



LME DEA Access; Rules and Conditions

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1 Introduction

This document sets out the rules and conditions under which direct electronic access (DEA) is permitted on the LME. This document is to be read in conjunction with Part 3 (Trading Regulations) of the LME Rulebook, and with the supporting documents listed in this text.

1.1 Intended Audience

This document is intended for new and existing Members, Clients, ISVs and stakeholders with an interest in DEA access.

1.2 DEA On-boarding and Conformance Testing

For any queries relating to DEA access, please contact Trading Operations on +44 (0) 207 113 8200, or tradingoperations@lme.com

For information on conformance testing for DEA participants, please see the LMEselect and LMEsmart Testing Services document.

1.3 Supporting Documents

This document is to be read in conjunction with the following documents:

- LME Pre-Trade Risk Management User Guide
- LMEselect Dynamic Price Banding Limits and LMEselect No Cancellation Ranges
- Error Trades and Erroneous Order Submission Policy
- Order Cancellation and Controls Policy
- LMEselect Unexecuted Order to Transaction Ratio Policy
- LMEselect and LMEsmart Testing Services



2 Pre/Post-Trade Checks & Controls

2.1 Pre-Trade

This section is to be read in conjunction with the LME Pre-Trade Risk Management User Guide document.

The LME's Pre-Trade Risk Management (PTRM) system allows Members the opportunity to manage their risk by using intelligent limits that reflect their risk profile and business model. The 'PTRM Manager' user type has the ability to enable and disable accounts, assign users and Tag58 values to accounts, and manage credit limits.

Limits can be set per product, per contract type (e.g. Carry, Option, Outright etc.), and per specific limit (e.g. notional value, per order quantity etc.).

The LME's Dynamic Price Banding Limits use price collars to automatically block orders that do not meet set parameters. For more information please see section 3 Dynamic Price Banding Limits.

2.2 Post-Trade

At Member-level, the 'Drop Copy' account provides the ability to monitor orders on an almost real-time basis without increasing latency to the order flow. A Drop Copy account subscribes to a data feed from the LMEselect system which contains all orders and trades associated with the individual Member and its users. This account type receives all order flow and can request trade history reports, making it ideal for reconciliation purposes.



3 Dynamic Price Banding Limits

This section is to be read in conjunction with the document: LMEselect & LMEsmart Price Banding Limits. All DEA participants are subject to Dynamic Price Banding Limits.

The Dynamic Price Banding functionality is built into the LMEselect trading platform and prevents the submission of orders that fall outside of published price limits. Using an established anchor price for each contract – which is updated in line with market activity – Dynamic Price Banding Limits create price channels which determine whether an order is acceptably priced and permitted to reach the market.

The widths of these price channels, determined by the LME from its own market analysis, are subject to periodic review and are published on the LME website. In the event of changes to levels of volatility, price channels can be updated intra-day to ensure that they are in line with prevailing market sentiments.

Dynamic Price Banding Limits are only applicable to orders better than the prevailing market price (i.e. the contra side of the market), and are not subject to resting orders away from the market price. This therefore reduces the number of error trades that take place in the LMEselect market, as the system prevents buy orders being entered too far above the prevailing market price; and prevents sell orders being entered too far below the prevailing market price.



4 Error Trades & Erroneous Order Submissions

This section is to be read in conjunction with the Error Trades and Erroneous Order Submissions Policy. All DEA participants are subject to the Error Trade and Erroneous Order Submission Policy. The Policy outlines the circumstances relating to error trades and the submission of erroneous orders on LMEselect.

The LME will publish no-cancellation ranges (NCRs) for all products on the LME website, which may be amended from time to time. The LME will, at all times, calculate an anchor price for all contracts and the NCRs will be based up this anchor price. Requests to cancel trades will not be accepted if that trade falls within the relevant NCR, and the LME has full discretion whether or not to permit the cancellation of LMEselect trades.

Where a transaction is executed at a price that falls outside of the relevant NCR, 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 NCR be entered into the LME's matching system. The LME reserves the right, in addition, to invalidate transactions that it considers in its absolute discretion to have been at prices that are not representative of fair market value, even if they fall within the prevailing NCR.

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

The LME may be required to cancel orders in order to prevent disorderly trading conditions and breaches of capacity limits. The LME may also cancel or revoke transactions in case of malfunction of the LME's mechanisms to manage volatility or of the operational functions of LMEselect.



5 Unexecuted Order to Transaction Ratio Policy

This section is to be read in conjunction with the Unexecuted Order to Transaction Ratio Policy. All DEA participants are subject to the Policy.

The Policy gives the following definitions:

'Order' means all input messages, including messages on submission, modification and cancellation relating to an order, but excluding cancellation messages sent subsequent to:

- (i) uncrossing in an auction;
- (ii) a loss of venue connectivity; and
- (iii) the use of a kill functionality.

'Transaction' means a totally or partially executed Order.

'Volume' means the quantity of instruments traded, expressed in size as the number of Lots.

The LME calculates the Policy in the following two ways:

- (a) **The "Number" Calculation:** (total number of Orders / number of transactions) -1; and
- (b) **The "Volume" Calculation:** (total Volume of Orders / total Volume of Transactions) -1

For a Member to be in breach of the Policy during a trading day, the ratio will have to be exceeded on either or both calculation, on a specific financial instrument. The thresholds, per financial instrument, are published on the LME website.



6 Order Cancellation and Controls Policy

This section is to be read in conjunction with the Order Cancellation and Controls Policy. All DEA participants are subject to the Policy.

The LME implements a throttling limit which limits the maximum number of order entry/updates that can take place to 40 per second for each FIX key or GUI user. Order entry/updates in excess of the throttling limit in any given second would result in those orders being rejected by the system.

For example, a burst of 80 order entry/update instructions in one second would result in acceptance of the first 40 instructions during one second with the remaining instructions being cancelled.

The LME operates mechanisms to halt or constrain order entry/updates and trading at all times during trading hours, and the LME ensures that Members are treated equally in the application of the Throttling Policy.



7 References

- [LME Pre-Trade Risk Management User Guide](#)
- [LMEselect Dynamic Price Banding Limits and LMEselect NCR Values](#)
- [Error Trades and Erroneous Order Submission Policy](#)
- [Order Cancellation and Controls Policy](#)
- [LMEselect Unexecuted Order to Transaction Ratio Policy](#)
- [LMEselect and LMEsmart Testing Services document.](#)

