13 October 2026

LME Clear

An HKEX Company

LME Clear Limited

Rules and Procedures

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LME CLEAR LIMITED

RULES

RULE 1 – DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS

1.1.1 In the Rules, the following words and expressions shall, unless the context otherwise requires, bear the meanings set opposite them:

"Acceptance"	has the meaning set out in Rule 6.4.3, and "**Accepted**" shall be construed accordingly;
"Acceptance Criteria"	has the meaning set out in Clearing Procedure B3.1;
"Acceptance Time"	has the meaning set out in Rule 6.4.3;
"Accepting Member"	means a Member that accepts a Transaction that is the subject of a Give-Up;
"Accounts"	means an account established and maintained by LME Clear in respect of a Member, in accordance with Rule 4 (*Accounts*), including any: (a) House Accounts; or (b) Client Accounts, which may be either: (i) an Omnibus Segregated Client Account; or (ii) an Individual Segregated Client Account; (c) Administrative Accounts;
"Account Transfer"	has the meaning set out in Rule 6.13;
"Act of Misconduct"	has the meaning set out in Membership Procedure A 2.1;
"Additional Amount Applied"	has the meaning set out in Default Procedure C6.6;
"Additional Capital"	has the meaning set out in Membership Procedure A 2.1;
"Additional Collateral Management Charge" (or "ACMC")	has the meaning set out in Clearing Procedure D4.3;
"Administrative Account"	means an Account in the books and records of LME Clear established in accordance with Rule 4 (*Accounts*), to record Respective Entitlements in respect of Transactions cleared by a Member in the circumstances described in Rule 4.2.10;
"Affected Party"	means whichever of LME Clear, the Member, the Posting Affiliate or the Posting Client as is unable to perform any of its

	obligations arising out of, in connection with or relating to the Rules as a result of a Force Majeure Event;
"Affiliate"	means, in relation to any person, a Subsidiary of that person or a Holding Company of such person or any other Subsidiary of such Holding Company;
"Affiliate Documentation"	means the agreements, documents and instruments which constitute the contractual relationship between a Member, a Posting Affiliate of that Member and LME Clear in relation to the Affiliate Posting Structure, including these Rules, the Affiliate Guarantee, any Affiliate Security Documents and the Affiliate Tripartite Agreement;
"Affiliate Guarantee"	means a guarantee, entered into by LME Clear and a Posting Affiliate of a Member, pursuant to which that Posting Affiliate guarantees, on a limited recourse basis, the performance by the relevant Member of that Member's obligations under the Rules (including any obligation to with regard to any Margin Requirements);
"Affiliate Posting Structure"	means the arrangement through which a Posting Affiliate of a Member has agreed to post certain LME Warrant Collateral held by it to LME Clear as Collateral in satisfaction, in whole or in part, of that Member's margining obligations in respect of the Member's House Account in accordance with the Rules, as documented under the Affiliate Documentation;
"Affiliate Security Document"	means any document, entered into by LME Clear and a Posting Affiliate of a Member, pursuant to which that Posting Affiliate creates a Security Interest in favour of LME Clear in respect of the margining obligations of the relevant Member in respect of the Member's House Account (being the obligations that the Posting Affiliate guarantees under the Affiliate Guarantee);
"Affiliate Tripartite Agreement"	means an agreement, entered into by LME Clear, a Member and a Posting Affiliate of that Member, pursuant to which the Posting Affiliate agrees to be bound by the Rules for the purposes of the Affiliate Posting Structure;
"Aggregate Member Entitlement"	has the meaning set out in Rule 10.13 (*LME Clear Default*);
"Aggregate Member Obligation"	has the meaning set out in Rule 10.13 (*LME Clear Default*);
"Aggregated Contract"	means a Contract in a Net Position Product that is maintained on an aggregated basis within an Omnibus Segregated Client Account, in accordance with Clearing Procedure B5, and including any Contract that comprises the aggregation of multiple Aggregated Contracts in accordance with the aggregation process in Clearing Procedure B5;

"Allocated DFC Amount" has the meaning set out in Default Procedure C6.63A;

"Allocation ID" means an individual mnemonic to be used by a Member to identify:

(a) an individual Client within a Direct Gross Omnibus Segregated Client Account; or

(b) an individual Indirect Client within an Indirect Gross Omnibus Segregated Client Account,

and which shall be used by such Member to identify Contracts and Positions allocable to such Client or Indirect Client (as applicable) in such Account;

"Amount Applied" has the meaning set out in Default Procedure C6.6;

"Annex" means an annex to the Rules and Procedures and published on the Website, as amended by LME Clear from time to time;

"Appeal Committee" has the meaning set out in Membership Procedure A 2.1;

"Applicable Law" means:

(a) all regional, national and international laws, rules, regulations, standards and directions, including those imposed by any competent regulatory authority which apply from time to time to the person or activity; and/or

(b) all other regulations applying to LME Clear or a Member and any binding rules or non-binding guidance issued by a Clearing House Regulator and / or a Regulator of a Member, including FSMA, EMIR, the Recognition Regulations and the Settlement Finality Regulations; and/or

(c) any such laws, rules, regulations or guidance referred to in (a) or (b) above to the extent such is relevant for a Posting Affiliate or Posting Client in the Rules;

"Applicable Clearing Regulations" means all Applicable Law binding on LME Clear in the United Kingdom and the European Union that governs, regulates or specifies in any way the manner in which LME Clear shall be required to make available and / or perform its obligations as the operator of the Clearing System including FSMA, EMIR, the Recognition Regulations and the Settlement Finality Regulations;

"Applicant"	means any person that applies to LME Clear to become a Member;
"Approved Delivery Facility"	means the delivery facilities specified in the Clearing Procedures as being approved by LME Clear to deliver the Underlying Assets under a Contract;
"Approved Execution Arrangement"	has the meaning set out in Clearing Procedure B 3.2;
"Approved Settlement Bank"	means a Settlement Bank approved by LME Clear as being eligible to participate in the Secure Payment System; the settlement banks approved by LME Clear from time to time shall be those listed on the Website;
"Approved Transaction Platform"	means: (a) an Organised Market; or (b) a venue or facility for the execution, matching, reporting or confirmation of transactions, that is approved by LME Clear to submit Transactions to the Clearing System and that is specified as such in the Clearing Procedures;
"Asset Cover"	means the Collateral provided by a Member . a Posting Affiliate or Posting Client (as applicable) to LME Clear and, in the case of a Member only, Default Fund Contributions;
"Auction Portfolio"	means a Portfolio that is the subject of an auction in accordance with Default Procedure C6.3;
"Authorised Representative"	means the management representative appointed by the Member in accordance with Membership Procedure B8;
"**Automatic Compression**"	means the application of a Compression Run in accordance with the process set out in Rule 12.2.2;
"Automatic Porting Designation Documents"	has the meaning set out in Section 1 of Default Procedure D (*Porting Procedure*);
"Automatic Porting Process"	means the process for the transfer of Contracts, Positions and Collateral allocated to a Client Account in respect of which LME Clear is in receipt of accurate, complete and up to date Automatic Porting Designation Documents, as specified in Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Default Procedures*), and specifically Default Procedure D2.2 (*Automatic Porting Process*);
"Available Cash"	has the meaning set out in Clearing Procedure D 5.5;

"Available Cash Collateral"	has the meaning set out in Clearing Procedure D 5.18:
"Available Non-cash Collateral"	has the meaning set out in Clearing Procedure D 5.14;
"Base Currency"	means US dollars;
"Binding Affiliate Terms"	has the meaning set out in Rule 2.1.1A;
"Binding Client Terms"	has the meaning set out in Rule 2.1.1B;
"Binding Membership Terms"	has the meaning set out in Rule 2.1.1;
"Board"	means the board of directors of LME Clear;
"Bridge Institution"	means an entity established, appointed, or otherwise selected by a resolution authority to take over and continue operating certain functions and operations of a Member;
"Brought Forward Position"	means, on any Business Day, the Position arising from the Open Contract that was created pursuant to the previous Business Day's Settlement to Market Process;
"Bullion"	[*Definition to be included when OTC Bullion Products are included as Eligible Products*]
"Business Day"	means any day on which LME Clear is open for business to accept Transactions from one or more Approved Transaction Platforms;
"Business Hours"	means any hours within a day that is a Business Day;
"Buyer"	means whichever party (LME Clear or the Member) under a Contract: (a) has the right to receive the Underlying Asset; and / or (b) has the obligation to make payment of the Settlement Payment; or (c) is the Option Holder under an Option Contract;
"Buy-In"	has the meaning set out in Rule 7.8.1;
"Capital Requirements Regulation"	means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms as from time to time amended;
"Cash Collateral"	means any Collateral in the form of cash;

"Cash Contingent Variation Margin" (or "CCVM")	has the meaning set out in Clearing Procedure C 4.2(c);
"Cash Cover"	means any cash provided by a Member to LME Clear as Collateral, Default Fund Contribution, Excess Member Payment or a similar purpose, whether or not provided in relation to a Client;
"Cash-Settled Future"	means those Eligible Products specified as such in Annex 1 (*Eligible Products*);
"Cash-Settled Future Final Settlement Price"	has the meaning given to it in the LME Rules;
"Cash Settlement"	means any cash amount payable by a Member to LME Clear or by LME Clear to a Member, including: (a) Settlement Payments; (b) Option Contract Premiums; (c) Option Exercise Payments; (d) payments of Eligible Cash by way of Collateral or Default Fund Contribution; (e) all cash settlement-types specified in Clearing Procedure E3.4; and (f) any other cash payment calculated by LME Clear and notified by LME Clear to the Member as being payable by the Member or by LME Clear in accordance with the Rules;
"Circular"	means a Notice which is given by LME Clear to all Members by way of publication on the Website;
"Clearing Client"	means a Client that has established arrangements with a Member to clear Transactions with, or in respect of, one or more of its Indirect Clients;
"Clearing House Regulator"	means the Bank of England, ESMA and any other Regulator having authority for regulating LME Clear or any aspect of its business;
"Clearing Procedures"	means the Procedures appended to the Rules under the title "Clearing Procedures";
"Clearing Risk Committee"	means the committee established by LME Clear to oversee the day-to-day risk management of LME Clear and to assist LME Clear's chief risk officer to support the work of the EMIR Risk Committee;
"Clearing System"	means the formal arrangements, rules and procedures operated by LME Clear and the services provided by it for the

clearing and settlement of Contracts, as described in the Rules and the Procedures (each as amended from time to time) as published from time to time by LME Clear;

"Client" means a person that has an agreement with a Member pursuant to which:

(a) the Member enters into Transactions with or for that person; or

(b) the Member agrees to take responsibility for the clearing via the Clearing System of Transactions entered into by such person,

(and which person may include a Non-Clearing Firm);

"Client Account" means an Account in the books and records of LME Clear established in accordance with Rule 4 (*Accounts*), to record Respective Entitlements in respect of Transactions cleared by a Member for one or more of its Clients;

"Client Acknowledgement Form" means a form, executed by a Member and a Client, in the form prescribed in Part A of Annex 6 (*Client Business Terms*);

"Client Business" means the business of a Member of entering into or clearing transactions in relation to Clients, which may, without limitation include:

(a) the entering into Transactions by a Member with Clients;

(b) the entering into Transactions by a Member (whether as principal or otherwise) with another counterparty in order to satisfy an order from, or another obligation to, a Client; or

(c) the acceptance of responsibility by a Member for the clearing, via the Clearing System, of a Transaction on behalf of a Client;

"**Client Clearing Agreement**" has the meaning set out in paragraphs 3.1(b), Part A or paragraph 2.1(b), Part B of Annex 6 (Client Business Terms);

"**Client Direct Posting Documentation**" means the agreements, documents and instruments which constitute the contractual relationship between a Member, a Posting Client and LME Clear in relation to the Client Direct Posting Structure, including these Rules, any Posting Client Security Documents and the Posting Client Tripartite Agreement;

"**Client Direct Posting Structure**" means the arrangement through which a Posting Client has agreed to post certain LME Warrant Collateral held by it to LME Clear as Collateral in satisfaction, in whole or in part, of its Member's margining obligations in respect of a Designated

	Client Account, in accordance with the Rules, as documented under the Client Direct Posting Documentation;
"Close of Business"	means the time on a Business Day from which LME Clear shall cease to receive new Transactions, which shall be as specified in Opening Hours Circulars, provided that LME Clear may decide to extend the Close of Business on any particular Business Day;
"Closing Price"	has the relevant meaning set out in Clearing Procedure A6;
"**Close Out Amount**"	has the meaning set out in Rule 10.13 (*LME Clear Default*);
"**Close Out Date**"	has the meaning set out in Rule 10.13 (*LME Clear Default*);
"**Close Out Netting Notice**"	means a Notice issued by a Member to LME Clear pursuant to and in accordance with Rule 10.13 (*LME Clear Default*);
"Collateral"	means: (a) in the case of a Member, cash, securities, gold, LME Warrant Collateral or instruments; (b) in the case of a Posting Affiliate or a Posting Client, LME Warrant Collateral; and (c) in any event, any other types of asset, right or interest, provided (or to be provided) to LME Clear to satisfy a Member's Margin Requirement;
"Collateral Limits"	means any limitation on the proportion or amount of any type of Collateral that may be provided by a Member, its Posting Affiliate or a Posting Client to LME Clear in satisfaction of the Member's Margin Requirements that are set out in Annex 2 (*Eligible Currencies, Collateral and Haircuts*);
"Collateral Specifications"	means the provisions set out in Annex 2 (*Eligible Currencies, Collateral and Haircuts*) dealing with Collateral, including Haircuts and certain eligibility criteria;
"Collateral Value"	means at any time, in respect of all Eligible Collateral provided by a Member, its Posting Affiliate or a Posting Client at that time, an amount (in the Base Currency) equal to the Market Value of that Eligible Collateral at that time minus any applicable Haircut;
"Common Transfer Conditions"	has the meaning set out in Rule 6.13.5;
"**Compressible Account**"	has the meaning set out in Rule 12 (*Compression*);
"**Compression**"	means the replacement of multiple Contracts, between a Member and LME Clear, with a smaller number of Contracts by

	the aggregation of Contracts having the same direction, together with the netting of Contracts having opposite directions, that is effected in accordance with and subject to the provisions of Rule 12 (*Compression*) and "**Compressed**" shall mean the effect of the application of such process;
"**Compression Request**"	has the meaning set out in Rule 12 (*Compression*);
"**Compression Run**"	means an implementation of Compression, at the Compression Time, in accordance with a Compression Proposal;
"**Compression Time**"	means the time at which Compression is recorded in the Clearing System as having taken effect;
"Complainant"	means a Member that makes a Complaint;
"Complaint"	means a complaint brought by a Member in accordance with Membership Procedure C;
"Concentration Bank"	means a bank appointed as a concentration bank by LME Clear to hold and process cash amounts received or held by LME Clear for any purpose. A list of the Concentration Banks shall be set out on the Website;
"Consultation Process"	has the meaning set out in Rule 2.2.5;
"Contingent Agreement to Trade"	has the meaning set out in the LME Rules;
"Contract"	means a binding agreement between LME Clear and a Member that is formed under and in accordance with Rule 6 (*Acceptance*), and which is to be performed or discharged in accordance with the Rules;
"Conveyance Clause"	has the meaning set out in Annex 9 (*Account Transfer Process*);
"Contract Settled Under LME Rules"	has the meaning set out in Rule 7.2.1;
"**Core Economic Terms**"	means, in respect of a Contract: (a) the Prompt Date; (b) the Eligible Product comprised by the Contract; (c) the type (but not quantity) of Underlying Asset; and (d) the type (but not quantity) of Settlement Currency,

	being those features of a Contract that are capable of being Compressed with another Contract in accordance with Rule 12 (*Compression*);
"Counterparty Loss"	means a Loss incurred by LME Clear, including the loss of any asset or cash, pursuant to a default by a Treasury Counterparty that is also a Defaulting Member;
"Cover Distribution Process"	has the meaning set out in Clearing Procedure D5;
"Credit Check"	has the meaning set out in Clearing Procedure B3.10;
"Custodian"	means a custodian with which LME Clear may deposit Collateral and/or Default Fund Contributions and/or any other assets or funds from time to time including, for the avoidance of doubt, a Triparty Collateral Custodian;
"Cut Off Time"	has the meaning set out in Rule 10.10.9;
"Dedicated Own Resources"	means the amount of dedicated own resources required to be held by LME Clear from time to time in compliance with Article 35(1) of the EMIR Level 2 (CCP Requirements) Regulation;
"Default Event"	has the meaning set out in Rule 10.2;
"Default Fire Drill"	means a test of LME Clear's Default Procedures, carried out pursuant to Default Procedure C2;
"Default Fund"	means the relevant fund maintained by LME Clear in respect of a Service, to which each Member that participates in such Service is required to contribute under Rule 9 (*Default Fund*);
"Default Fund Contribution"	means, as the context may require: (a) the amount to be contributed by a Member to a Default Fund; or (b) the amount contributed at any time by a Member to a Default Fund, in accordance with Rule 9 (*Default Fund*);
"Default Fund Mutualisation Limit"	has the meaning set out in Default Procedure Part B1.2;
"Default Loss"	means any Loss incurred by LME Clear as a result of a failure by a Member to fulfil its obligations to LME Clear;
"Defaulting Member"	has the meaning set out in Rule 10.3.4;
"Default Management Committee"	has the meaning set out in Default Procedure C5.1;

