

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

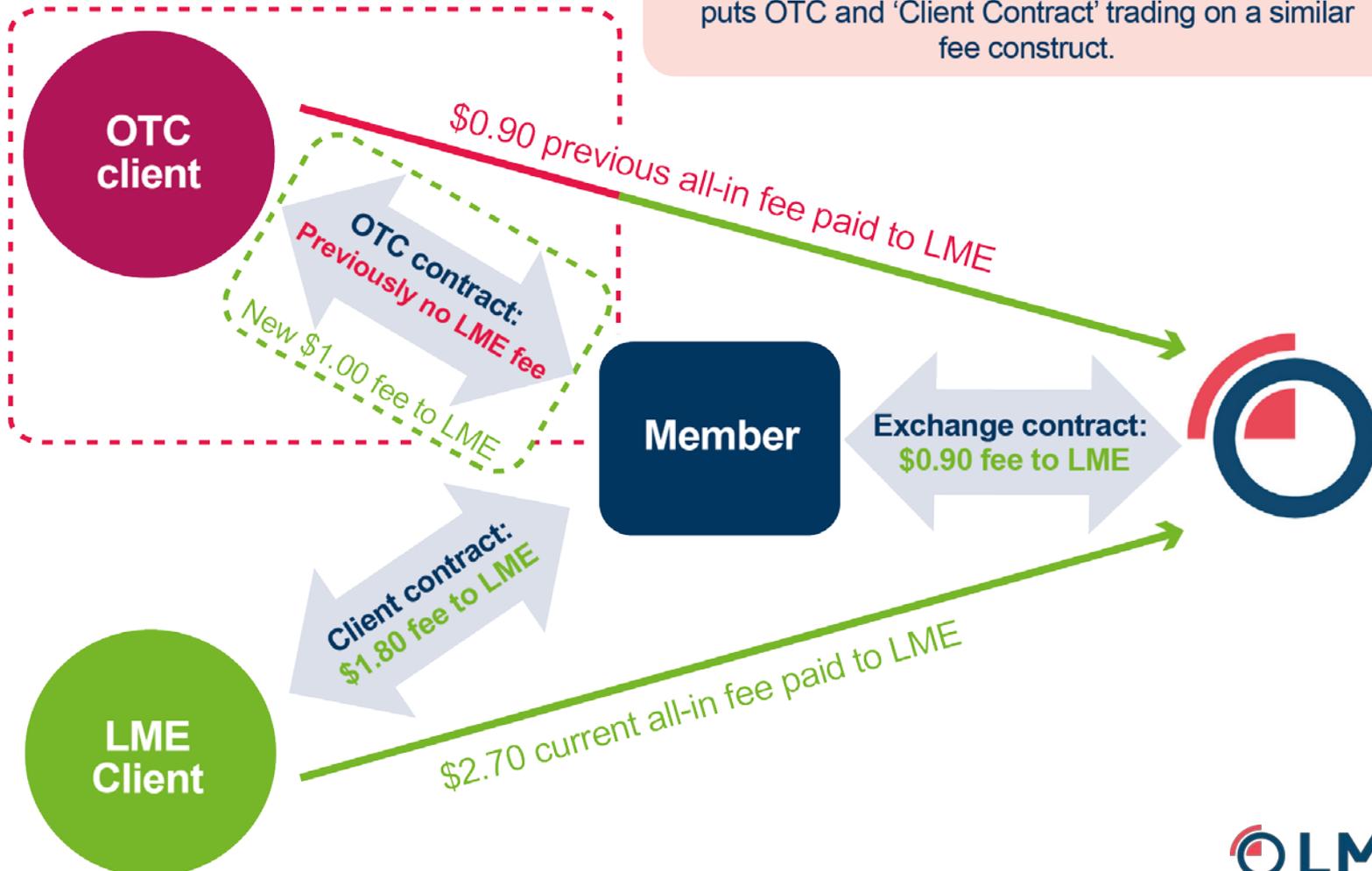
How the fee works

What you need to do

What is the Financial OTC Booking Fee?

