	
	Tonnage		Tonnage
Outright	0	Outright	70,825
Spreads	0	Spreads	71,100
Total	0	Total	141,925
Total \$	\$0	Total \$	\$4,255

Reports can be emailed or uploaded to the LME

5a

How does the LME calculate what I owe under the new Policy?

General principle

Financial participants pay **\$1.00** per lot for each applicable OTC contract (where a Client Contract would have been issued – if available)

Following market discussion, the LME is offering a wide set of waivers, offsets and discounts:

Waivers

- Intra-group trades
- Spot physical trades
- Close-out of swaps
- Financing trades

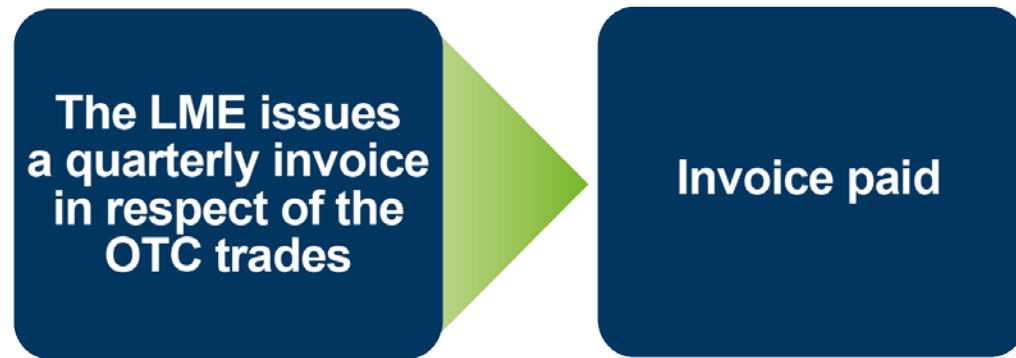
Offsets

- Client Contracts received within group
- OTC bring-ons

Discounts

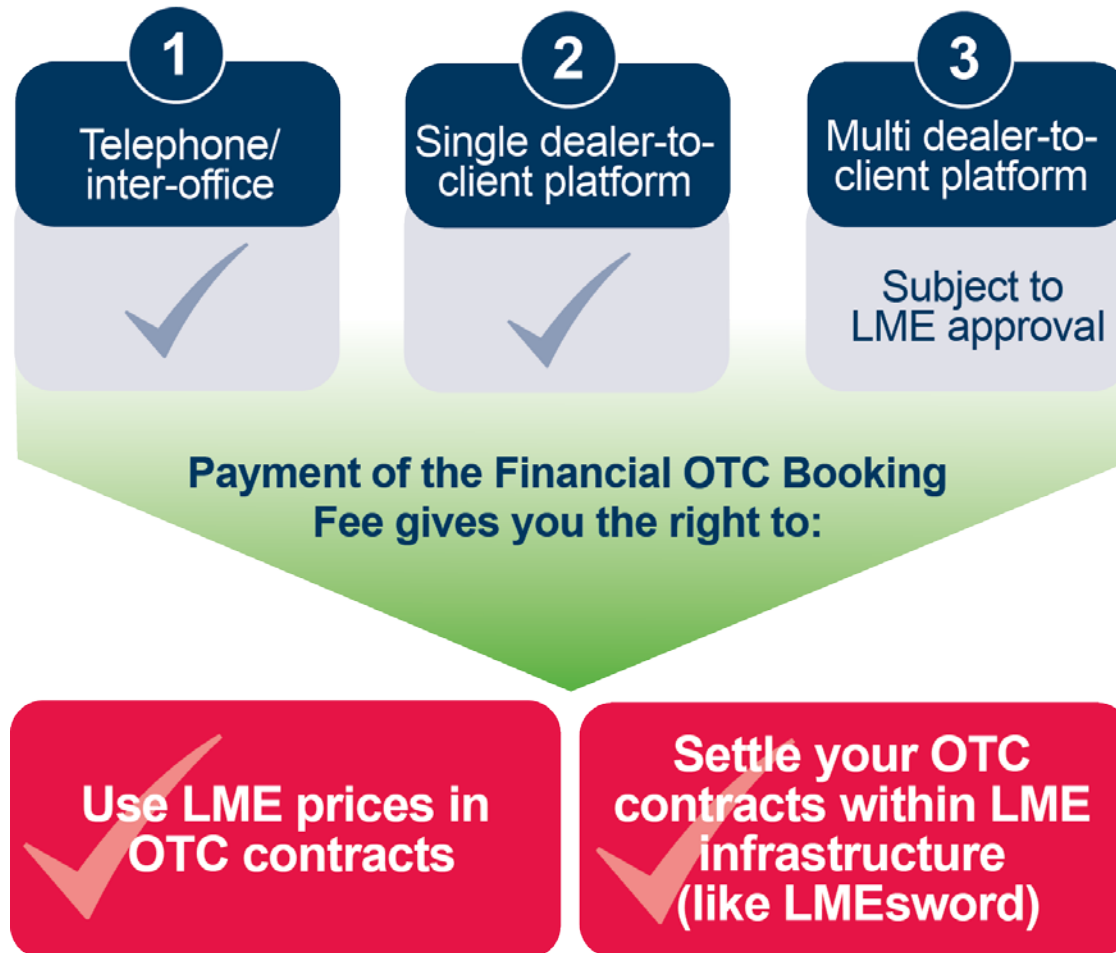
- Short-dated calendar spreads

5b Fee payment

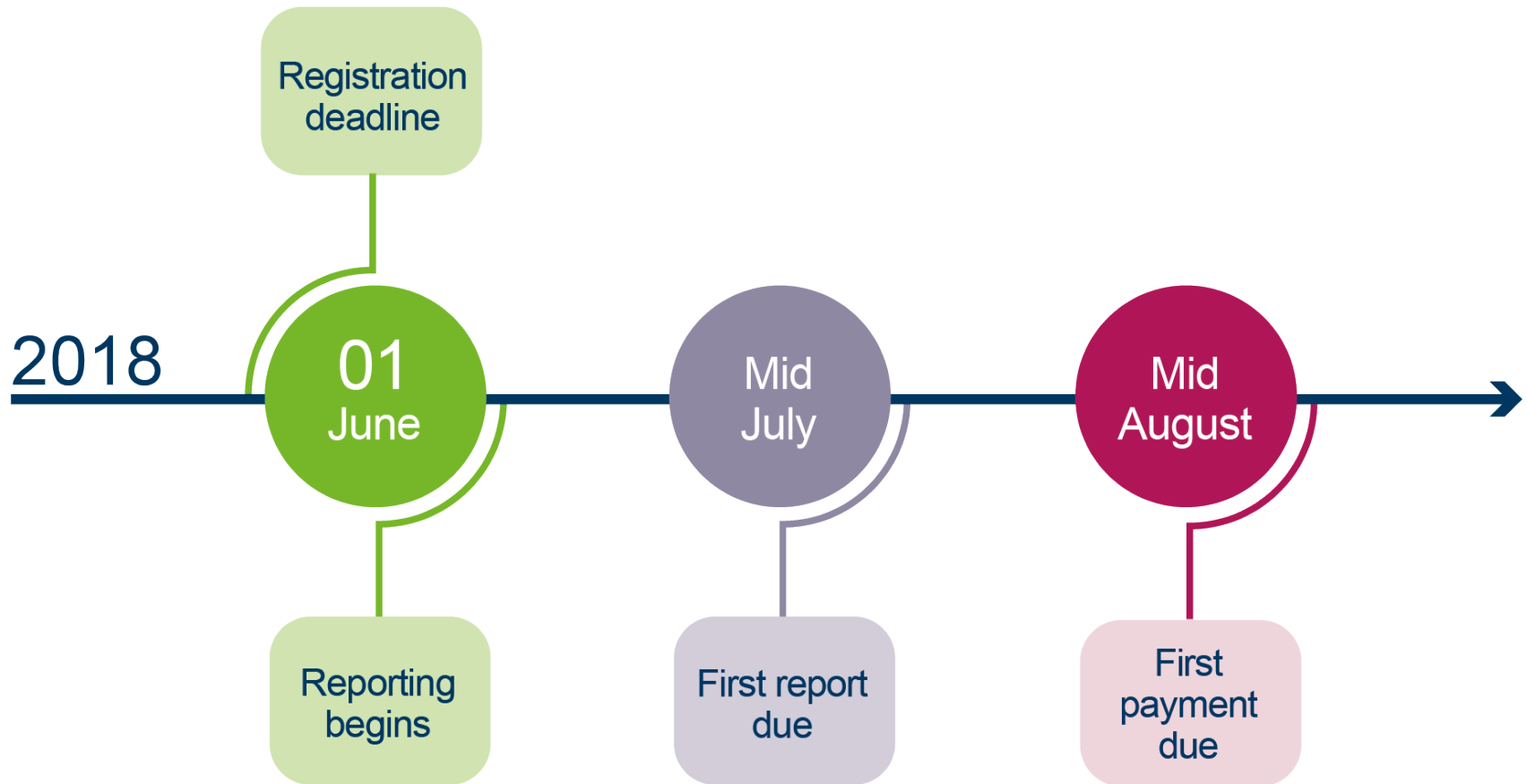


Your LME relationship manager will support you through the entire process and can advise on any aspect

What platforms can I use to create OTC contracts?



Timeline



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