"Default Notice"	means a notice issued to a Member by LME Clear (pursuant to Rule 10.3.3) declaring that Member to be a Defaulting Member;
"Default Period"	has the meaning set out in Rule 10.10.6;
"Default Procedures"	means the Procedures appended to the Rules, under the title "Default Procedures";
"Default Requirements"	means the default requirements for the time being applicable under EMIR, Part VII of the Companies Act 1989 and the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001;
"Default-Specific Cap"	has the meaning set out in Rule 10.10.4(a);
"Default-Specific Replenishment Notice"	has the meaning set out in Rule 10.10.1(e);
"Defence"	has the meaning set out in Membership Procedure A 2.1;
"Delivery Adjustment Settlement"	means a payment due to or from a Member in respect of a delivered Underlying Asset, which shall take effect as a post-delivery adjustment to the Settlement Payment; and such Delivery Adjustment Settlement shall, for the avoidance of doubt, represent a Payment Obligation for the party that is due to make such payment;
"Delivery Obligation"	means the obligation under a Contract for the Seller to deliver Underlying Assets to the Buyer;
"Delivery Position"	means a Position in respect of a Contract under which the Seller has a Delivery Obligation;
"**Designated Client Account**"	means a Client Account operated by a Member on behalf of a Posting Client to which the Client Direct Posting Structure is applicable;
"Designated Member Transferee"	means a Member that has, pursuant to any Automatic Porting Designation Document, agreed to be treated as a Designated Member Transferee in respect of a Client Account for the purpose of the application of the Automatic Porting Process;
"Destination Account"	means, in respect of an Account Transfer, the Account to which the Positions, and any associated Collateral, are to be transferred;
"Direct Gross Omnibus Segregated Client Account"	means an Omnibus Segregated Client Account having the features described in Rule 4.2.3(b);

"Direct Individual Segregated Client Account"	means an Individual Segregated Client Account that records the Contracts and their associated Collateral and Positions Registered by a Member in respect of a single Client of the Member;
"Direct Net Omnibus Segregated Client Account"	means an Omnibus Segregated Client Account having the features described in Rule 4.2.3(a);
"Discharged Rights and Obligations"	has the meaning set out in Default Procedure D2.11;
"Disciplinary Committee"	has the meaning set out in Membership Procedure A 2.1;
"Discounted Contingent Variation Margin" (or "DCVM")	has the meaning set out in Clearing Procedure C4.2(b);
"DSS"	means the Detailed Service Specification document published by LME Clear on the Website, as such document may be updated by LME Clear from time to time;
"Eligible Cash"	means cash in an Eligible Currency and which complies with any criteria specified in the Rules including the Clearing Procedures;
"Eligible Collateral"	means assets in the form of Eligible Cash, Eligible Securities, LME Warrant Collateral and Eligible Gold, and such other assets with such eligibility criteria as LME Clear may from time to time specify, and which comply with any criteria specified in the Rules including the Clearing Procedures;
"**Eligible Compressible Contracts**"	means Contracts in those Eligible Products that are identified in Annex 1 (*Eligible Products*) as "Eligible Compressible Contracts";
"Eligible Currency"	means: (a) in the context of any Cash Settlement to be performed in settlement of any Contract, the currency specified in the Collateral Specifications as being eligible for settlement of such Contract; or (b) in the context of Collateral provided or to be provided by a Member, any currency specified in the Collateral Specifications in which Eligible Collateral may be denominated;
"Eligible Gold"	means Gold which complies with any criteria specified in the Rules including the Clearing Procedures;

"Eligible Product"	means a contract that is eligible to be cleared via the Clearing System, the definitive list of which is set out in Annex 1 (*Eligible Products*), as amended by LME Clear from time to time;
"Eligible LME Warrants"	means, at any time, LME Warrants relating to Eligible Metal which comply with any criteria specified in the Rules including the Clearing Procedures;
"Eligible Metal"	means metal of a type that is specified in Annex 1 (*Eligible Metal*);
"Eligible Securities"	means securities denominated in Eligible Currencies, and which comply with any criteria specified in the Rules including the Clearing Procedures;
"EMIR"	means the EMIR Level 1 Regulation and the EMIR Level 2 Regulation, as amended from time to time;
"EMIR Level 1 Regulation"	means Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, as amended from time to time;
"EMIR Level 2 Regulations"	means: (a) the EMIR Level 2 (Indirect Clearing) Regulation; (b) the EMIR Level 2 (CCP Requirements) Regulation; and (c) the EMIR Level 2 Capital Requirements, as amended from time to time;
"EMIR Level 2 (Indirect Clearing) Regulation"	means Commission Delegated Regulation (EU) No 149/2013 of 19 December 2012 supplementing the EMIR Level 1 Regulation with regard to regulatory technical standards on indirect clearing arrangements, the clearing obligation, the public register, access to a trading venue, non-financial counterparties, risk mitigation for OTC derivatives contracts not cleared by a CCP, as amended from time to time (including, for the avoidance of doubt, as amended by Commission Delegated Regulation (EU) 2017/2155 of 22 September 2017);
"EMIR Level 2 (CCP Requirements)"	means Commission Delegated Regulation (EU) No 153/2014 of 19 December 2012 supplementing the EMIR Level 1 Regulation with regard to regulatory technical standards on requirements for central counterparties, as amended from time to time;
"EMIR Level 2 Capital Requirements"	means Commission Delegated Regulation (EU) No 152/2013 of 19 December 2012 supplementing the EMIR Level 1 Regulation with regard to regulatory technical standards on capital requirements for central counterparties, as amended from time to time;

"EMIR Risk Committee"	means the committee established by LME Clear to consider matters relating to LME Clear's risk-management arrangements, and including representatives from selected Members and Clients;
"End of Day Margin Requirement"	means, in relation to any day, the amount of Collateral to be provided by a Member to LME Clear in accordance with Clearing Procedure C6.1, and calculated in accordance with Clearing Procedure D5.9 to 5.12;
"Enforcement Notice"	has the meaning set out in Membership Procedure A;
"End of Day Position"	has the meaning set out in Clearing Procedure B5.4;
"ESMA"	means the European Securities Markets Authority (or any successor body);
“Excess Member Payment”	means any amount payable to a Member by LME Clear pursuant to a Payment Obligation but which is retained by LME Clear pursuant to any right under these Rules or otherwise at the request of the Member;
“Exchange Traded Forward”	means any of the products listed in part 2.2 of Annex 1;
“Exchange Traded Future”	means any of the products listed in part 2.3 of Annex 1;
“Exchange Traded Monthly Average Future”	means and of the products listed in part 2.6 of Annex 1;
"Excess Collateral"	means, in relation to Collateral held by LME Clear at any time in respect of an Account, the amount, if any, by which its Collateral Value then exceeds the Margin Requirement then applicable to the same Account;
"Execution Price"	means the price at which the original Transaction was executed by the Member, as reported to LME Clear by the Approved Transaction Platform;
"Exerciser"	has the meaning set out in Clearing Procedure B6.9;
"Exercise Result"	has the meaning set out in Clearing Procedure B6.4;
"Excess Loss"	has the meaning set out in Rule 10.10.1(d);
"Excess Release"	has the meaning set out in Clearing Procedure D4.7;
“Ex-cleared Transfer Instruction”	has the meaning given to it in the LME Rules;

"Expiry Date"	means the date on which a relevant Contract shall expire, as determined in accordance with the Product Specifications;
"Expiry Time"	means the time on an Expiry Date on which a relevant Contract shall expire, as determined in accordance with the Product Specifications;
"Extended Porting Transfer Period"	means a period that: (a) is during a Default Period; (b) commences at the end of the prior Porting Transfer Period and expires 24 Business Hours thereafter, unless LME Clear specifies another expiry time on the Website; and (c) is subsequent to, and therefore additional to, any prior Porting Transfer Period, within which LME Clear may effect a Transfer in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*);
"Failed Auction"	has the meaning set out in Default Procedure C6.8;
"Failed Settlement Position"	means: (a) a failure by a party to a Contract to fulfil a Payment Obligation or a Delivery Obligation (as the case may be) on the date on which such obligation is due to be fulfilled; or (b) any other failure by a member to make a Cash Settlement due under or in accordance with the Rules;
"Fees"	means any fees or charges payable by a Member to LME Clear under the Rules including any fees or charges including any interest or accommodation charges set out in Annex 3 (*Fees and Charges*), as amended by LME Clear from time to time;
"File Based Compression"	means the application of a Compression Run in accordance with the process set out in Rule 12.2.1(a)(ii) and the remainder of Rule 12.2.1(b) to (h);
"Financially Settling Contract"	means a Contract for an Eligible Product that is settled by the payment of a Settlement Payment and under which no Underlying Asset is to be delivered;
"Final Day"	has the meaning set out in Rule 10.10.2(d);
"Final Delivery Position"	has the meaning set out in Clearing Procedure B7.3;
"Force Majeure Event"	means any circumstance beyond the control and contemplation of LME Clear, a Member, a Posting Affiliate or a Posting Client,

	which hinders or prevents the performance in whole or in part of any of its obligations under the Rules (other than, in the case of a Member, any obligation to make a payment to LME Clear) and will be deemed to include war, civil war or other action of military forces or armed conflict; terrorism or terrorist attack; riot, civil commotion, or protest; the inaccessibility of LME Clear's premises by LME Clear; sabotage or vandalism or malicious damage; nuclear, chemical or biological contamination; sonic boom; act of God; national emergency; fire, explosion, flood, storm, earthquake or epidemic; lack of energy supply; strike, labour dispute, lockout, work to rule or other industrial dispute; interruption or failure of utility service, including but not limited to electric power, gas or water; the closure, suspension or disruption of the operations of, or any default by, any Approved Transaction Platform or by any Settlement Agent, Settlement Bank, Precious Metal Clearer, Securities System Operator, Custodian, Warehouse or the LMEsword Depository; or any failure or insolvency of any Service Provider on which LME Clear relies in order to operate the Clearing System or otherwise perform its obligations under the Rules;
"Former Member"	has the meaning set out in Rule 3.13.8;
"Forward Dated Currency"	means a currency (such as Yen) where the settlement instruction issued on a given Business Day is for the execution of a payment, for value on a following Business Day;
"FSMA"	means the Financial Services and Markets Act 2000, as amended from time to time;
"General Clearing Member" (or "GCM")	has the meaning set out in Rule 3.1.3;
"Give-Up"	means a Transaction agreed by a Member, where such Member agrees to give-up the Transaction to another Member, in accordance with the LME Rules;
"Give-Up Acceptance"	means an instruction input into LMEsmart by an Accepting Member indicating its acceptance of a Transaction that is subject to a Give-Up;
"Give-Up Contract"	has the meaning set out in Clearing Procedure B3.3;
"Give-Up Executor"	means, in the context of a Give-Up, the Member that Gives-Up the Transaction;
"Give-Up Executor Instruction"	means an instruction input into LMEsmart by a Give-Up Executor indicating that a Transaction is to be subject to a Give-Up;
"Gold"	means gold held in London complying with the rules of the London Bullion Market Association relating to good delivery and fineness in effect from time to time;

"Gold Collateral"	means Collateral in the form of Eligible Gold;
"Gold Custodian"	means such custodian for Gold as LME Clear may appoint from time to time;
"Gross Position Product"	means an Eligible Product, the Positions on which shall be calculated on a gross basis, as identified in the table in Clearing Procedure B4.6;
"Gross Omnibus Segregated Client Account"	means: (a) a Direct Gross Omnibus Segregated Client Account; or (b) an Indirect Gross Omnibus Segregated Client Account;
"Group"	means in relation to a company, any company that is a Subsidiary of that company, any company that is its Holding Company, and any other company that is a Subsidiary of that Holding Company (including any Subsidiary of any such Subsidiary);
"Haircut"	means, in relation to any Collateral for the purpose of calculating its Collateral Value, the discount applicable to that Collateral as specified in the Collateral Specifications;
"Holding Company"	means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary;
"House Account"	means an Account in the books and records of LME Clear established in accordance with Rule 4.2.1;
"Identified Client"	has the meaning set out in Rule 5.1.5;
"Immobilised Warrant"	has the meaning set out in the LMEsword Regulations;
"Independent Complaints Commissioner"	has the meaning set out in Membership Procedure A;
"Indirect Clearing Arrangement"	means an "indirect clearing arrangement" within the meaning of the Indirect Clearing Regulations;
"Indirect Clearing Regulations"	means the EMIR Level 2 (Indirect Clearing) Regulation or the MiFID II Level 2 (Indirect Clearing) Regulation, as applicable, and any successor legislation amending or incorporating the requirements thereto in any relevant jurisdiction from time to time;
"Indirect Client"	means the client of a Clearing Client[1];

[1] This definition shall include an "indirect client" within the meaning of (i) Article 1(a) of the EMIR Level 2 (Indirect Clearing) Regulation (being "the client of a client of a clearing member", as such terms are defined in the EMIR Level 2 (Indirect Clearing) Regulation), which term is applicable under the indirect clearing provisions of both EMIR and MiFID II.

