



Regulatory Position Limit Exemption Application: Hedging Exemption

Please respond to:
Position Surveillance, LME
position.surveillance@lme.com



1 Introduction

This application form sets out the minimum information required by the London Metal Exchange (**LME**) for the **Hedging Exemption** in accordance with the **LME’s Policy Relating to Regulatory Position Limits and Exemptions** and the rules of the Financial Conduct Authority (“**FCA**”) as set out in Chapter 10 of the Market Conduct sourcebook (“**MAR 10**”).

2 Defined Terms

Capitalised terms used in this policy shall have the meaning given to them in the LME’s Rules and Regulations including the LME’s Policy Relating to Regulatory Position Limits and Exemptions.

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4 Application Guidance

This application must be completed in accordance with the LME Rulebook and Policy Relating to Regulatory Position Limits and Exemptions – which describe relevant requirements surrounding information provision, confidentiality, conditions, Exemption Ceilings and communication.

For the avoidance of doubt, only a non-financial entity can apply for a Hedging Exemption. The Exchange shall not consider Exemption applications where the non-financial entity wishes to remain anonymous.

Applicants should seek to provide as much detail as necessary in order to provide a ‘full and comprehensive’ response. The boxes will expand as needed. Any answers that are considered too brief or lacking sufficient detail will be returned to the applicant, which will extend the process and delay the granting of the exemption ceiling.

This application form is for applicants seeking to benefit from the Hedging Exemption and should be used by an applicant to:

- (i) apply for (or renew) an Exemption;
- (ii) amend an existing Exemption; or
- (iii) cancel an Exemption.

Applicants seeking to re-apply for an Exemption ahead of its expiry will be responsible for completing an application form with updated information and should provide this in good time to the LME ahead of the intended expiry date of the existing exemption.



Applicants seeking to amend (ii above) or cancel (iii above) an Exemption should update the original application form with the new information by completing the Appendix 1 below and re-sign and date the application form.

Once complete this application form and supporting documents should be provided to the Position Surveillance team at position.surveillance@lme.com.

Members, Persons Subject to the Rules or Clients with queries regarding this application should contact Position Surveillance at position.surveillance@lme.com.

5 Section 1 – Application details

The applicant shall provide the information requested below:

	Information requirement	Applicant response
5.1.1	Applicant Name (Legal entity name or natural person name)	
5.1.2	Registered Office / Operating Address (if different from Registered Office)	
5.1.3	Website	
5.1.4	Primary Contact: Name and contact details (phone and email address) of individual making this application and with whom LME should liaise in relation to: (i) this application; and (ii) the LME's Position Limits	
5.1.5	Alternative Contacts: Please provide alternative contact(s) to the above including relevant distribution lists.	
5.1.6	Legal Entity Identifier (LEI) or National Client Identifier (if no LEI)	
5.1.7	Clearing members (including member mnemonic) the applicant clears through	



6 Section 2 – Exemption details on the Hedging Exemption

6.1 Application summary

	Information requirement	Category	Applicant response
6.1.1	Reason for application	Apply for (or renew) an Exemption	
6.1.2		Amend Exemption	
6.1.3		Cancel Exemption	

6.2 Contract(s) for which an Exemption is sought

	Metal	Spot Month Contract Exemption (Please mark with an X as applicable)	Other Months' Contract Exemption (Please mark with an X as applicable)
6.2.1	Aluminium (AH)	[Ref: AHSPOT] <input type="checkbox"/>	[Ref: AHOTHER] <input type="checkbox"/>
6.2.2	Copper (CA)	[Ref: CASPOT] <input type="checkbox"/>	[Ref: CAOTHER] <input type="checkbox"/>
6.2.3	Lead (PB)	[Ref: PBSPOT] <input type="checkbox"/>	[Ref: PBOTHER] <input type="checkbox"/>
6.2.4	Nickel (NI)	[Ref: NISPOT] <input type="checkbox"/>	[Ref: NIOTHER] <input type="checkbox"/>
6.2.5	Tin (SN)	[Ref: SNSPOT] <input type="checkbox"/>	[Ref: SNOTHER] <input type="checkbox"/>
6.2.6	Zinc (ZS)	[Ref: ZSSPOT] <input type="checkbox"/>	[Ref: ZSOTHER] <input type="checkbox"/>
6.2.7	Duration of the Exemption(s) <i>(maximum period 12 months)</i>	Start date:	End date:



6.3 Hedging Exemption eligibility requirements

	Information requirement	Applicant response
6.3.1	Explain how the applicant is a non-financial entity as defined under MAR10 ¹ .	
6.3.2	Describe how the position held is one which either: (a) reduces the risks arising from the potential change in the value of assets, services, inputs, products, commodities or liabilities that the non-financial entity or its group owns, produces, manufactures, processes, provides, purchases, merchandises, leases, sells, or incurs or reasonably anticipates owning, producing, manufacturing, processing, providing, purchasing, merchandising, leasing, selling or incurring in the normal course of its business; or (b) qualifies as a hedging contract pursuant to UK-adopted IFRS.	
6.3.3	Describe how typical positions held by the non-financial entity would be unwound, if required, in an orderly way.	

6.4 Clearing Member arrangements

	Information requirement	Applicant response
6.4.1	For each Contract marked in Section 6.2, provide the Clearing Member arrangements that the non-financial entity has in place, and expects to have in place across the next 12 months. <i>(This response should detail the Clearing Members, the anticipated proportion of position held by each and any other relevant information, including but not limited to, credit and margin arrangements)</i>	

6.5 Hedging Exemption critical information

The applicant must submit the following information **at the time** of the application and in relation to the **following 12 months**, which demonstrates how the position reduces risks directly relating to the non-financial entity's commercial activity.

¹ [FCA Handbook - non-financial entity](#); [FCA Handbook - financial entity](#)



	Information requirement	Applicant response
6.5.1	For each Contract marked in Section 6.2, describe the nature and value of the non-financial entity's commercial activities in the underlying Contract for which the exemption is sought. <i>(Include detail of the volume and volume unit of commercial activities - e.g. tonnes etc - and how that volume was calculated)</i>	
6.5.2	For each Contract marked in Section 6.2, describe the nature and value of the non-financial entity's activities in the trading of and positions held in the relevant Contract as well as in over-the-counter contracts . <i>(Include detail of the volume and volume unit of trading and positions - e.g. tonnes etc - and how that volume was calculated)</i>	
6.5.3	For each Contract marked in Section 6.2, describe the nature and size of the exposures and risks which the non-financial entity has or expects to have as a result of its commercial activities and which are or would be mitigated by the use of the Contract and over-the-counter contracts. <i>(Include detail of the specific exposures and risks and the materiality of those risks)</i>	
6.5.4	For each Contract marked in Section 6.2, explain how the non-financial entity's use of the Contract and over-the-counter contracts directly reduces its exposure and risks in its commercial activities. <i>(Include detail of the specific use of LME Contracts or OTC contracts and how the usage directly mitigates the specific exposures and risks highlighted in Section 6.5.3)</i>	

6.6 Requested Exemption Ceiling

The applicant must provide information concerning the Exemption Ceiling which they request. The LME will assess the requested Exemption Ceiling considering the factors described within the "Exemption Ceilings" Section of the Policy Relating to Regulatory Position Limits and Exemptions.

	Information requirement	Applicant response
6.6.1	For each Contract marked in Section 6.2, provide the Exemption Ceiling sought by the non-financial entity. <i>(Exemption Ceiling requests should be in lots and should exceed the underlying Regulatory Position Limit)</i>	



6.6.2	<p>For each requested Exemption Ceiling, justify the extent to which you consider you will exceed the relevant Position Limit and utilise the level of Exemption Ceiling proposed.</p> <p><i>(Justifications should provide the LME with sufficient information to be satisfied that the proposed Exemption Ceiling is appropriate for the entity, with reference to the specific detail provided in Section 6.5)</i></p>	
6.6.3	<p>For each requested Exemption Ceiling, describe the steps the non-financial entity would take to unwind the proposed position(s), if required, in an orderly way.</p> <p><i>(With specific reference to Section 6.6.1, responses should include considerations, measures and controls to ensure such orderliness)</i></p>	

6.7 Internal policies

A qualifying risk-reducing position which benefits from a Hedging Exemption must demonstrate certain evidence concerning its internal policies and portfolio. For Sections 6.7.1 – 6.7.5 below, responses should summarise how internal policies meet these requirements and provide appropriate evidence.