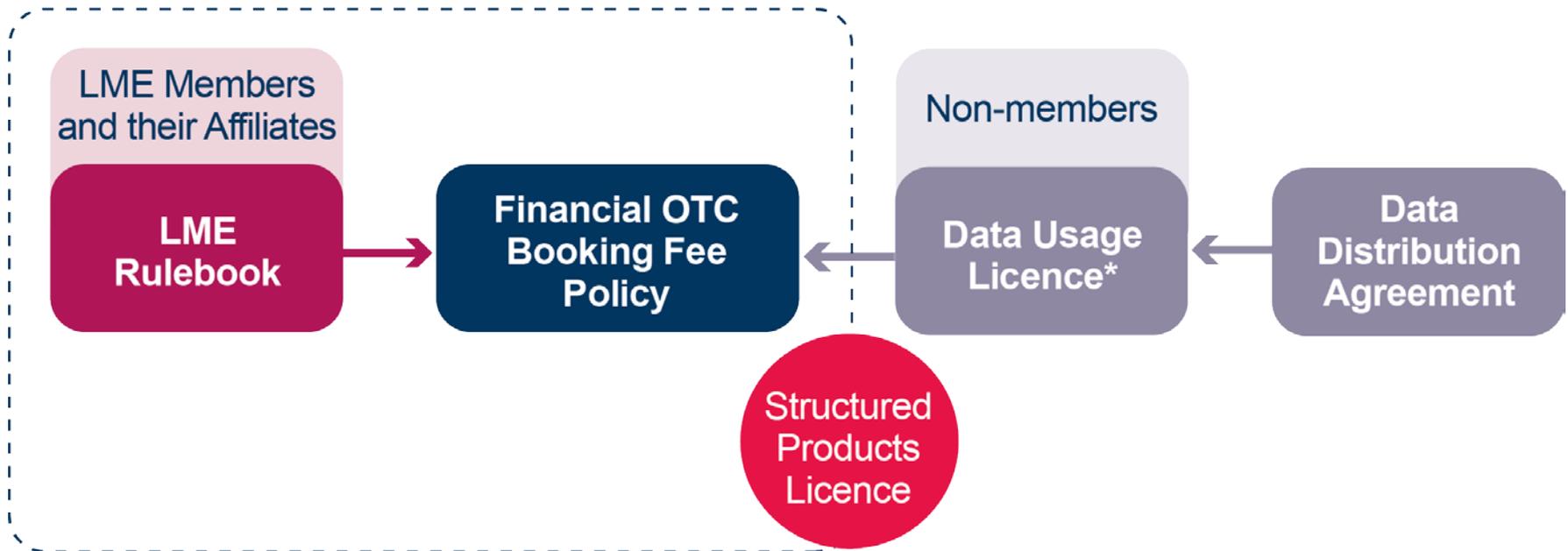
As part of LME strategic pathway the LME has introduced a financial-intermediary booking fee for relevant LME metals OTC contracts.