"Indirect Gross Omnibus Segregated Client Account"	an Individual Segregated Client Account that records Contracts and their associated Collateral and Positions Registered by a Member in respect of one or more Indirect Clients, where such Indirect Clients are the clients of a single Clearing Client of the Member and having the features described in Rule 4.2.6;
"Indirect Individual Segregated Client Account"	means an Individual Segregated Client Account that records Contracts and their associated Collateral and Positions Registered by a Member in respect of a single Indirect Client, where such Indirect Client is the client of a single Clearing Client of the Member;
"Indirect Net Omnibus Segregated Client Account"	means an Omnibus Segregated Client Account having the features described in Rule 4.2.3(c);
"Individual Clearing Member" (or "ICM")	has the meaning set out in Rule 3.1.3;
"Individual Segregated Client Account"	means a Client Account established in accordance with Rule 4.2.2(b);
"Initial Margin Requirement"	has the meaning set out in Clearing Procedure C3.1;
"Instructed Value Date"	has the meaning set out in Clearing Procedure D 5.14(b)(iii);
"Instrument"	has the meaning set out in Clearing Procedure A5;
"Inter-Account Transfer"	has the meaning set out in Rule 6.13.1(b);
"Inter-Member Transfer"	has the meaning set out in Rule 6.13.1(a);
"Initial LMEprecious Members"	has the meaning set out in Default Procedure B 1.3;
"Initial LMEprecious Period"	has the meaning set out in Default Procedure B 1.3;
"In Scope Open Contracts"	means Open Contracts falling within the scope of clearing services to be terminated pursuant to (i) a Resignation Notice; (ii) a Service Termination Notice; or (iii) a Service Withdrawal Notice;
"Intangible Fixed Assets"	has the meaning set out in Membership Procedure A 2.1;

"Intellectual Property Rights"	means patents, trade marks, rights in logos, get-up, trade names, internet domain names, rights in designs, copyright (including rights in computer software) and moral rights, database rights, semi-conductor topography rights, utility models, trade secrets, inventions, rights in know-how and other intellectual property or proprietary rights, in each case whether registered or unregistered and including applications for registration, and all rights or forms of protection having equivalent or similar effect to the foregoing which may now or in the future subsist in, apply to or are enforceable in, any jurisdiction in the world;
"Intra-Day Margin Requirement"	means, in relation to any day, the amount of additional Collateral to be provided by a Member to LME Clear in accordance with Clearing Procedure C6.3 and as determined in accordance with Clearing Procedure C6.3;
"Invoice Back"	has the meaning set out in Rule 7.8.1;
"Investment Securities"	means any securities or other investments in which LME Clear invests or makes using Cash Cover as contemplated by Rule 8.6.2;
"LME"	means the recognised investment exchange and regulated market operated by The London Metal Exchange (FS Register number 207387);
"LME Aluminium Premium Contract"	means a Contract comprising an Eligible Product having the features specified in Annex 1 (*Eligible Products*) having the same name;
"LME Base Clearing Member"	means a Member that is permitted to clear Transactions in LME Base Products;
"LME Base Products"	means those Eligible Products specified as such in Annex 1 (*Eligible Products*);
"LME Base Service"	means the availability of the Clearing System in respect of LME Base Products;
"LME Business Day"	means a "Business Day" as defined in accordance with the LME Rules;
"LME Clear"	means LME Clear Limited (registered in England and Wales under company number 07611628);
"LME Clear Compliance Department"	has the meaning set out in Membership Procedure A 2.1;
"LME Clear Data"	means: (a) LME Clear System Data; and (b) LME Clear Member Data;

"**LME Clear Default**"	has the meaning set out in Rule 10.13 (*LME Clear Default*);
"**LME Clear Insolvency Default**"	has the meaning set out in Rule 10.13 (*LME Clear Default*);
"LME Clear Member Data"	means all data relating to Accounts, Transactions, Contracts, Positions, Collateral, Margin Requirements, or Fees relating to a Member which are provided to, or generated by, LME Clear under the Rules;
"LME Clear Membership Application Form"	has the meaning set out in Membership Procedure A;
"LME Clear Party"	has the meaning set out in Rule 2.3.1;
"**LME Clear Payment Default**"	has the meaning set out in Rule 10.13 (*LME Clear Default*);
"LME Clear Pledged Account"	means the Account (as such term is defined in Part 10 of the LME Rules) in the name of LME Clear with LMEsword into which LME Warrant Collateral is required to be delivered by a Member, a Posting Affiliate or a Posting Client in order to satisfy a Member's Margin Requirement;
"LME Clear System Data"	means all data relating to the operation or design of the Clearing System which is provided to, or generated by, LME Clear;
"LME Clear Triparty Collateral Custody Account"	means an account in the name of LME Clear that is held at a Triparty Collateral Custodian and that is used, or is to be used, to hold Collateral and to effect the transfer of Collateral to a Member's Triparty Collateral Custody Account;
"LME Contract"	means a Transaction that is made on the LME between two Members (and that is defined as a "Contract" under the LME Rules);
"LME Exchange Traded Products"	means LME Base Products and LMEprecious Products;
"LME Index Settlement Price" (or "ISP")	means the "Settlement Price for the Index," defined in the LME Rules;
"LME Inter-Office Market"	means the inter-office market for the agreement of Transactions between members of the LME and/or their clients via the telephone and other means of communication and/or through the services of a RIB;
"**LMEmercury GUI**"	means the real time clearing graphical use interface provided by LME Clear that shall enable each Member to access information relating to the Clearing System processes applied in respect of that Member and to input instructions (where relevant) to the Clearing System;

"LMEmercury Materials"	means the software known as "LMEmercury" or any future name for such software, and any documentation relating to this software, which is made available to the Member from time to time by LME Clear to enable the Member to use the Clearing System, and including the Operations GUI User Guide;
"LME Monthly Average Settlement Price" (or "MASP")	means the "Monthly Average Settlement Price" defined in the LME Rules;
"LME Notional Average Price" (or "NAP")	means the "Notional Average Price" defined in the LME Rules;
"LMEprecious Clearing Member"	means a Member that is permitted to clear Transactions in LMEprecious Products;
"LMEprecious Commencement Date"	has the meaning set out in Default Procedure B 1.3(d);
"LMEprecious Future"	means an LMEprecious Product that is a future, as specified in Annex 1 (*Eligible Products*);
"LMEprecious Initial DF Floor"	has the meaning set out in Default Procedure B 1.3;
"LMEprecious Option"	means an LMEprecious Product that is an option, as specified in Annex 1 (*Eligible Products*);
"LMEprecious Products"	means those Eligible Products specified as such in Annex 1 (*Eligible Products*);
"LMEprecious Service"	means the availability of the Clearing System in respect of LMEprecious Products;
"LME Premium Warrant"	has the meaning set out in Clearing Procedure F2.1;
"LME Premium Warrant Payment Obligation"	means the obligation of a Buyer under an LME Aluminium Premium Contract to deliver LME Warrants, in part satisfaction of the Payment Obligation in respect of such Contract;
"LME Rules"	means the rules and regulations of the LME, as updated by the LME from time to time;
"LMEsmart"	means the matching platform operated by the LME for matching Transactions in Eligible Products;
"LMEsword"	has the meaning set out in Clearing Procedure F2.1;
"LMEsword Depository"	means the Depository (as such term is defined in Part 10 of the LME Rules);

"LMEsword Operating Procedures"	has the meaning set out in Clearing Procedure F2.1;
"LMEsword Regulations"	has the meaning set out in Clearing Procedure F2.1;
"LME Warrants"	has the meaning set out in Clearing Procedure F2.1;
"LME Warrant Collateral"	means Collateral in the form of Eligible LME Warrants, together with all other rights deriving from, or relating to, such LME Warrants and including all proprietary and contractual interests and rights in, and relation to, the corresponding Underlying Metals and any corresponding Immobilised Warrants;
"Loss"	means all or any losses, liabilities, claims, costs or expenses of any nature, whether direct, indirect, special, consequential or otherwise, including (without limitation) all professional fees and disbursements and applicable taxes, including VAT thereon;
"LPMCL"	means London Precious Metals Clearing Limited (registered in England and Wales under company number 04195299);
"Major Currency"	has the meaning set out in the LME Rules;
"Mandatory Bidders"	has the meaning set out in Default Procedure C6.4;
"Mandatory CCP Provisions"	means the provisions listed and/or set out in Part B of Annex 6 (*Client Business Terms*);
"**Manual Compression**"	means the application of a Compression Run in accordance with the process set out in Rule 12.2.1(a)(i) and the remainder of Rule 12.2.1(b) to (h);
"**Manual or File Based Compression**"	means a Manual Compression or a File Based Compression;
"Margin Requirement"	means the sum of the amounts to be provided by a Member to LME Clear, and maintained by such Member (whether directly or indirectly through a Posting Affiliate or Posting Client), each day pursuant to Rule 8.1;
"Market Value"	means at any time the then current market value of an Instrument, Contract, Underlying Asset or Collateral (as the case may be) as determined by reference to the relevant index or metric specified in the Clearing Procedures;
"Member"	means a person admitted to use the Clearing System in accordance with Rule 3 (*Membership*) and the Membership Procedure either as a GCM or an ICM and, in the context of the Affiliate Posting Structure and the Client Direct Posting Structure, means the Member to whose Account the Contracts being collateralised are credited;

"Member Default"	means an instance of a single Member being declared a Defaulting Member by LME Clear pursuant to a Default Notice, due to one or more Default Events relating to that Defaulting Member;
"Member Additional DFC at risk"	has the meaning set out in Default Procedure C6.6;
"Member DFC at risk"	has the meaning set out in Default Procedure C6.6;
"Member Documentation"	means the agreement, documents and instruments which constitute the contractual relationship between a Member and LME Clear including these Rules, the Membership Agreement and any Security Documents and, where applicable, any Affiliate Documentation and Client Direct Posting Documentation;
"Member Interface"	means the functionality made available to Members via the Website to access Reports and other Member-specific information;
"Member Liquidity Requirement"	means in relation to a Member an obligation or liquidity requirement of LME Clear incurred in relation to the operation of the Clearing System (including financing unsettled amounts in connection with the settlement of Open Contracts and other items processed through the facilities of LME Clear as a clearing house and/or central counterparty under the Rules and refinancing funds made available by a lender or services provider to LME Clear for the purpose of settling such transactions in accordance with the Rules);
"Member Transferee"	has the meaning set out in Rule 10.7.1;
"Member Transferor"	has the meaning set out in Rule 10.7.1;
"Member Triparty Collateral Custody Account"	means an account in the name of a Member that is held at a Triparty Collateral Custodian and that is used, or is to be used, to hold Collateral and to effect the transfer of Collateral to LME Clear's Triparty Collateral Custody Account;
"Membership"	means the status of being a Member;
"Membership Agreement"	means the agreement, and any other documentation, in the form prescribed by LME Clear, pursuant to which a Member agrees to be bound by the Rules;
"Membership Criteria"	means the criteria to be satisfied in order to qualify for, and maintain, Membership of LME Clear, as specified in Membership Procedures B3, B4 and B5;
"Membership Procedures"	means the Procedures appended to the Rules under the title "Membership Procedures";

"MiFID II"	means the package of legislative measures comprising: (a) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments; (b) Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending EMIR; and (c) any delegated regulations made by the European Commission thereunder including, without limitation, the MiFID II (Indirect Clearing) Regulation; as amended from time to time;
"MiFID II (Indirect Clearing) Regulation"	means Commission Delegated Regulation (EU) 2017/2154 of 22 September 2017 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards on indirect clearing arrangements;
"Minimum Cash Requirement"	has the meaning set out in Clearing Procedure D5.20;
"Net Capital"	has the meaning set out in Membership Procedure A;
"Net Liquidation Value" (or "NLV")	has the meaning set out in Clearing Procedure C4.2(d);
"Net Omnibus Segregated Client Account"	means a Direct Net Omnibus Segregated Client Account or an Indirect Net Omnibus Segregated Client Account;
"Net Position Product"	means an Eligible Product the Positions in which shall be calculated on a net basis, as identified in the table in Clearing Procedure B4.6;
"New Contract Position"	means, on any Business Day, the Position arising under each new Open Contract that has been Accepted during the Business Day;
"non-cash Collateral rights"	has the meaning set out in Annex 9 (*Account Transfer Process*);
"Non-Clearing Firm"	means a person that is not a Member, who is entitled to trade as a member or participant of an Approved Transaction Platform;
"Non-Identified Client"	has the meaning set out in Rule 5.1.6;

"Notice of Investigation" (or "NoI")	has the meaning set out in Membership Procedure A 2.1;
"Notice"	means a notice given under Rule 2.9 and "**Notify**" or "**Notification**" shall be construed accordingly;
"Office-Holder"	has the meaning set out in Rule 10.3.4;
"Omnibus Segregated Client Account"	means a Client Account established in accordance with Rule 4.2.3;
"On-Exchange Business"	means the business of any Member of entering into arrangements for the clearing of: (a) LME Contracts; or (b) any other form of Transaction executed or confirmed on an Organised Market, (as opposed to Transactions executed on an over-the-counter basis);
"Open Contract"	means a Contract under which the Respective Entitlements, including the Payment Obligations or Delivery Obligations remain to be fully satisfied;
"Opening Hours Circular"	has the meaning set out in Clearing Procedure B2.7;
"Operations GUI User Guide"	means the user guide for the use of the LMEmercury GUI made available by LME Clear to Members, as updated by LME Clear from time to time;
"Option Contract"	means a Contract that: (a) requires the payment of an Option Contract Premium; and (b) that entitles the party that has paid the Option Contract Premium to exercise an option on the terms specified in the Product Specifications;
"Option Contract Premium"	means the premium payable under an Option Contract for the purchase of the option;
"Option Exercise Date"	means the date on which the option under an Option Contract is exercised by the Option Holder, which shall be a date determined in accordance with the Product Specifications;
"Option Exercise Payment"	means the amount payable to the Option Holder upon exercise of the option under an Option Contract that results in a Cash Settlement, which shall be determined by reference to the Option Reference Price in force for the Option Contract on the Option Exercise Date;

"Option Exercise Rules"	has the meaning set out in Clearing Procedure B6;
"Option Granter"	means the party under an Option Contract that is not the Option Holder;
"Option Holder"	means the party under an Option Contract having the right to exercise the option;
"Option Reference Price"	means the reference price for the exercise of an option under an Option Contract which is to be settled by Cash payment, as determined in accordance with the Product Specifications;
"Organised Market"	means: (a) the LME; (b) any other "regulated market" or "recognised investment exchange" (as each such term is defined under FSMA); (c) any "multilateral trading facility" (as such term is defined under FSMA); or (d) any other organised stock market, derivatives market or commodities market;
"Original House Contract"	has the meaning set out in Clearing Procedure B 3.3;
"Origination Account"	means, in respect of an Account Transfer, the Account from which the Positions, and any associated Collateral, are to be transferred;
"OTC Bullion Contract"	has the meaning set out in Clearing Procedure F 4.1(a); [*Not currently in use*]
"OTC Bullion Trades"	means Transactions in "OTC Bullion Products" (as such are specified in Annex 1 (*Eligible Products*)); [*Not currently in use*]
"OTC Business"	means the business of any Member of entering into arrangements for the clearing of OTC Contracts;
"OTC Contract"	means a contract between two Members, on OTC Prescribed Terms, formed otherwise than on or subject to the rules of an Organised Market;
"OTC Backloading Service"	has the meaning set out in Clearing Procedure B 3.15;
"OTC Bullion Products"	means those Eligible Products specified as such in Annex 1 *(Eligible Products)*; [*Not currently in use*]
"OTC Prescribed Terms"	means the terms specified for OTC Contracts in the Clearing Procedures and the Product Specifications;

