# Error Trades and Erroneous Order Submissions Policy

Please respond to:
**Trading Operations**

# 1   Introduction

This document (the "Policy") deals with the three different circumstances relating to error trades and the submission of erroneous orders on LMEselect:

a)      the no-cancellation range within which Members will not be permitted to cancel error trades;

b)      the procedures for the LME to permit the cancellation of error trades outside the no-cancellation range where both parties agree to cancel; and

c)      the power of the LME to invalidate an error trade(s) and remove an erroneous order(s), or to invalidate an error trade and replace it with an identical trade (but modified as to price) in order to protect the integrity of the market.

Members who offer the facility for Clients to order route to LMEselect are responsible for ensuring that those Clients are fully aware of this Policy.

This Policy addresses obligations imposed upon trading venues derived from MiFID II (as onshored into UK law and regulation), with particular reference to Regulatory Technical Standard (RTS) 7, Article 18. Capitalised terms not otherwise defined herein shall have the meaning ascribed to them in the Rules and Regulations of the LME (the "**LME Rulebook**").

# 2   No-cancellation range

The LME will publish on https://www.lme.com/en/about/Regulation/Rules/Key-compliance-notices no-cancellation ranges for all metals, as amended from time to time. The LME will, at all times, calculate a reference/anchor price for all prompt dates and carries for each metal, and the no-cancellation ranges will be based upon this reference/anchor price. The LME will not accept a request to cancel an error trade if that trade falls within the relevant no-cancellation range for the metal concerned.

LMEselect utilises a mechanism by which prices can be implied from orders in outright and carry Contracts. Implied trades involve a number of legs, some of which may fall within the relevant no-cancellation range whilst others may fall outside the no-cancellation range.

Where possible, the LME will apply the **outright** no-cancellation range to all legs of an implied trade.

The LME has discretion to apply no-cancellation ranges other than as set out above. The LME will typically exercise this discretion where it identifies that to apply outright no-cancellation ranges to all legs of an implied trade would be impractical or undesirable. In making such a determination, the LME will have regard to the maintenance of a fair and orderly market. This may result in trades that would ordinarily fall within a no-cancellation range (and which on the face of it would not be subject to price adjustment), being subject to price adjustment.

The LME will monitor the application of no-cancellation ranges to implied trades and may, where it determines appropriate, adjust prices accordingly.

Note that trade-at-settlement ("TAS") trades, do not have a no-cancellation range in place.

# 3   Permission to cancel error trades

The LME has full discretion whether or not to permit the cancellation of LMEselect trades. The LME recognises that cancellation of LMEselect trades can be disruptive to the market as a whole. The LME will not permit the cancellation of an LMEselect trade by agreement between the parties unless the

LME determines, in its absolute discretion, that the trade was a clear or serious error. In making the determination as to whether or not a trade was a clear or serious error the LME will take into account, without limitation, the factors outlined below:

a) Market conditions and volatility for all contracts in that product prior to, and immediately after, the disputed trade including reviewing bids, offers and trades in LMEselect and Ring or kerb trading.

b) Any relevant economic data or news stories displayed by market data vendors.

c) The possible market disruption that could be caused by cancelling or not cancelling the trade.

d) Any other information that the LME considers in the circumstances to be relevant, including in particular the relevant no-cancellation range as published on www.lme.com in accordance with paragraph 2 above.