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

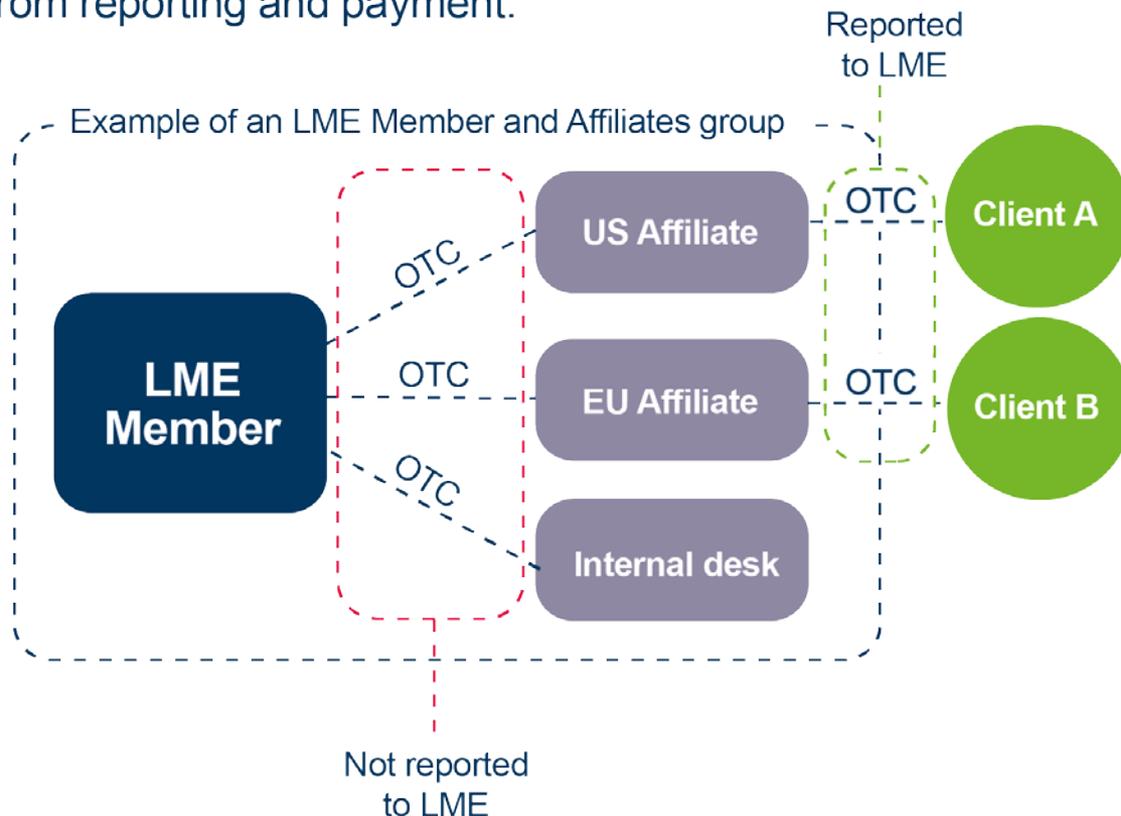
2

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

LME
An HKE X Company

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

THE LONDON METAL EXCHANGE
10 Finabury Square, London EC2A 1AJ | Tel +44 (0)20 7113 8888
Registered in England no 2128996. Registered office as above.

LME.COM

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

LME
An HKEX Company

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: _____

THE LONDON METAL EXCHANGE
10 Finsbury Square, London EC2A 1AJ | Tel +44 (0)20 7113 8888
Registered in England no 2120666. Registered office as above.

LME.COM

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	Physical Spot	
22	CA	Eligible Spreads - Physical	

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

	AA	AH
3		
4		
5	User	Tonnage
6	Outright	1,000
7	Spreads	0
8	Total	1,000
9		
10		
11	Available offsets	Tonnage
12	OTC Bring-on	0
13	Client contracts received	1,000
14	Total	1,000
15		
16	Waived	Tonnage
17	Physical Spot	0
18		
19	Net by user	Tonnage
20	Outright	0
21	Spreads	0
22	Total	0
23	Total \$	\$0
24		
	User	Tonnage
	Outright	108,100
	Spreads	71,100
	Total	179,200
	Available offsets	Tonnage
	OTC Bring-on	25,250
	Client contracts received	12,025
	Total	37,275
	Waived	Tonnage
	Physical Spot	38,000
	Net by user	Tonnage
	Outright	70,825
	Spreads	71,100
	Total	141,925
	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

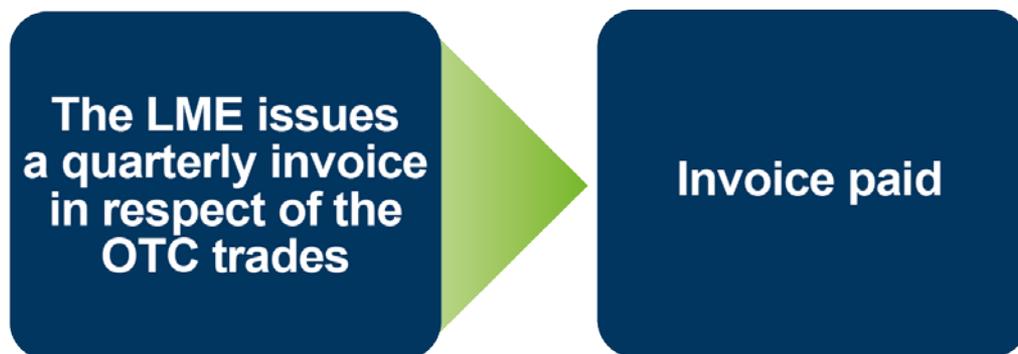
- Client Contracts received within group
- OTC bring-ons