"Parent Undertaking"	has the same meaning as set out in section 1162 of the Companies Act 2006;
“Partial Transfer”	has the meaning set out in Rule 10.7.6(a);
“Partial Transfer Window”	means a period determined by LME Clear in accordance with Rule 10.7.6 during a Default Period, following the expiry of which LME Clear will attempt to effect Partial Transfers for Requesting Clients in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*);
"Participating Member State"	means, at any time, each member state of the European Union whose lawful currency in force at that time is the euro, as adopted in accordance with legislation of the European Union relating to Economic and Monetary Union;
"Payment Obligation"	means any obligation of a party under a Contract: (a) to make a payment to the other party; or (b) to otherwise account to the other party for value in exchange for the performance by such other party of its Delivery Obligation (notwithstanding that such obligation may be discharged by the offset of other obligations as opposed to an actual cash payment), and includes for the avoidance of doubt: (i) the obligation under a Physical Delivery Contract for the Buyer to pay the Settlement Payment to the Seller (which shall include, in the case of LME Aluminium Premium Contracts, the LME Premium Warrant Payment Obligation, which shall comprise an obligation to deliver LME Warrants, together with the payment of cash); (ii) the obligation under a Financially Settling Contract for a party to pay the Settlement Payment to the other party; and (iii) the obligation under an Option Contract to pay an Option Contract Premium;
"Per Account VM Profit"	has the meaning set out in Rule 10.10.2(b);
"Per Default Stabilisation Replenishment Cap"	has the meaning set out in Rule 10.10.5(a);

"Permanent Capital"	has the meaning set out in Membership Procedure A 2.1;
"Physical Delivery Contract"	means a Contract for a Physically Settling Product;
"Physically Settling Product"	means an Eligible Product that requires the delivery or acceptance by a party of an Underlying Asset; the Physically Settling Products are listed in Clearing Procedure B7.1;
"Portfolio"	means a portfolio of Open Contracts of the Defaulting Member and any connected hedging agreements made by LME Clear under Default Procedure C6.2, as determined by LME Clear in accordance with Default Procedure C6.3A;
"Porting Election Period"	means a period that: (a) arises following the determination by LME Clear, in accordance with Rule 10 (*Default*) that a Default Event has occurred in respect of a Member; and (b) commences at a time specified by LME Clear by way of Notice; and (c) has a duration of four (4) hours; and (d) within which, all Porting Request Notices and consents that are required under the Rules in order for any Transfer to be made in connection with a Client Account must have been obtained from: (i) the Member Transferee; and (ii) (where necessary in accordance with any Rule) any Client(s), and submitted to LME Clear;
"Porting Period"	means the period comprising: (a) a Porting Election Period; and (b) a Porting Transfer Period, and including any Extended Porting Transfer Period;
"Porting Process"	means the relevant process for the Transfer of Contracts, Positions and Collateral allocated to a Client Account, as specified in Rule 10.7 (*Portability of Client Accounts*) and including, in respect of those Client Accounts for which LME Clear is in receipt of accurate, complete and up to date Automatic Porting Designation Documents, the Automatic Porting Process;

"Porting Request Notice"	means a Notice, in the form prescribed by LME Clear from time to time, issued pursuant to and in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*);
"Porting Transfer Period"	means the period commencing on the issue by LME Clear of a Default Notice in respect of a Member and expiring: (a) 24 Business Hours thereafter; or (b) at such other later time as LME Clear may specify on the Website, within which LME Clear may effect a Transfer in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*);
"Position"	means: (a) in relation to an Open Contract, the consolidated rights and liabilities of the parties to that Open Contract at the relevant point in time; and (b) in relation to an Account, the consolidated rights and liabilities arising out of Open Contracts recorded on such Account; and (c) in relation to an Allocation ID allocated to a Gross Omnibus Segregated Client Account, the consolidated rights and liabilities arising out of Open Contracts recorded to the Allocation ID in such Account;
"**Post-Compression Contracts**"	means those Contracts that shall come into effect between LME Clear and a Member upon Compression, which shall represent the Positions under the Eligible Compressible Contracts as Compressed by LME Clear in accordance with a Compression Proposal;
"**Posting Affiliate**"	means an Affiliate of a Member that has entered into the Affiliate Documentation for the purposes of posting certain LME Warrant Collateral under the Affiliate Posting Structure. References in the Rules to a "Posting Affiliate" are to an Affiliate of that Member;
"**Posting Client**"	means a Client of a Member that has entered into the Client Direct Posting Documentation for the purposes of posting certain LME Warrant Collateral under the Client Direct Posting Structure;
"**Posting Client Security Document**"	means any document, entered into by LME Clear and a Posting Client, pursuant to which that Posting Client creates a Security Interest in favour of LME Clear in respect of the margining obligations of the relevant Member in respect of a Designated Client Account;

"**Posting Client Tripartite Agreement**"	means an agreement, entered into by LME Clear, a Member and a Posting Client of that Member, pursuant to which the Posting Client agrees to be bound by the Rules for the purposes of the Client Direct Posting Structure;
"Precious Metal"	means: (a) Gold; (b) Silver, and each of (a) and (b) shall be a separate "**type of Precious Metal**";[2]
"Precious Metal Clearer"	means an Approved Delivery Facility for the delivery of Precious Metal;
"Premium Warrant Jurisdiction"	means a geographical jurisdiction referring to the location of the issuing warehouses of a category of LME Premium Warrant, as specified in the LME Rules;
"Price Alignment Interest"	means interest charged, or paid, by LME Clear on Cash Contingent Variation Margin in order to avoid any potential distortion of the price of Eligible Products, at such rate as LME Clear may determine;
"Price Set"	has the meaning set out in Clearing Procedure A6.8;
"Price Source"	has the meaning set out in Clearing Procedure A6.6;
"Pricing Data"	means any price, index, reference data or benchmark that LME Clear requires in order to perform its obligations under these Rules or to otherwise manage its risk in relation to any Eligible Product;
"Procedures"	means the procedures adopted by LME Clear from time to time and for the time being in force and appended to the Rules, including any and all Annexes, appendices and schedules to them;
"Product Specifications"	means the list of Eligible Products and the features thereof set out in Annex 1 (*Eligible Products*);
"Prompt Date"	has the meaning set out in the LME Rules and shall be determined, in relation to any Contract, by reference to the Product Specification for the Eligible Product to which the Contract relates;
"Purchase Position"	means the Position held by a Buyer for (i) the purchase of an Underlying Asset and/or (ii) the payment of a Settlement Amount or (iii) the right to exercise an option;

[2] This definition will be amended to include further types of precious metal when new metals are included in the range of LMEprecious Products.

"Realised Variation Margin" (or "RVM")	has the meaning set out in Clearing Procedure C4.2(a);
"Receive Entitlement"	means an entitlement under a Contract for a Buyer to receive Underlying Assets from the Seller;
"Recognition Regulations"	means the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001, as amended from time to time;
"Refund"	has the meaning set out in Rule 10.11 (*Refunds*);
"Registered Intermediating Broker" or "RIB"	means a member of the LME that is authorised to arrange Transactions between members of the LME and/or their clients, and holding the "RIB Membership" category under the LME Rules;
"Regulator"	means, in relation to any person, any regulatory body that has responsibility for regulating the conduct of that person's securities, clearing and / or banking business;
"Release Clause"	has the meaning set out in Annex 9 (*Account Transfer Process*);
"Relevant Account"	has the meaning set out in Rule 10.7.6(b);
"Relevant Default Fund"	means, as the context may require, the Default Fund that relates to a Service in which the Member participates;
"Relevant DF Minimum Threshold"	means the minimum size of Default Fund that LME Clear is required to maintain at any time in order to satisfy its obligations under EMIR, being the higher of: (a) the level required to satisfy the requirements of Article 42(3) of the EMIR Level 1 Regulation; (b) the level required to satisfy the requirements of Article 43(2) of the EMIR Level 1 Regulation; and (c) any minimum level established by LME Clear in accordance with Article 42(1) of the EMIR Level 1 Regulation to the extent that such minimum level is specified by LME Clear as applying notwithstanding any application of any part of the Default Fund towards any Default Loss;
"Relevant Parties"	has the meaning set out in Membership Procedure A;
"Relevant Rate"	means: (a) in respect of sterling amounts, SONIA; (b) in respect of euro amounts,€STR;

(c) in respect of US Dollar amounts, the overnight OBFR; and

(d) in respect of Japanese Yen amounts, TONAR;

"Relevant Rights and Obligations" means, in relation to a party to a Transaction, that party's rights and obligations under the Transaction to make and/or receive cash payments and/or deliveries of Underlying Instruments and/or exercise any option;

"Remaining DFC" has the meaning set out in Default Procedure C6.6;

"Rent Date" means, in respect of an LME Warrant, the day on which rent falls due in respect of such LME Warrant, which date shall be 31 March in each calendar year unless (i) such day is not a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London (a "**London Business Day**") in which case it will fall on the immediately preceding London Business Day or (ii) as otherwise specified in respect of the relevant LME Warrant;

"Re-pledge Clause" has the meaning set out in Annex 9 (*Account Transfer Process*);

"Requesting Client" has the meaning set out in Rule 10.7.6(d);

"Requesting Member" has the meaning set out in Rule 6.13.3;

"Requesting Member Transferee" means a Requesting Member that is, in connection with an Inter-Member Transfer, the operator of the Destination Account;

"Requesting Member Transferor" means a Requesting Member that is, in connection with an Inter-Member Transfer, the operator of the Origination Account;

"Report" means a report listed in Annex 4 (*List of Available Reports*);

"Resignation Notice" has the meaning set out in Rule 3.6.2;

"Resolution Authority" has the meaning set out in Rule 10.13 (*LME Clear Default*);

"Respective Entitlements" has the meaning set out in Rule 4.1.3;

"Retiring Member" means any Member:

(a) that has lodged a Resignation Notice with LME Clear; and

(b) in respect of which LME Clear has issued Notice that its Membership is to be terminated,

	and such Member shall remain a Retiring Member until the earlier of (i) the Termination Date; or (i) the withdrawal by the Member or LME Clear of the Resignation Notice or Notice of termination (as applicable);
"Risk Appetite"	means LME Clear's documented tolerances for different categories of risk, as defined by, and as revised from time to time by, LME Clear's Board;
"Risk Threshold"	has the meaning set out in Clearing Procedure C6.3(a);
"Rule Change"	has the meaning set out in Rule 2.2.1;
"Rule Change Notice"	has the meaning set out in Rule 2.2.2;
"Rules"	means these rules and the Procedures (including any Annexes), as amended, supplemented or modified from time to time;
"Sale Position"	means the Position held by a Seller for (i) the sale of an Underlying Asset, and/or (ii) the receipt of a Settlement Amount or (iii) the performance of obligations upon the exercise by an Option Holder of its option;
"Sanctions"	any applicable law executing foreign policy, security, sanction, trade embargo, boycott, export control, foreign trade control, non-proliferation or anti-terrorism objectives or similar restrictions on any business with a sanctioned jurisdiction, certain types of business or activity, or specified persons that is imposed, administered or enforced from time to time by: (i) the European Union; (ii) the United Kingdom; (iii) the United States of America; (iv) the United Nations Security Council; or (v) any of their successors;
"Secure Payment System" (or "SPS")	means the system established by LME Clear to facilitate the payment of cash amounts between LME Clear and Members using Settlement Accounts at Approved Settlement Banks, as more specifically described in the Clearing Procedures;
"Securities Collateral"	means Collateral provided in the form of securities;
"Securities System Operator"	has the meaning set out in the Settlement Finality Procedure;
"Security Document"	means any document at any time pursuant to which a Member creates a Security Interest or other collateral arrangement in favour of LME Clear (excluding any collateral arrangement in favour of LME Clear on behalf of or on trust for Clients of the Member);
"Security Interest"	means any mortgage, charge, pledge, lien or other encumbrance collateralising any obligation of any person or any

	other type of preferential arrangement (including title transfer and retention arrangements) having a similar effect;
"Seller"	means whichever party (LME Clear or the Member) under a Contract has: (a) the obligation to deliver the Underlying Asset; and / or (b) the right to receive payment of the Settlement Payment; or (c) is the Option Granter under an Option Contract;
"Service"	means the availability of the Clearing System in respect of a distinct category of products and identified as a separate service by LME Clear, and including the following distinct, separate services: (a) the LME Base Service; (b) the LMEprecious Service; and (c) any other distinct clearing service, specified as such by LME Clear from time to time;
"Service Agent"	has the meaning set out in Rule 2.13.3;
"Service Provider"	means any provider of services to LME Clear or any member of LME Clear's Group;
"Service Termination Notice"	has the meaning set out in Rule 3.7.2;
"Service Termination Date"	means the date on which the termination of a Service in respect of a Member becomes effective, in accordance with Rule 3.7 (*Termination of a Service by a Member*), Rule 3.10 (*Withdrawal of Services by LME Clear*) or Rule 3.12 (*Consequences of Suspension or Termination*), as applicable;
"Service Withdrawal"	has the meaning set out in Rule 3.11 (*Withdrawal of Services by LME Clear*);
"Service Withdrawal Notice"	has the meaning set out in Rule 3.11(a) (*Withdrawal of Services by LME Clear*);
"Settlement Account"	means a bank account maintained by a Member or by LME Clear with an Approved Settlement Bank to be used for making and receiving cash payments between LME Clear and a Member via the SPS and in respect of which LME Clear has been granted authority to direct payments;
"Settlement Agent"	means any entity appointed by LME Clear or a Member to act on its behalf or to assist in the discharge of any Delivery Obligation or Payment Obligation;

"Settlement Bank"	means a credit institution through which the settlement of cash payments may be effected;
"**Settlement Business Day**"	has the meaning given to it in the LME Rules;
"Settlement Contract"	means a Contract that requires settlement by the payment of a Settlement Payment on the Settlement Date, as specified in the Product Specifications;
"Settlement Currency"	means the currency in which a Contract for an Eligible Product shall be settled, which is determined by the terms of the original Transaction;
"Settlement Date"	means the date on which a Contract is required to be settled, as determined for each type of Contract in accordance with the relevant timetable set out in the Clearing Procedures;
"Settlement Finality Procedure"	means the Procedure appended to the Rules under the title "Settlement Finality Procedure";
"Settlement Finality Regulations"	means the Financial Markets and Insolvency (Settlement Finality) Regulations 1999, as amended from time to time;
"Settlement Instructions"	has the meaning set out in Rule 7.3.1;
"Settlement Payment"	means the amount payable under a Settlement Contract, determined by the Settlement Price for that Contract on the Settlement Date, as adjusted to reflect the current Position under the Contract;
"Settlement Price"	has the meaning set out in Clearing Procedure A6.5;
"Settlement to Market Process"	means the process set out in Clearing Procedure B5;
"Significant LMEprecious Member"	has the meaning set out in Default Procedure B 1.3(d);
"Silver"	means silver complying with the rules of London Bullion Market Association relating to good delivery in effect from time to time;
"SPAN"	means the "Standard Portfolio Analysis of Risk" methodology for calculating risk in relation to financial instruments, as developed by the Chicago Mercantile Exchange;
"SPS Mandate Forms"	means the direct debit authorities, in the form prescribed by LME Clear that the Member shall put in place with each Approved Settlement Bank, in accordance with Clearing Procedure E2;