The following procedures in relation to requests for permission to cancel error trades outside the no-cancellation range will apply:

a) The Member requesting a trade cancellation must contact the LME's Trading Operations team by telephone on +44 (0) 20 7113 8200 within 15 minutes of the trade and must confirm by email to: tradingoperations@lme.com that the input was an error.

b) Except in exceptional circumstances, requests for cancellations more than 15 minutes after the Execution Time will be refused.

c) Upon receipt of a request the Trading Operations team will endeavour to send a market message on LMEselect to inform users that the trade is under investigation by the LME.

d) The Trading Operations team will then contact the counterparty Member to establish if the counterparty will agree to cancel the trade. Whether or not the counterparty Member agrees to cancel the trade that Member must confirm its decision by email to: tradingoperations@lme.com.

e) Once the LME has determined whether a trade should be cancelled or not, the parties to the trade and users of LMEselect will be informed of the determination by the Trading Operations team sending a market message on LMEselect.

f) Where the LME has determined that a trade should be cancelled, the parties must promptly make the appropriate inputs in the LME matching system to effect the cancellation.

g) The LME will monitor the Matching System to ensure that no telephone trades or cancellation trades are entered into the Matching System to reverse error trades within the no-cancellation range or error trades outside the no-cancellation range which have not been approved by the LME for cancellation.

# 4    Erroneous order removal procedure

The procedures in relation to the LME removing an erroneous order in LMEselect are as follows:

a) The LME, acting on its own initiative, reserves the right to remove any order in LMEselect if it deems it to be in the best interests of the market as a whole.

b) The LME will notify the Member's compliance department as soon as practicably possible by telephone to inform them that the order has been removed from LMEselect.

c) Subsequent to the phone call, the LME will confirm by email communication to the Member's compliance department stating the order has been removed from LMEselect.

# 5    Trade invalidation procedure

In order to protect the integrity of the market, the LME reserves the power on its own initiative to invalidate an LMEselect trade, and, if appropriate, replace the trade with an identical trade (but modified as to price in accordance with the relevant procedures below) if it determines, in its absolute discretion, that the trade was a clear or serious error. In determining whether or not an LMEselect trade was a clear or serious error the LME will take into account, without limitation, the factors set out in section 3 above, and in particular whether the trade was outside the no-cancellation ranges published on www.lme.com.

Where a transaction is executed at a price that falls outside of the relevant no-cancellation range, the LME may invalidate the trade and instruct that a new trade with the price of the transaction adjusted such that it falls inside the relevant no-cancellation range be entered into the LME's matching system. The adjusted price will be based upon the relevant reference/anchor price plus/minus 100% of the relevant no-cancellation range (i.e. the difference between the reference/anchor price and the upper or lower end of the relevant no-cancellation range, as applicable).

In order to maintain a fair and orderly market, the LME reserves the right, in addition, to invalidate transactions that it considers in its absolute discretion to have been executed at prices that are not representative of fair market value, even where such prices may fall within prevailing no-cancellation ranges.

Whilst the LME will usually invalidate transactions that have been executed at prices that fall outside of the relevant no-cancellation ranges, and subsequently create a new transaction at an adjusted price, there may be circumstances where such action may not be appropriate. For example, there may be circumstances where there are a large number of transactions, covering a number of prompts/carries which have been executed at prices outside the relevant no-cancellation ranges. In such circumstances the LME will be mindful of the need to act in a timely manner, providing certainty and clarity to market participants, and therefore it may be more appropriate to invalidate the transactions in question without creating new transactions at adjusted prices.

The procedure that the LME will seek to follow, whether invalidating a transaction or invalidating a transaction and subsequently creating a new transaction at an adjusted price, will be as follows:

a)      Upon identification of the transaction(s) in question, the LME will send a message to the market, advising them of the transaction(s) that are under investigation. The LME will look to reach a decision within 15 minutes.

b)      Having reached a decision, the LME will look to notify the counterparties to the transaction(s), and having done so, will then send a further message to the market advising them of the LME's decision.

In the event of (i) a transaction being invalidated, or (ii) a transaction being invalidated and a new transaction subsequently created at an adjusted price, the LME will undertake the necessary trade processing within the relevant systems, and confirm to the counterparties by email when such processing has been completed.

Any complaint or dispute in relation to the application of the Policy should be addressed to the LME's Trading Operations team in the first instance at tradingoperations@lme.com. In the event that the complaint or dispute cannot be resolved, the LME operates a formal complaints policy which is available on the LME's website.