	Information requirement	Applicant response	Evidence Provided
6.7.1	Describe how the non-financial entity's internal policies outline the types of Contract and over the counter contracts included in the portfolios used to reduce risks directly relating to commercial activity and their eligibility criteria.		
6.7.2	Describe how the non-financial entity's internal policies outline the link between the portfolio and the risks that the portfolio is mitigating.		
6.7.3	Describe how the non-financial entity's internal policies outline the measures adopted to ensure that the positions concerning those contracts serve no other purpose than covering risks directly related to the commercial activities of the non-financial entity, and that any position serving a different purpose can be clearly identified.		
6.7.4	Describe how the non-financial entity is able to provide a sufficiently disaggregated view of the portfolios in terms of distinguishing between		



	Contracts and over-the-counter contracts, underlying metal, time horizon and other relevant factors.		
6.7.5	Describe the non-financial entity's position management arrangements, including management and oversight of positions and controls to prevent the position from exceeding a Regulatory Position Limit or Exemption Ceiling.		

7 Section 3 – Document checklist

Please list below any additional documents you wish to provide in support of this Exemption application e.g. trading data, financial statements, any other relevant information. Please email these documents along with this application form to position.surveillance@lme.com.

	Document attached (name)	Description
7.1.1		
7.1.2		
7.1.3		
7.1.4		
7.1.5		



8 Section 4 – Disclosure of information and declaration

8.1 Disclosure of Information

	Information requirement	Applicant response
8.1.1	Provide details of any other information that may be material to this application and that the non-financial entity considers the LME would reasonably expect to be disclosed for its consideration as part of this application for an Exemption.	
8.1.2	Confirm that you agree to the requirements, responsibilities and conditions outlined within the Rules including the LME Rulebook and the Policy Relating to Regulatory Position Limits and Exemptions.	<input type="checkbox"/>
8.1.3	Confirm that should the Exemption be granted, the non-financial entity will notify the LME promptly of: (1) any significant change to the nature or value of the entity's commercial activities or trading activities in the Contracts or information supplied within this application (including but not limited to those set out in Section 6.5); and (2) any breach of a condition related to the Exemption, as set out within the LME's Rules including the Policy Relating to Regulatory Position Limits and Exemptions.	<input type="checkbox"/>
8.1.4	Confirm that you are aware that, without prejudice to the powers of the LME and of the Special Committee set out in the Rules, the LME may reject your application (including the requested level of Position Ceiling), unilaterally withdraw your Exemption, unilaterally amend your Exemption (including any condition attached to such Exemption) or unilaterally amend an Exemption Ceiling (level or condition if any attached to such Ceiling) and that the LME may take any other step related to or connected to an Exemption or an Exemption Ceiling in accordance with either the Rules, the FCA MAR 10 Rules or as directed by the relevant Regulator.	<input type="checkbox"/>



8.2 Declaration

The applicant hereby confirms that the information it has provided in this Exemption application is accurate and complete.

	Detail	Applicant response
8.2.1	For and on behalf of (<i>legal entity name</i>)	
8.2.2	Name:	
8.2.3	Title:	
8.2.4	Date:	
8.2.5	Email address:	
8.2.6	Signed <i>(Please note that this should be a suitable person of appropriate seniority at the non-financial entity to attest to its factual accuracy and completeness e.g. Head of Compliance)</i>	

Please sign and date the application form and return it to position.surveillance@lme.com.



9 Appendix 1 – Amendment or Cancellation of Existing Exemption

9.1 Amendment or Cancellation

	Information requirement	Applicant response
9.1.1	Describe the amendment or cancellation requested.	
9.1.2	Describe the rationale for the amendment or cancellation. <i>(This response should include how the information provided in the Exemption application has changed)</i>	
9.1.3	Requested effective date for the amendment or cancellation.	

9.2 Declaration

The applicant hereby confirms that the information it has provided is accurate and complete.

	Detail	Applicant response
9.2.1	For and on behalf of <i>(legal entity name)</i> :	
9.2.2	Date:	
9.2.3	Name:	
9.2.4	Title:	
9.2.5	Email address:	
9.2.6	Signed: <i>(Please note that this should be a suitable person of appropriate seniority at the non-financial entity to attest to its factual accuracy and completeness e.g. Head of Compliance)</i>	

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