"Stabilisation Replenishment Notice"	has the meaning set out in Rule 10.10.5;
"Strike Price Gradation"	has the meaning set out in the LME Rules and notices issued thereunder from time to time;
"Subsidiary"	means a subsidiary within the meaning of section 1159 of the Companies Act 2006;
"Substitution of Cash"	has the meaning set out in Clearing Procedure D4.7;
"Substitution of Non-cash Assets"	has the meaning set out in Clearing Procedure D4.7;
"Tax"	means any tax, levy, impost, duty or other charge or withholding of a similar nature imposed by any competent authority in any jurisdiction, including any interest, penalty, charge and/or expense payable in connection with any failure to pay or any delay in paying any of the same;
"Terminated Services"	has the meaning set out in Rule 3.8 (*Exposure Limiting Resignation*);
"Termination Date"	means the date on which the termination of a Member's Membership becomes effective, in accordance with Rule 3.6 (*Withdrawal from Membership*), Rule 3.10 (*Termination by LME Clear of a Member's Membership*), Rule 3.11 (*Withdrawal of Services by LME Clear*) or Rule 3.12 (*Consequences of Suspension or Withdrawal*), as applicable;
"TOM"	has the meaning set out in notices issued by LME under the LME Rules;
"Total Member VM Profits"	has the meaning set out in Rule 10.10.2(a);
"Transaction"	means any transaction in an Eligible Product agreed between two counterparties (including where such transaction is arranged by a RIB);
"Transaction Data"	means the information provided by an Approved Transaction Platform to LME Clear in respect of a Transaction, identifying such information as LME Clear may prescribe from time to time;
"Transfer"	has the meaning set out in Rule 10.7.1 (*Portability of Client Accounts*) and shall include, where the context demands, a Partial Transfer;
"Transfer Conditions"	has the meaning set out in Rule 6.13.5;
"Transfer Request Notice"	has the meaning set out in Rule 6.13.3;

"transferring rights and obligations"	has the meaning set out in Annex 9 (*Account Transfer Process*);
"Transfer Order"	means an instruction given by or on behalf of LME Clear or a Member that is of the kind specified in the Settlement Finality Procedure;
"Transfer Time"	has the meaning set out in Default Procedure D2.8;
"Transfer-Specific Conditions"	has the meaning set out in Rule 6.13.5;
"Treasury Counterparty"	has the meaning set out in Rule 10.14 (*Allocation of Non-Default Losses*);
"Triparty Collateral Custodian"	means a custody provider approved by LME Clear from time to time to operate a triparty custody arrangement enabling Members to transfer Securities Collateral and Cash Collateral between the Triparty Collateral Custody Account in their name, to the Triparty Collateral Custody Account of LME Clear, and LME Clear to transfer Securities Collateral and Cash Collateral between the Triparty Collateral Custody Account held in LME Clear's name, to the Triparty Collateral Custody Account of a Member, in each case in accordance with these Rules and the Triparty Custody Documentation;
"**Triparty Collateral Custody Account**"	means a Member Triparty Collateral Custody Account or LME Clear's Triparty Collateral Custody Account, as the context shall require;
"**Triparty Custody Documentation**"	means the legal agreement(s) governing the provision of a Triparty Custody Arrangement, including for these purposes, the relevant Security Document, any related terms and conditions and operating procedures or similar operational documentation, as the context may require, that a Member wishing to use a Triparty Custody Arrangement is required by the Triparty Collateral Custodian and/or LME Clear to enter into in order to use the Triparty Custody Arrangement;
"**Triparty Custody Arrangement**"	means a triparty custody arrangement pursuant to which both LME Clear and a Member hold accounts at the same Triparty Collateral Custodian, enabling the transfer of Securities Collateral and Cash Collateral, between such accounts;
"**Triparty Transaction Amount**"	means the monetary value, as amended from time to time, that a Member has notified to the relevant Triparty Collateral Custodian and to LME Clear as being the total amount of Collateral to be held in LME Clear's Triparty Collateral Custody Account in order to meet all or part of such Member's Margin Requirement;
"Unaffected Party"	means whichever of LME Clear, the Member, the Posting Affiliate or the Posting Client is not the Affected Party;

"Unallocated Gold Account"	means an account held with the Gold Custodian in the name of LME Clear recording the amount of Gold which the Gold Custodian has a contractual obligation to transfer to LME Clear (or, in the case of a debit balance, which LME Clear has a contractual obligation to transfer to the Gold Custodian) and shall include any sub-account opened within it;
"Unclosed Metal"	has the meaning set out in Rule 10.10.2(d)(ii);
"Underlying Asset"	means the asset, commodity, currency, metal, property, document, right, interest or financial instrument: (a) that is to be delivered under a Physical Delivery Contract; or (b) by reference to which the Settlement Price of a Financially Settled Contract is to be determined in accordance with the Clearing Procedures; and may, for the avoidance of doubt, include LME Warrants. Immobilised Warrants or Underlying Metal;
"Underlying Client Trade"	means a contract between: (a) a Member and a Client; or (b) a Client and an Indirect Client; or (c) a Client and any other party, representing a trade in an Eligible Product, on corresponding terms to a Contract between the Member and LME Clear, that comes into effect in accordance with the LME Rules and/or any terms of business between the relevant parties in (a), (b) or (c) upon the formation of such Contract;
"Underlying Forward"	has the meaning set out in Clearing Procedure B6.6;
“Underlying Metal”	has the meaning set out in the LME Rules;
"United Kingdom" or "UK"	means The United Kingdom of Great Britain and Northern Ireland;
"US Business Day"	means a Business Day which is also a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York;
"Variation Margin Requirements"	has the meaning set out in Clearing Procedure C4.1;
"VAT"	means (i) any tax imposed by the Council Directive of the European Union (2006/112/EC) and any national legislation implementing that directive or its predecessor directives, including the United Kingdom Value Added Tax Act 1994

	together with legislation supplemental thereto and, in relation to any other jurisdiction, the equivalent tax (if any) in that jurisdiction; (ii) any value added tax imposed by the Value Added Tax Act 1994; and (iii) any other tax of a similar nature, whether imposed in the United Kingdom or in a member state of the European Union in substitution for, or levied in addition to paragraphs (i) and (ii) above or imposed elsewhere.
"VM Haircut"	has the meaning set out in Rule 10.10.2(b);
"Voluntary Bidders"	has the meaning set out in Default Procedure C6.4;
"Voluntary Close Out Date"	has the meaning set out in Rule 3.13.4(a);
"Voluntary Close Out Date Notice"	has the meaning set out in Rule 3.13.4(a);
"Warehouse"	has the meaning set out in the LME Rules;
"Warehouse Agreement"	has the meaning set out in the LME Rules;
"Warrant Movement"	means the net movement of LME Warrants to be transferred between LME Clear and a Member on any given day, as determined in accordance with Clearing Procedure B7;
"Warrant Transfer Instruction"	means an instruction issued by LME Clear, a Member, a Posting Affiliate or a Posting Client, via LMEsword, for the delivery of LME Warrants;
"Website"	means the website of LME Clear; and
"Withdrawn Product"	has the meaning set out in Rule 7.10.1(a).

1.2 INTERPRETATION

1.2.1 Unless a contrary indication appears, any reference in the Rules to:

(a) "**LME Clear**", any "**Member**", "**Posting Affiliate**", or "**Client**" shall be construed so as to include its successors in title, permitted assigns and permitted Member Transferees;

(b) "**assets**" includes present and future properties, revenues and rights of every description and, in relation to an Account, includes the Collateral held to cover the position on such Account;

(c) "**continuing**" means, in relation to a Default Event, that such event has not been remedied or waived;

(d) any agreement, document or instrument is a reference to that agreement, document or instrument as amended, novated, supplemented, extended, restated (however fundamentally and whether or not more onerously) or replaced from time to time;

(e) an LME Warrant being “delivered”, shall mean a transfer within LMEsword pursuant to Regulation 6 of the LMEsword Regulations;

(f) "**including**" and "**in particular**" (and any other word or phrase with a similar meaning) shall be construed to mean "including, without prejudice to the generality of the foregoing" and "in particular, but without prejudice to the generality of the foregoing" respectively and where any example is given it shall be construed so that the example is "without limitation";

(g) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

(h) "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);

(i) "**property**" includes any interest (legal or equitable) in personal or real property and any thing in action;

(j) "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation;

(k) "**securities**" includes stock, debentures, debenture stock, loan stock, bonds and other investments (as listed in Part II, Schedule 2 of FSMA), whether certificated or uncertificated, including all depository interests representing any of them;

(l) "**equivalent**" cash or securities shall take the same meaning as "equivalent financial collateral" as defined in the Financial Collateral Arrangements (No 2) Regulations 2003 (as amended from time to time);

(m) a provision of law is a reference to that provision as amended or re-enacted;

(n) a time of day is a reference to London time; and

(o) save for the definition of “posting” (in relation to cash settlement terms) in paragraph 8 of Part A of the Procedures, where there is an obligation of any person to “provide”, “post” or “deliver” any Collateral, or ensure any Collateral is “held” as collateral, cover and/or credit support, this shall be construed as an obligation on the part of the relevant Member and, as applicable, Posting Affiliate or Posting Client to procure the delivery or transfer of the relevant Eligible Collateral to LME Clear as collateral, cover and/or credit support as required by the Rules for the performance by that Member of all of its present and future obligations to LME Clear pursuant to the Rules or the operation of the Clearing System..

1.2.2 Any reference in the Rules to "**euro**", "**€**" or "**EUR**" is to the single currency of Participating Member States; "**sterling**", "**£**" or "**GBP**" is to the lawful currency for the time being of the United Kingdom; "**US$**", "**dollars**", "**US dollars**" or "**USD**" is to the lawful currency for the time being of the United States of America; "**Yen**", "**¥**" or "**JPY**" is to the lawful currency for the time being of Japan; and "**renminbi**", "**CN¥**", "**CNH**" or "**RMB**" is to the lawful currency for the time being of the People's Republic of China.

1.2.3 No reference in these Rules to Applicable Law or Applicable Clearing Regulations shall be construed as restricting or negating the applicability of any provision of MiFID II, the EMIR

Level 1 Regulation or the EMIR Level 2 Regulations or the Financial Services and Markets Act 2000 or any subordinate legislation, rules or guidance thereunder or any obligation of LME Clear, a Member, a Client or an Indirect Client under MiFID II, the EMIR Level 1 Regulation or the EMIR Level 2 Regulations or the Financial Services and Markets Act 2000 or any subordinate legislation, rules or guidance thereunder.

1.2.4 Any reference in these Rules to any European Union law, including any Regulation or Directive or any EU-level rules or legislation made pursuant to any such Regulation or Directive (or any provision thereof), shall be construed to include:

(a) the European Union law provision; and/or

(b) any applicable law in the UK from time to time that substantially incorporates such provision into UK law; and/or

(c) any national law, rule (including any rule or regulation issued by a regulator) or regulation made in the United Kingdom that replaces, clarifies or supersedes such Regulation, Directive, rule or legislation; and/or

(d) any regulatory provision made by any regulatory authority in the United Kingdom that purports to incorporate, supplement, further articulate or clarify the meaning of, any provision referred to in (a), (b) or (c) above,

as the context requires, having regard to which provision applies to the relevant person or context. For the avoidance of doubt and without limitation, this rule of interpretation shall apply to the definitions of, and any references to, the Capital Requirements Regulation, EMIR and MiFID II.

1.2.5 Any reference to the singular shall be construed to include the plural (and vice versa).

1.2.6 Rule headings and sub-headings are for ease of reference only.

1.2.7 Any reference to a "**Category**" of member or other type of membership under the LME Rules shall have the meaning given in the LME Rules.

RULE 2 - GENERAL PROVISIONS

2.1 RULES AS A BINDING AGREEMENT

2.1.1 The following documents constitute a binding contract between each Member and LME Clear (the **"Binding Membership Terms"**):

(a) the Member Documentation; and

(b) any other document given contractual force pursuant to the Rules or which is expressed by its terms to form part of the Rules.

2.1.1A For the purposes of the Affiliate Posting Structure, the following documents constitute a binding contract between each Posting Affiliate and LME Clear (the "**Binding Affiliate Terms**"):

(a) the Affiliate Documentation; and

(b) any other document given contractual force pursuant to the Rules or which is expressed by its terms to form part of the Rules.

2.1.1B For the purposes of the Client Direct Posting Structure, the following documents constitute a binding contract between each Posting Client and LME Clear (the "**Binding Client Terms**"):

(a) the Client Direct Posting Documentation; and

(b) any other document given contractual force pursuant to the Rules or which is expressed by its terms to form part of the Rules.

2.1.2 The Rules shall create binding contractual rights and obligations between LME Clear and the Member in respect of each Contract and each Member agrees to perform its obligations in respect of each Contract in accordance with the Rules.

2.1.2B The Rules shall create binding contractual rights and obligations between LME Clear and the Posting Affiliate in respect of the Affiliate Posting Structure.

2.1.2C The Rules shall create binding contractual rights and obligations between LME Clear and the Posting Client in respect of the Client Direct Posting Structure.

2.1.3 Each Member acknowledges and agrees that these Rules shall bind the Member to the same extent as if it had executed a master agreement between LME Clear and the Member applicable to all its transactions processed under these Rules. Each such transaction is accepted by LME Clear in reliance upon the fact that all transactions hereunder constitute a single business and contractual relationship and that each transaction is made in consideration of each other transaction.

2.1.4 Each Member agrees to perform all of its obligations in respect of each transaction hereunder and (except insofar as otherwise expressly stated under these Rules in relation to the segregation of different Account(s)) agrees and accepts (i) that a default in the performance of any such obligation shall constitute a default by it in respect of all transactions hereunder, (ii) that LME Clear shall be entitled to set off claims and apply property held by it in respect of any transaction against obligations owing to it in respect of any other transaction hereunder and (iii) that payments, deliveries and other transfers made by either of them in respect of any transaction shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any such other

transactions hereunder, and the obligations to make any such payments, deliveries and other transfers may be applied against each other and netted.

2.1.5 The Rules are intended to create contractual relations between only LME Clear and the Members with the exception of (i) the Affiliate Posting Structure in which case the Rules are intended to create contractual relations between only LME Clear, the Member and the Posting Affiliate and (ii) the Client Direct Posting Structure in which case the Rules are intended to create contractual relations between only LME Clear, the Member and the Posting Client. Except in relation to LME Clear Parties as specified in Rule 2.3.1, none of the provisions of the Rules is intended to, or will, confer a benefit on, or be enforceable by any third party pursuant to the Contracts (Rights of Third Parties) Act 1999 or otherwise. For the avoidance of doubt, this means that Clients and Indirect Clients have no rights to enforce any provision of the Rules (except, in the case of Clients in the limited circumstances set out in Rule 10.7 (*Porting*) and Rule 10.5.1(c)).

2.1.6 Failure by a Member to comply with any of the Rules or with any decision of LME Clear made pursuant to the Rules shall constitute a breach of the Rules.

2.1.7 The Rules permit LME Clear to bring into account any Counterparty Loss for the purposes of determining any liabilities owed by a Defaulting Member to LME Clear under these Rules.

2.1.8 The Board of LME Clear and any Committee of the Board are authorised to interpret the Rules. The interpretation of the Board or Committee shall be binding and final.

2.1.9 LME Clear may publish certain materials relating to matters described in the Rules in Annexes. For the avoidance of doubt, Annexes, when published, form part of the Rules and shall constitute Binding Membership Terms, Binding Affiliate Terms and Binding Client Terms. LME Clear shall not include in any Annex any matter to which (were Rule 2.2.6(m) not to apply) the Consultation Process shall apply in the event of any change to such matter.