Discounts

- Short-dated calendar spreads

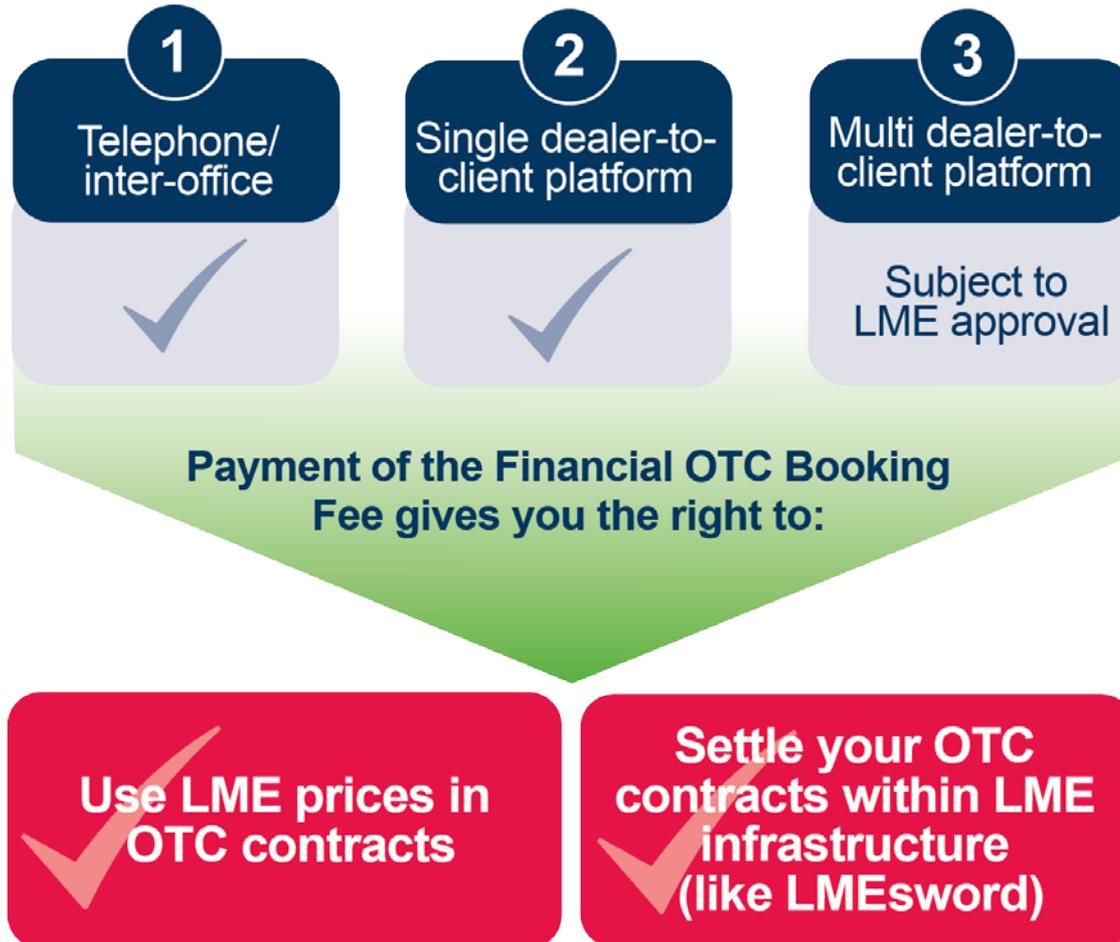
5b

Fee payment

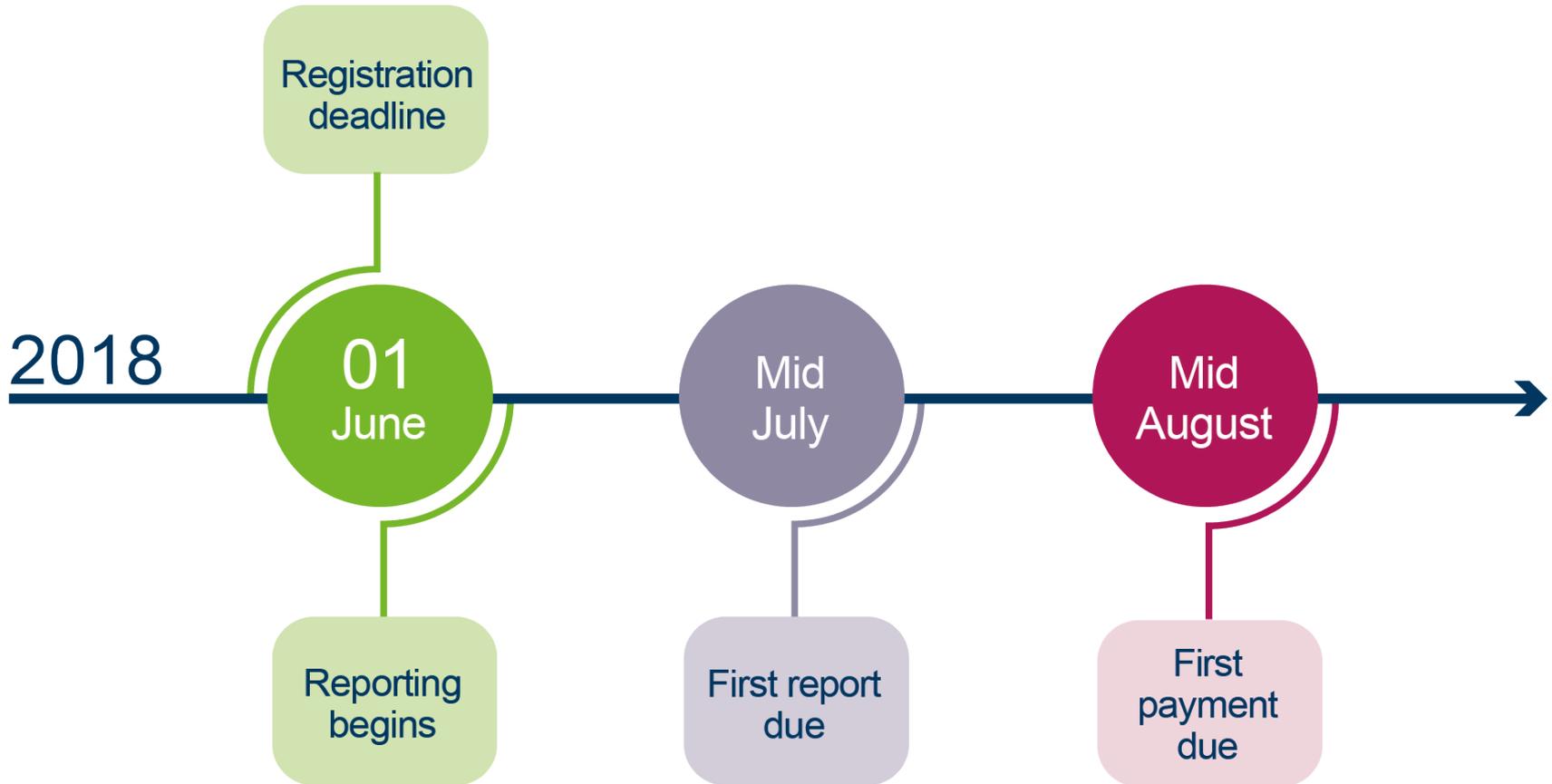


Your LME relationship manager will support you through the entire process and can advise on any aspect

What platforms can I use to create OTC contracts?



Timeline



© The London Metal Exchange (the "LME"), 2018. The London Metal Exchange logo is a registered trademark of The London Metal Exchange.

All rights reserved. All information contained within this document (the "Information") is provided for reference purposes only. While the LME endeavours to ensure the accuracy, reliability and completeness of the Information, neither the LME, nor any of its affiliates makes any warranty or representation, express or implied, or accepts any responsibility or liability for, the accuracy, completeness, reliability or suitability of the Information for any particular purpose. The LME accepts no liability whatsoever to any person for any loss or damage arising from any inaccuracy or omission in the Information or from any consequence, decision, action or non-action based on or in reliance upon the Information.

The Information does not, and is not intended to, constitute investment advice, commentary or a recommendation to make any investment decision. The LME is not acting for any person to whom it has provided the Information. Persons receiving the Information are not clients of the LME and accordingly the LME is not responsible for providing any such persons with regulatory or other protections. All persons in receipt of the Information should obtain independent investment, legal, tax and other relevant advice before making any decisions based on the Information.

LME contracts may only be offered or sold to United States foreign futures and options customers by firms registered with the Commodity Futures Trading Commission (CFTC), or firms who are permitted to solicit and accept money from US futures and options customers for trading on the LME pursuant to CFTC rule 30.10.

THE LONDON METAL EXCHANGE
10 Finsbury Square, London EC2A 1AJ | Tel +44 (0)20 7113 8888