2.2 AMENDMENTS TO RULES

2.2.1 LME Clear may at any time amend or cancel any Rule, or adopt new Rules (each being a "**Rule Change**") in accordance with the following provisions.

Rule Change Notice

2.2.2 Subject to Rule 2.2.5 below, any proposed Rule Change shall be notified to Members in a Notice issued by LME Clear (a "**Rule Change Notice**"), specifying:

(a) the text of the Rule Change;

(b) an explanation of the reasons for the Rule Change and its intended effect; and

(c) the date on which the Rule Change shall become effective.

LME Clear shall give Members reasonable notice prior to the Rule change becoming effective. Such notice shall, subject to Rules 2.2.3, 2.2.4 and 2.2.10 below, not be less than thirty (30) days prior to the date on which the Rule Change shall become effective, unless:

(i) the Rule Change has been subject to consultation in accordance with Rule 2.2.5 below and there have, in LME Clear's reasonable opinion, been no material changes to the version consulted upon, in which case such notice shall not be less than seven (7) days prior to the date on which the Rule Change shall become effective; or

(ii) the Rule Change falls within Rule 2.2.6(a), (b), (d) or (e) or the Board determines that it is otherwise urgently required to prevent imminent material detriment to the interests of LME Clear and/or its Members, in which case LME Clear shall provide such prior Notice of the Rule Change as is reasonable and practicable in the circumstances.

2.2.3 In the event that a Rule Change:

(a) significantly increases a Members' exposure to LME Clear under any indemnity under the Rules; or

(b) significantly increases the time it would take a Member to terminate its Membership; or

(c) materially increases the Fees or introduces new categories of Fees,

the date on which the Rule Change shall become effective, as specified in the Rule Change Notice, shall not be less than in the case of (a) or (b), sixty (60) Business Days, or, in the case of (c), twenty (20) Business Days, after the date of issue of the Rule Change Notice, unless the Rule Change falls within Rule 2.2.6(a), (d) or (e) or the Board determines that it is otherwise urgently required to prevent imminent material detriment to the interests of LME Clear and/or its Members, in which case LME Clear shall provide such prior notice of the Rule Change as is reasonable and practicable in the circumstances.

2.2.4 In the event that any Rule Change will affect any right of a Member to terminate its Membership, LME Clear shall not allow such Rule Change to take effect until the Member has been given a reasonable period, following notification by LME Clear that the Rule Change is to be adopted, within which to give Notice to LME Clear to terminate its Membership.

Consultation Process

2.2.5 Subject to Rules 2.2.6 and 2.2.7, LME Clear shall consult with Members on each proposed Rule Change prior to issuing a Rule Change Notice. The consultation shall involve the following (the "**Consultation Process**"):

(a) LME Clear shall allow Members a reasonable period to comment on the Rule Change, having regard to the nature of the Rule Change and its potential impact on Members, which period shall ordinarily be not less than fifteen (15) Business Days, unless LME Clear, acting in good faith, considers there to be reasonable grounds for imposing a shorter period;

(b) LME Clear shall give due consideration to such comments before adopting the Rule Change; and

(c) LME Clear shall notify Members of any material change that LME Clear makes to the Rule Change in order to address such comments.

2.2.6 LME Clear shall not be required to apply the Consultation Process, in respect of any Rule Change which:

(a) in LME Clear's reasonable opinion, is required to enable LME Clear to comply with its obligations under Applicable Law or any requirement or direction imposed on LME Clear by a Clearing House Regulator or is desirable to maintain LME Clear's status as a recognised clearing house under FSMA or an authorised central counterparty under the EMIR Level 1 Regulation;

(b) in LME Clear's reasonable opinion, is minor, administrative or technical in nature or will otherwise not materially affect the rights and obligations of Members;

(c) relates to the Fees;

(d) in LME Clear's reasonable opinion (and as approved by the Board), is necessary to prevent a material disruption to, or manage a significant risk to, the business of LME Clear or the operation of the Clearing System (including as a result of a Default Event or a Force Majeure Event);

(e) in LME Clear's reasonable opinion (and as approved by the Board) is urgently required to protect the interests of one or more Members, provided that such Rule Change shall cease to be effective at the end of a period specified in the Rule Change Notice unless (i) LME Clear has, prior to the end of such period, applied the Consultation Process in respect of such Rule Change and notified Members that it shall continue to remain in force, or (ii) the Rule Change would otherwise fall within any other category specified in this Rule 2.2.6;

(f) relates to the description of Eligible Products or the Product Specifications of any Eligible Product;

(g) relates to the form, intent, nature or frequency of issue of any Reports to be provided by LME Clear;

(h) sets out the prescribed form or content of any documentation to be executed by any Member or its Clients under the Rules;

(i) relates solely to changes necessary to enable LME Clear to accommodate a new Eligible Product;

(j) relates solely to changes necessary to enable LME Clear to accommodate a new Approved Transaction Platform;

(k) relates to any control frameworks applied by LME Clear in relation to Collateral;

(l) relates to the limits, specifications or Haircuts applied by LME Clear in relation to Collateral; or

(m) relates to the content of any Annex or any amendment, replacement or addition of any Annex.

Notwithstanding (c) above, LME Clear shall not introduce a Rule Change that would have the effect of introducing a fee or charge or levy in relation to Transfers made under Rule 10.7 (*Portability of Client Accounts*) unless it has first applied the Consultation Process in respect of such Rule Change.

2.2.7 LME Clear may consult on a Rule Change with only a limited number of Members in circumstances where LME Clear reasonably believes that the Rule Change will affect only those Members.

Additional Rule Change Requirements

2.2.8 No Rule Change shall affect any right or liability of LME Clear, any Member, any Posting Affiliate or any Posting Client that may have accrued under the Rules prior to the Rule Change coming into effect.

2.2.9 LME Clear may not amend the Product Specifications with retroactive effect, unless and to the extent that the change is necessary in order to ensure that the LME Clear Rules and Product Specifications operate in a consistent manner with the LME Rules. For the avoidance of doubt:

(a) an amendment having "retroactive effect" is intended to mean an amendment that purports to amend the Product Specifications (and, accordingly, any Open Contract) with effect from a date prior to the introduction of such amendment; and

(b) this Rule shall not restrict LME Clear from amending the Product Specifications and/or any other Rule that governs the operation of, or rights under, any Eligible Product and/or the risk management arrangements applicable to any such Eligible Product on a forward-looking basis, where such amendments are to have effect in respect of Open Contracts and/or new Contracts, from the date of the introduction of such amendment; and accordingly, any such amendment shall not be regarded as having retroactive effect for the purpose of this Rule.

2.2.10 LME Clear may amend, substitute or add any Annex to the Rules on the provision of such prior Notice to the Members as is reasonable and practicable in the circumstances.

2.2.11 Any Rule Change that relates to a change in the control frameworks applied by LME Clear in order to determine the limits or Haircuts in relation to Collateral shall be considered by the EMIR Risk Committee before a Rule Change Notice is issued to Members unless LME Clear, acting in good faith, determines that it would be inappropriate to do so.

2.2.12 Notwithstanding Rules 2.2.6(c) and 2.2.6(m), LME Clear shall consult with Members prior to the introduction of any fee in respect of Transfers.

2.3 LIABILITY AND INDEMNITY

2.3.1 Neither LME Clear nor any member of its Group, nor any person acting as a director, officer, employee, consultant or agent of LME Clear (each an "**LME Clear Party**") shall be liable for any losses, damages, claims, liabilities, costs or expenses (whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or any other legal theory) arising from:

(a) the exercise by LME Clear or any failure by LME Clear to exercise any right or discretion under the Rules;

(b) any negligence on the part of LME Clear or any LME Clear Party;

(c) the suspension or closure of LME Clear;

(d) the suspension or closure of an Approved Transaction Platform;

(e) any failure of any communication system, technology or technical system for the transmission of information between LME Clear and an Approved Transaction Platform;

(f) any failure of any communication system, technology or technical system for the transmission of information between LME Clear and a Member;

(g) any failure by LME Clear or an Approved Transaction Platform to transmit any information to one another;

(h) any error or discrepancy in any information provided by an Approved Transaction Platform to LME Clear or any delay in the transmission of such information to LME Clear;

(i) a Force Majeure Event;

(j) any acts or omissions of an Approved Transaction Platform, including any error in the provision of Transaction Data or any error in the establishment of any Settlement Price;

(k) the performance of any obligation of any Member, Posting Affiliate, Client, Indirect Client or any other person including where LME Clear acts on behalf of any such Member, Posting Affiliate, Client, Indirect Client or other person at their request;

(l) any dispute relating to the existence, terms or validity of any Contract;

(m) any exercise by LME Clear of its powers under Rule 7.9.2 (*Postponed Delivery*);

(n) any Service Withdrawal;

(o) the application of the Option Exercise Rules and / or the exercise of any option under an Option Contract; or

(p) subject to Rule 2.3.2 below, any act or omission or the insolvency of any third party, including any Settlement Agent, Settlement Bank, Approved Delivery Facility, Custodian, the LMEsword Depository, Warehouse, Securities System Operator, investment agent or manager, investment or transaction counterparty, or other Service Provider that may be involved in any step or act in the performance, or discharge, by any party of its rights or obligations under a Contract or in the settlement of any Contract.

2.3.2 The exclusion of liability in Rule 2.3.1(p) above:

(a) shall include any act or omission of a third party that performs any function on behalf of LME Clear where LME Clear is required under Applicable Clearing Regulations to delegate to, or otherwise utilise the services of, a third party in order to perform such function;

(b) shall include any act or omission of a third party that provides services to LME Clear, or performs functions ancillary to the performance by LME Clear of its obligations under the Rules, where such third party does not perform any obligation of LME Clear under these Rules on behalf of LME Clear as its delegate; and

(c) save as specified in (a) above, shall not be construed so as to exclude LME Clear from any liability in respect of any obligation of LME Clear under these Rules that is performed by any such third party on LME Clear's behalf as its delegate.

2.3.3 The LME Clear Parties shall not have any liability to any other person(s) for any indirect, special, incidental, speculative or consequential loss or damage of any kind, loss of goodwill, business, business opportunity, anticipated savings or profits arising pursuant to its operation of the Clearing System, whether arising from negligence, breach of contract, tort or breach of statutory duty and whether or not the relevant LME Clear Party has been made aware of the likelihood of any such loss or damage.

2.3.4 Except to the extent provided under Rule 2.1.5, under no circumstances shall LME Clear or any other LME Clear Party have any liability under the Rules or otherwise to any person who is not a Member.

2.3.5 Each Member shall indemnify and hold harmless each LME Clear Party against any and all losses, damages, claims, liabilities, costs or expenses (whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or any other legal theory) incurred by the LME Clear Party arising directly out of or in connection with such Member's, its Posting Affiliate's or a Posting Client's:

(a) wrongful acts or omissions, negligence, wilful default, fraud, breach of statutory duty; or

(b) breach of the Rules, the Membership Agreement, any Contract or any Applicable Law,

save to the extent that the losses, damages, claims, liabilities, costs or expenses arise as a result of the fraud, fraudulent misrepresentation, negligence, wilful default or bad faith of the LME Clear Party. The Member shall not be liable to an LME Clear Party under this indemnity for loss of goodwill, loss of business opportunity or loss of anticipated savings or profits.

2.3.6 Each Member shall also indemnify LME Clear on demand against any transaction tax, registration and other similar Tax and all court, notarial and other fees payable in connection with the execution, delivery or performance of any Payment Obligation or Delivery Obligation with such Member or for the purpose of enforcing the Rules, the Procedures and/or any obligation of such Member or obtaining any judgment against it or enforcing any such judgment.

2.3.7 Nothing in the Rules shall limit or exclude the liability of any LME Clear Party for:

(a) fraud, fraudulent misrepresentation or wilful default on the part of an LME Clear Party;

(b) death or personal injury as a result of such LME Clear Party's negligence; or

(c) any matter for which it would be unlawful under Applicable Law for such LME Clear Party to exclude or limit or to attempt to exclude or limit its liability.

2.3.8 This Rule 2.3 is without prejudice to the provisions of section 291 of FSMA (*Liability in relation to recognised body's regulatory functions*).

2.4 FORCE MAJEURE

2.4.1 An Affected Party will not be deemed to be in breach of the Rules or otherwise liable to the Unaffected Party in any way (including for any losses arising directly or indirectly) for any failure or delay in performing any of its obligations under the Rules that is caused by any Force Majeure Event, provided that the Affected Party complies with its obligations under Rule 2.4.2.

2.4.2 On the occurrence of a Force Majeure Event:

(a) the Affected Party will give Notice to the Unaffected Party specifying the nature and extent of the Force Majeure Event promptly on becoming aware of the Force Majeure Event (and, where the Affected Party is LME Clear, this obligation may be discharged by the publication of a Circular by LME Clear);

(b) the Affected Party shall promptly take reasonable and appropriate steps as are necessary to bring the Force Majeure Event to an end, find a solution by which its obligations under the Rules may be performed despite the continuance of the Force Majeure Event or to mitigate the severity of the Force Majeure Event;

(c) without prejudice to the generality of (b) above, the Affected Party shall implement the relevant elements of the business continuity and/or disaster recovery procedures maintained by the Affected Party in accordance with its obligations under Applicable Law or otherwise; and

(d) the Affected Party shall keep the Unaffected Party informed of the circumstances relating to the Force Majeure Event and its progress in resolving the issues affecting its performance of its obligations under the Rules (and, where the Affected Party is LME Clear, this obligation may be discharged by the publication of a Circular by LME Clear).

2.4.3 On the occurrence of any Force Majeure Event affecting LME Clear, LME Clear shall be entitled to take such action as it considers to be necessary or desirable to manage the continued operation of the Clearing System or in respect of any obligations of LME Clear, the Members, any Posting Affiliates or any Posting Clients under the Rules. Where a decision regarding such action is not already reserved to the Board, LME Clear shall, where reasonably practicable, consult with the Board prior to taking any such action. Such action may include:

(a) requiring Members, Posting Affiliates and Posting Clients to comply with any instructions issued by LME Clear in respect of Contracts affected by the Force Majeure Event;

(b) taking such action as may be permitted under Rule 10 (*Default*); or

(c) delaying the time by which LME Clear, any Member(s), any Posting Affiliate(s) or any Posting Client(s) shall perform their obligations in respect of any Contract(s).

2.4.4 In the event that LME Clear determines that circumstances have arisen falling within Regulation 17 (*Discretionary Actions, External Events & Emergencies*) of Part 3 of the LME Rules, LME Clear may take such action as it considers appropriate to manage such circumstances, which may include the actions contemplated by that provision of the LME Rules. This is without prejudice to LME Clear's other rights under these Rules.

2.4.5 Upon becoming aware of significant disruptions to any of the systems of LME Clear which have the potential to impact the orderly functioning of the Clearing System, including such disruption caused by a person doing any unauthorised act in relation to a computer, LME Clear may take such steps as in its absolute discretion it deems necessary to contain or rectify the situation and may give any directions to Members accordingly.

2.5 TIMING AND PROCESS FOR OPTION EXPIRY

Timing for Option Expiry

2.5.1 LME Clear may, in its sole discretion and by the provision of Notice to Members, amend the timings applying to any expiry by option holders of their rights under Option Contracts where LME Clear considers it necessary to protect the integrity of the Clearing System, the stability of the financial system or the orderliness of the markets supported by LME Clear.

2.5.2 LME Clear shall exercise its discretion under Rule 2.5.1 following a decision of:

(a) its Executive Committee where the amended Expiry Time will take place on the same Business Day as the original Expiry Time; or

(b) its Executive Committee and its EMIR Risk Committee where the original Expiry Time will take place on any other day.

Process for Option Expiry

2.5.3 LME Clear may, in its sole discretion and by the provision of Notice to Members, amend the exercise process applying to any exercise by Option Holders of their rights under Option Contracts, where LME Clear considers it necessary to protect the integrity of the Clearing System, the stability of the financial system or the orderliness of the markets supported by LME Clear.

2.5.4 Any amendment effected by LME Clear under Rule 2.5.1 or Rule 2.5.3 above will mean that the relevant Exercise Result will occur:

(a) at the amended Expiry Time rather than the Expiry Time set out in Clearing Procedure B6.5 or B6.6; and/or (as applicable)

(b) according to the amended exercise process rather than the Exercise Type and related process set out in the Clearing Procedure B6.1, B6.5 or B6.6,

and such amendment will apply equally to all affected Option Contracts due to expire on the relevant Expiry Date.

2.6 CONFIDENTIALITY

2.6.1 Subject to Rule 2.6.2, LME Clear shall treat as confidential all information received from a Member, Posting Affiliate or Posting Client that concerns the business and affairs of a Member, a Posting Affiliate, a Posting Client or an Applicant, or its Clients or Indirect Clients (including any information relating to any Contract).

2.6.2 LME Clear may disclose any information which is subject to the confidentiality obligations in Rule 2.6.1:

(a) to any Regulator that has responsibility for regulating LME Clear or an Approved Transaction Platform;

(b) to any Regulator that has responsibility for regulating the Member;

(c) to an Approved Transaction Platform, to the extent that such information is relevant to the performance by the Approved Transaction Platform of its functions under its own rules or terms of service, or its obligations under Applicable Law, or its contractual obligations to LME Clear;

(d) to any Settlement Bank, Settlement Agent, Approved Delivery Facility, Custodian, LMEsword Depository, Warehouse, Securities System Operator, Service Provider or Organised Market that reasonably requires access to such information in order to discharge its functions for LME Clear or the Member, subject to appropriate confidentiality requirements;

(e) to a trade repository authorised by an appropriate Regulator to receive and manage information regarding the Member, any Transaction, or any Contract, to the extent necessary to enable LME Clear to discharge any duty to which it is subject to report such information to a trade repository;

(f) to the Member, Applicant, Posting Affiliate or Posting Client itself (or to the Member in respect of a related Posting Affiliate or to a Posting Affiliate in respect of the related Member);

(g) to the Member or Posting Client to the extent necessary to enable collateralisation of Contracts under the Client Direct Posting Structure and any associated returns or porting of Collateral;

(h) to the Member, Posting Affiliate or Posting Client where LME Clear considers it appropriate to disclose such information for the purpose of discharging the Member's, Posting Affiliate's or Posting Client's obligations under the Rules having due regard to the confidential nature of the information, and taking reasonable care to ensure that the recipient of such information is aware of its confidential nature;

(i) where LME Clear acquires or develops the information independently of any information or document provided by the Member;

(j) to any member of LME Clear's Group, or to any employees, officers, consultants, professional advisers or agents of any of them, in connection with the operation of the Clearing System, risk management processes or for the purposes of internal Group control or accounting, subject to appropriate confidentiality requirements;

(k) to any other Member for the purposes of a potential transfer, novation or assignment of a Contract or Collateral to such Member in accordance with the Rules;

(l) to third parties appointed or engaged by LME Clear or a Member in connection with the operation of LME Clear's complaint-handling or Member-discipline processes, where and to the extent that such third parties reasonably need to receive such information in order to discharge their functions in support of such processes, including professional advisers, the Independent Complaints Commissioner and any member of an Appeal Committee;

(m) with the consent of the Member (on its own behalf or on behalf a related Posting Affiliate), Posting Affiliate (on its own behalf or on behalf of the related Member) or Posting Client;

(n) to potential acquirers (and their advisers) of LME Clear or a Holding Company of LME Clear or of the businesses of LME Clear, provided that each such potential acquirer has entered into a confidentiality undertaking with respect thereto;

(o) in a document in relation to a takeover offer conducted under the rules of The Panel on Takeovers and Mergers or any equivalent body in any other relevant jurisdiction;

(p) if and to the extent the information has come into the public domain through no fault of LME Clear;

(q) to LME Clear's insurer(s), provided that any such insurer has entered into a confidentiality undertaking with respect thereto;

(r) where necessary for the discharge of LME Clear's obligations under Applicable Law; or

(s) where LME Clear considers it appropriate to disclose such information for the purpose of discharging LME Clear's obligations under the Rules having due regard to the confidential nature of the information, and taking reasonable care to ensure that the recipient of such information is aware of its confidential nature.

2.6.3 Subject to Rule 2.6.4, each Member, Posting Affiliate and Posting Client shall treat as confidential all information concerning the business and affairs of LME Clear.

2.6.4 A Member, Posting Affiliate or Posting Client may disclose any information which is subject to the confidentiality obligations in Rule 2.6.3:

(a) to any Regulator that has responsibility for regulating the Member, Posting Affiliate or Posting Client where required to do so pursuant to any direction, rule or requirement of the Regulator or by Applicable Law;

(b) to LME Clear itself;

(c) where the Member, Posting Affiliate or Posting Client develops the information independently of any information or document provided by LME Clear;

(d) to the Member's, Posting Affiliate's or Posting Client's Parent Undertaking(s), or to employees, officers, consultants, professional advisers or agents of the Member, Posting Affiliate, Posting Client or their Parent Undertaking(s) solely to the extent that such persons need to receive such information in order to assist the Member, Posting Affiliate or Posting Client in properly performing its obligations or exercising its rights under these Rules, and subject, in all cases to their agreement to treat such information as strictly confidential;

(e) with the consent of LME Clear;

(f) if and to the extent the information has come into the public domain through no fault of the Member, Posting Affiliate or Posting Client;

(g) where necessary for the discharge of the Member's, Posting Affiliate's or Posting Client's obligations under Applicable Law; or

(h) where the Member, Posting Affiliate or Posting Client considers it appropriate to disclose such information for the purpose of discharging the Member's, Posting Affiliate's or Posting Client's obligations under the Rules having due regard to the confidential nature of the information, and taking reasonable care to ensure that the recipient of such information is aware of its confidential nature.

2.6.5 A Member may use one or more Clients to assist it in formulating its auction bid only where the following conditions have all been satisfied prior to the commencement of the relevant Default Period:

(a) that Member must have obtained consent from LME Clear to the participation of such specific Clients in the auction process (which consent may be withheld at the discretion of LME Clear); and

(b) each such Client must have entered into a confidentiality agreement with LME Clear and the Member in such form as LME Clear may prescribe.

A Member must not disclose any information regarding the composition of any Auction Portfolio to any Client for which LME Clear has not provided such consent and entered into a confidentiality agreement in accordance with this Rule. LME Clear may refuse any request by a Member that is made during any Default Period to allow a Client to assist in the formulation of an auction bid where the conditions specified in this Rule have not been satisfied in respect of that Client prior to the commencement of the Default Period.

2.7 INTELLECTUAL PROPERTY RIGHTS

2.7.1 As between the Members, Posting Affiliates, Posting Clients and LME Clear, all rights, title, interest and Intellectual Property Rights in:

(a) LME Clear Data; and

(b) the Clearing System; and

(c) any databases held on, or used by, the Clearing System,

shall be the property of LME Clear or its licensors. To the extent a Member, Posting Affiliate or Posting Client acquires any right, title, interest or Intellectual Property Rights in the same:

(i) it hereby assigns all such right, title, interest and Intellectual Property Rights (including by way of a present assignment of any future copyright or similar rights) to LME Clear for the full duration of such right, title, interest and Intellectual Property Rights; and

(ii) it shall ensure that it has acquired all the necessary assignments, consents, waivers and permissions required to ensure that LME Clear is free to use the LME Clear Data in accordance with Rule 2.7.2(a).

2.7.2 Each Member, Posting Affiliate and Posting Client acknowledges and agrees that:

(a) LME Clear Data may be provided by LME Clear to any Member, Posting Affiliate or Posting Client and any third party, including any Organised Market in any jurisdiction, and may be used by LME Clear or such other persons for any commercial or other purpose, subject, in the case of LME Clear Member Data, to the restrictions in Rule 2.6 (*Confidentiality*); and

(b) in certain circumstances LME Clear Data may contain, be derived from or be supplemented by data which is proprietary to a third party and has been licensed to LME Clear ("third party data"). Where the use of such third party data is subject to specific restrictions or additional licence terms imposed by the third party licensor, each Member, Posting Affiliate and Posting Client shall comply with such restrictions and/or licence terms as notified to the Member, Posting Affiliate or Posting Client by LME Clear from time to time.

2.7.3 LME Clear hereby grants to each Member:

(a) a non-exclusive, worldwide, perpetual, royalty-free licence, with the right to sub-license, use, copy, modify, distribute and otherwise exploit the LME Clear Member Data for the purpose of using the Clearing System in connection with its proprietary business or Client Business, subject in each case to the restrictions in Rule 2.6 (*Confidentiality*) or notified under it; and

(b) a licence to use the Clearing System, to the extent necessary for each Member to comply with, and exercise its rights under, the Binding Membership Terms.

2.7.4 The provisions of this Rule 2.7 are in addition, and without prejudice to, the express terms of any licence granted in the Membership Agreement.

2.7.5 Each Member, Posting Affiliate and Posting Client acknowledges and agrees that it will not use LME Clear Data or any other third party data provided or made available by LME Clear other than as expressly provided under this Rule 2.7 or under the Membership Agreement.

2.8 DATA PROTECTION

2.8.1 In this Rule 2.8:

(a) the terms "**personal data**", "**process**", "**controller**" and "**data subject**" have the meanings given to such terms in the General Data Protection Regulation (EU2016/679) ("**GDPR**"); and

(b) "**LME Clear Personal Data**" means all personal data:

(i) provided to LME Clear by the Members, Posting Affiliates, Clients or Indirect Clients and their respective personnel; or

(ii) created, generated or processed by LME Clear,

in each case in connection with: (1) the operation of the Clearing System, or (2) LME Clear's, a Member's, a Posting Affiliate's or a Posting Client's compliance with, or performance of, the Binding Membership Terms, the Binding Affiliate Terms and the Binding Client Terms (as applicable).

2.8.2 LME Clear may:

(a) use and update any information or personal data provided by or on behalf of the Member, any Posting Affiliate or any Posting Client relating to the Member's, Posting Affiliate's or Posting Client's use of the Clearing System to maintain records about, and provide services to, any Members, Posting Affiliates or Posting Clients for the time being and from time to time;

(b) disclose such information and personal data to Service Providers and persons acting as their agents for the same purposes; and

(c) otherwise use and disclose LME Clear Personal Data in accordance with the LME Group Privacy Statement (as updated from time to time), the current version of which can be found at www.lme.com/en-GB/About/Legal/Privacy-Statement,

provided that all such use and disclosure (including use by any such subcontractor or agent) shall be subject to the restrictions set out in the Rules.

2.8.3 LME Clear and any person to whom personal data is provided in accordance with the Rules may process it outside the European Economic Area or transfer it outside the European Economic Area for processing, provided that:

(a) LME Clear or the transferor takes reasonable steps to ensure that such personal data is afforded a level of protection equivalent to that applicable to personal data processed within the European Economic Area; and

(b) such processing or transfer is not otherwise contrary to Applicable Law.

2.8.4 LME Clear shall be the data controller in relation to LME Clear Personal Data. To the extent that any LME Clear Personal Data contains personal data in respect of a Member's, Posting Affiliate's or Posting Client's personnel, such Member, Posting Affiliate or Posting Client shall ensure that:

(a) it has notified such personnel that such LME Clear Personal Data is being provided to LME Clear for processing in the manner, to the extent permitted and for the purposes set out in Rules 2.8.2 and 2.8.3; and

(b) any disclosure of such LME Clear Personal Data by such Member, Posting Affiliate or Posting Client to LME Clear is not contrary to Applicable Law.

2.8.5 The LME Group Privacy Statement contains information about how each data subject may apply to receive a copy of the personal data held by LME Clear in respect of them, or otherwise exercise the rights granted to them under the GDPR.

2.9 NOTICES

2.9.1 Subject to Rule 2.9.4, a notice given under or in connection with the Rules (a **"Notice"**):

(a) shall be in writing and in English;

(b) shall be sent:

(i) in the case of a Notice sent by LME Clear to a Member, Posting Affiliate or Posting Client, unless otherwise specified in the Rules or the Procedures, to the contact details last designated by the Member, Posting Affiliate or Posting Client; or

(ii) in the case of a Notice sent by a Member, Posting Affiliate or Posting Client to LME Clear, unless otherwise specified in the Rules or the Procedures, to the contact details specified by LME Clear from time to time;

(c) unless otherwise specified in the Rules or the Procedures, shall be sent by a method listed in Rule 2.9.2; and

(d) unless otherwise specified in the Rules or the Procedures, is deemed received as set out in Rule 2.9.2.

2.9.2 The table below sets out:

(a) delivery methods for sending a Notice in accordance with the Rules; and

(b) for each delivery method, the corresponding delivery date and time when delivery of the Notice is deemed to have taken place provided that all other requirements in this Rule 2.9 have been satisfied and subject to the provisions in Rule 2.9.3:

Delivery method	**Deemed delivery date and time**
Delivery by hand.	On signature of a delivery receipt.
Pre-paid first class recorded delivery post or other next Business Day delivery service.	9.00 am on the second Business Day after posting.
Pre-paid airmail.	9.00 am on the fifth Business Day after posting.
Document exchange (DX).	9.00 am on the second Business Day after being put into the DX.
Email.	At the time of transmission.
Circular.	At the time of publication on the Website.

2.9.3 For the purpose of Rule 2.9.2 and calculating deemed delivery:

(a) all references to time are to local time in the place of deemed delivery; and

(b) if deemed delivery would occur in the place of deemed delivery on a day which is not a Business Day, deemed delivery is deemed to take place at 9.00 am on the next Business Day.

2.9.4 Notwithstanding Rule 2.9.1 to 2.9.3, the publication of a Circular shall amount to good and sufficient delivery of a Notice by LME Clear to all Members, Posting Affiliates and Posting Clients. A Circular shall be deemed to be delivered on the date and time on which it is published on the Website.

2.9.5 This Rule 2.9 does not apply to the service of any proceedings or other documents in any legal action or, where applicable, any arbitration or other method of dispute resolution.

2.9.6 A Default Notice or a Notice requiring Members to contribute towards an Excess Loss pursuant to Rule 10.10.2 shall be issued by:

(a) the publication of a Circular on the Website; and/or

(b) email addressed to all Members.

LME Clear may, subsequent to issuing such Notice, send a written copy of the Notice to Members. Provided that a Notice is issued pursuant to (a) or (b) above, any failure by LME Clear to issue both forms of Notice specified by (a) and (b) above shall not invalidate the effect of the Notice.

2.9.7 For the avoidance of doubt:

(a) a Default Notice; or

(b) a Notice requiring Members to contribute towards any Excess Loss pursuant to Rule 10.10.2,

shall be effective from the earlier of (i) the time and date on which it is published on the Website and (ii) the time of transmission of the email.

2.9.8 Any reference in these Rules to the form, time or date of "receipt" of a Notice shall be construed as the form, time or date of "delivery" of a Notice in accordance with this Rule 2.9.

2.10 METHODS OF COMMUNICATION

2.10.1 LME Clear shall be entitled to act and otherwise rely upon any communication (whether or not in writing) which purports, and which LME Clear believes in good faith:

(a) to be issued by or on behalf of a Member, Posting Affiliate or Posting Client; and

(b) to have been approved by an individual who is authorised by that Member, Posting Affiliate or Posting Client,

and which (in the case of an electronic communication) satisfies the requirements of any applicable requirements of LME Clear in relation to the security and integrity of information which is transmitted electronically.

2.10.2 Notwithstanding Rule 2.10.1, LME Clear may in its absolute discretion delay taking action in respect of any communication while it seeks to verify that such communication has been duly authorised, and LME Clear shall not be liable in any event for any loss or damage which may be incurred by a Member, Posting Affiliate, Posting Client or other person as a result of any such delay.

2.10.3 Each Member shall be allotted a unique identifying mnemonic which must be included as specified by LME Clear in communications issued in connection with the operations of the Clearing System.

2.11 WAIVER

2.11.1 No waiver by LME Clear of any right or remedy provided by the Rules or by Applicable Law against a Member, Posting Affiliate or Posting Client shall be effective unless it is in writing addressed to the Member, Posting Affiliate or Posting Client, or to Members, Posting Affiliates and Posting Clients generally, and expressed to be a waiver of LME Clear's rights in the relevant matter.

2.11.2 A failure by LME Clear to exercise, or a delay in exercising, a right or remedy provided by the Rules or by Applicable Law shall not constitute a waiver of the right or remedy or a waiver of other rights or remedies.

2.11.3 No single or partial exercise by LME Clear of a right or remedy provided by the Rules or by Applicable Law shall prevent the further exercise of the right or remedy or the exercise of another right or remedy.

2.11.4 A waiver by LME Clear of any breach of the Rules by a Member, Posting Affiliate or Posting Client or any other default in respect of the Rules shall not constitute a waiver of a subsequent or prior breach or any other default in respect of the Rules.

2.12 SEVERABILITY

If a provision of the Rules is found to be wholly or partly illegal, invalid or unenforceable in any respect:

(a) then to the extent it is illegal, invalid or unenforceable, that provision will be given no effect and will be treated as though it were not included in the Rules, but the validity or enforceability of the remaining provisions of the Rules shall not be affected; and

(b) LME Clear shall notify Members, Posting Affiliates and Posting Clients of any alternative provision to be included in the Rules in substitution for such provision.

2.13 GOVERNING LAW AND JURISDICTION

2.13.1 The Rules and any non-contractual obligations of any kind arising out of or in relation to these Rules are governed by, and shall be interpreted and construed in accordance with, English Law.

2.13.2 The courts of England shall have exclusive jurisdiction to settle any dispute arising out of or in connection with these Rules. Each Member irrevocably submits to that jurisdiction for the exclusive benefit of LME Clear and waives any objection on the grounds of venue or *forum non conveniens* or any similar grounds.

2.13.3 Any Member, Posting Affiliate or Posting Client that is not incorporated or registered in England and Wales shall at all times appoint and maintain an agent for service of process

in England and Wales ("**Service Agent**"). Any such Member, Posting Affiliate or Posting Client shall not revoke the authority of a Service Agent unless it has first notified LME Clear of its replacement Service Agent. If a Service Agent ceases to be able to act as such or ceases to have an address within the jurisdiction of the English courts, the Member shall promptly appoint another Service Agent (with an address for service within the jurisdiction of the English courts). Nothing in the Rules, the Procedures, the Membership Agreement or any Contract shall affect the right of LME Clear to serve process in any other manner permitted by law. Any Member, Posting Affiliate or Posting Client that has appointed a Service Agent pursuant to this Rule 2.13.3 shall ensure that LME Clear is at all times in receipt of the full name and address of such Service Agent.

2.14 WAIVER OF SOVEREIGN IMMUNITY

Any Applicant, Member, Posting Affiliate or Posting Client that is a government body or agency, a state-owned or controlled entity or an entity that is otherwise entitled to benefit from any immunity from suit or equivalent protections customarily or legally available to states or their representative bodies under the law of any jurisdiction hereby:

(a) consents generally in accordance with the State Immunity Act 1978 to the issue of any proceedings or to relief being given against it by way of injunction or order for specific performance or for the recovery of any property whatsoever and to its property being subject to any process for the enforcement of any order or judgment or any process effected in the course of or as a result of any action *in rem*; and

(b) irrevocably waives and shall not claim any immunity from suits and proceedings and from all forms of execution or attachment (including attachment prior to judgment and attachment in aid of execution) to which it or its property is now or may hereafter become entitled in accordance with the laws of any jurisdiction and declares that such waiver shall be effective to the fullest extent permitted by such laws.

2.15 DELEGATION BY LME CLEAR

LME Clear may appoint any person to assist it in the performance of any obligation of LME Clear under the Rules, or to take any step or action or complete any process required, permitted or otherwise contemplated under the Rules. Any such appointment shall be without prejudice to any obligation that LME Clear has to any Member, Posting Affiliate or Posting Client under the Rules.

2.16 EXERCISE OF DISCRETION BY LME CLEAR

Unless a contrary indication appears, where in these Rules it states that LME Clear "may" do something or take such step as it considers appropriate or where in these Rules any discretion, power or right is conferred on LME Clear, it shall be interpreted to mean that LME Clear may do that thing, or take that step or exercise that discretion, power or right conclusively and in its sole, absolute and unfettered discretion and without consultation or notice to any other person. LME Clear shall exercise such discretion in a manner designed to promote and maintain integrity, high standards and fair dealing in accordance and consistent with Applicable Laws.

2.17 CURRENCY CONVERSION

2.17.1 For the purpose of exercising any rights under these Rules, LME Clear may, in its discretion, convert any monies standing to the debit or credit of a Member's Accounts (including any Client Accounts) into such other currency or currencies as it thinks appropriate, such

conversion to be effected at such rate or rates of exchange as LME Clear may reasonably determine.

2.17.2 In relation to any debt owed by LME Clear to a Member or any sum to be otherwise paid by LME Clear to a Member, LME Clear may satisfy that debt or pay that sum in another currency or currencies as it thinks appropriate, such conversion to be effected at such rate or rates of exchange as LME Clear may reasonably determine.

2.17.3 Any amounts payable by a Member to LME Clear shall be paid in the currency specified in the Rules or the relevant Product Specification. Notwithstanding the foregoing, LME Clear may, upon Notice to a Member, permit the Member to make a payment required under the Rules, or the relevant Product Specification, in a currency other than that specified in the Rules or the relevant Product Specification. In the event that any payment is made by a Member to LME Clear in any currency other than that specified in the Rules or the relevant Product Specification, the Member shall indemnify LME Clear against any loss that LME Clear incurs as a result of the conversion of the payment into the specified currency.

2.17.4 LME Clear shall not exercise its powers under Rule 2.17.2 to convert into renminbi any amounts that are due to be paid to a Member in any currency other than renminbi.

2.18 SET-OFF

2.18.1 LME Clear may at any time and from time to time (and without notice) set off any indebtedness due to it by a Member against any indebtedness owed by it to the Member regardless of the place of payment or currency of either indebtedness. If the indebtedness of the Member and the indebtedness of LME Clear are in different currencies, LME Clear may convert either indebtedness (at its spot rate of exchange and otherwise in accordance with its usual practice) for the purpose of the set-off.

2.18.2 Each Member that is also a Treasury Counterparty agrees that, where such Member is a Defaulting Member then, for the purposes of Rule 2.18.1, LME Clear shall be entitled to treat:

(a) any Counterparty Loss as "indebtedness" owed by the Member to LME Clear, notwithstanding that such Counterparty Loss may have arisen under, or otherwise be governed by the terms of any separate agreement between the Member and LME Clear; and

(b) such Counterparty Loss as a Loss arising under these Rules to the extent necessary to enable LME Clear to:

(i) apply its rights of set-off under these Rules; and

(ii) to bring such Counterparty Loss into account for the purposes of applying LME Clear's rights under Rule 10 (*Default*),

except that any such Counterparty Loss shall be applied against the Member's House Account and shall not be taken into account when determining the Losses attributable to, or any net settlement applied to, any Client Account.

2.18.3 LME Clear shall not exercise its rights under Rule 2.18.1 in a manner inconsistent with Rule 4.3 (*Account Segregation*).

2.18.4 Without any prejudice to any other rights or remedies of LME Clear (including under Rule 2.18.1 and any Security Document, Affiliate Security Document or Posting Client Security Document), LME Clear may at any time and from time to time (and without notice) take any

Collateral provided by a Member, Posting Affiliate or Posting Client and apply it against any indebtedness due to it by the relevant Member.

2.19 DISCLOSURE OF ADVICE

2.19.1 There is no obligation on LME Clear to disclose to a Member, Posting Affiliate or Posting Client any advice or opinions received by LME Clear from its external or internal legal or other advisers. LME Clear may from time to time disclose any such advice or opinions to an individual Member, Posting Affiliate or Posting Client or to all or a group of Members, Posting Affiliates or Posting Clients generally, whether in full or extracts. If a Member, Posting Affiliate or Posting Client receives any such disclosed advice or opinion, the Member, Posting Affiliate and Posting Client agrees that the disclosure is for information only and that it is not entitled to, and it agrees not to, rely on the advice or opinion. In disclosing any such advice or opinion to the Member, Posting Affiliate or Posting Client, LME Clear makes no representation about its accuracy or its adequacy or appropriateness for the purposes or needs of the Member, and to the extent that it is necessary or appropriate, the Member, Posting Affiliate and Posting Client agrees to take its own legal advice on the matters contained therein. Each Member, Posting Affiliate and Posting Client acknowledges that in receiving any such full or extracted disclosure it will not have the benefit of any correspondence, discussions and background to the advice or opinion and in particular may not have sight of all qualifications, observations and assumptions that may be relevant to the disclosed advice or opinion. Each Member, Posting Affiliate and Posting Client agrees that neither LME Clear nor any of its internal or external legal or other advisers shall in any way be responsible or liable to the Member, Posting Affiliate or Posting Client in relation to any such disclosed advice or opinion, and no duty of care shall arise between the Member, Posting Affiliate, Posting Client and LME Clear or any such adviser.

2.20 RECORDING OF TELEPHONE CALLS

LME Clear may record:

(a) telephone calls between representatives of Members, Posting Affiliates, Posting Clients and LME Clear; and

(b) the telephone number from which representatives of Members, Posting Affiliates and Posting Clients call LME Clear, together with the time, date and the content of the call,

and may maintain records relating to (a) and (b) above, in each case in accordance with LME Clear's policy on telephone recording and Applicable Law.

2.20.2 Each Member, Posting Affiliate and Posting Client must have procedures in place to notify any representative who may call LME Clear on behalf of such Member, Posting Affiliate or any Client that such calls may be recorded.

RULE 3 - MEMBERSHIP

3.1 MEMBERSHIP CATEGORIES AND APPLICATION PROCESS

Applications for Membership

3.1.1 LME Clear shall permit access to the Clearing System to those persons:

(a) who qualify for admission as Members under the Rules;

(b) who apply to LME Clear for Member status;

(c) whose applications are approved by LME Clear in accordance with the Membership Procedure; and

(d) who have complied with the obligations under the Rules for the provision of Collateral and a Default Fund Contribution.

3.1.2 All applications for Membership shall be made in accordance with Membership Procedure.

3.1.3 Each Member may be categorised either as:

(a) an "**Individual Clearing Member**" or "**ICM**", which shall be permitted only to clear Transactions or Contracts on its own behalf; or

(b) a "**General Clearing Member**" or "**GCM**", which may clear Transactions or Contracts on its own behalf and in respect of Client Business.

3.1.4 Any sub-categories of Member shall be as described in the Membership Procedures.

3.1.5 Each Applicant shall satisfy the Membership Criteria in order for LME Clear to consider its application for Membership.

3.1.6 Nothing in the Rules shall create any form of contractual or non-contractual relationship between LME Clear and any Client or any other third party in respect of any Contract (with the exception of the contractual relationship between LME Clear and a Posting Affiliate in respect of the Affiliate Posting Structure and the contractual relationship between LME Clear and a Posting Client in respect of the Direct Client Posting Structure). The Member shall contract with LME Clear as principal and not as agent for any Client or any other third party.

Participation in Services

3.1.7 Each Member may participate in one or more Services, subject to satisfying any requirements imposed by LME Clear for the use of each such Service, in accordance with these Rules and LME Clear having approved the Member to participate in each such Service in accordance with Membership Procedure B.

3.2 ON-GOING MEMBERSHIP REQUIREMENTS

3.2.1 Each Member shall at all times continue to satisfy the Membership Criteria (including, in the case of a Bridge Institution, any conditions that have been imposed in lieu of meeting the Membership Criteria in accordance with Membership Procedure B:3.3).

3.2.2 A Member shall at all times:

(a) observe high standards of integrity and fair dealing, and observe high standards of market conduct as reflected in the Applicable Law from time to time;

(b) organise and control its internal affairs in a responsible manner, keep proper records, and have adequate arrangements to ensure that its staff and directors are suitable, fit and proper persons, adequately trained, sufficient in numbers, and properly supervised and that it has well-defined procedures as regards compliance with the Rules;

(c) maintain such systems and controls, procedures and contractual terms with its Clients as are appropriate to ensure that the Member and any Client of such Member can at all times comply with any requirements imposed by, and systems operated by, the LME or LME Clear regarding the verification that the Member has sufficient Collateral;

(d) retain all relevant documentation, and provide LME Clear with copies thereof on request, in relation to all Contracts entered into by them; and

(e) deal with LME Clear in an open and cooperative manner and keep LME Clear promptly informed of anything concerning the Member which might reasonably be expected to be disclosed to it.

3.2.3 Each Member shall comply with:

(a) the Net Capital requirements specified in Membership Procedure B5;

(b) the reporting requirements specified in Membership Procedure B6;

(c) the notification requirements specified in Membership Procedure B7;

(d) the requirements for Authorised Representatives specified in Membership Procedure B8;

(e) any credit standards applied by LME Clear, from time to time, to the Member or to Members generally; and

(f) any other requirements specified in the Membership Procedures from time to time.

3.2.4 Nothing in this Rule 3.2 shall require a Member to disclose any information if it is unlawful for it to do so, provided that if it is unlawful to provide particular information at a particular time, it shall:

(a) take appropriate action to obtain any necessary consent(s) to disclose such information to LME Clear; and

(b) provide the information as soon as it becomes lawful for it to do so.

3.2.5 Each Member shall co-operate with any request by LME Clear for such Member to participate in any test of LME Clear's default management processes. Each Member shall participate in at least one such test per calendar year. LME Clear shall provide reasonable advance Notice of the scheduling of any such test in which the member shall be required to participate.

3.2.6 All information provided by a Member to LME Clear shall be in English unless LME Clear specifically requests otherwise.

3.3 SUPERVISION AND AUDIT RIGHTS OF LME CLEAR

3.3.1 LME Clear shall be entitled at any time to inspect and take copies of the records, trading information, books of account and other documentation, in whatsoever medium retained, of Members (including any documentation maintained by or in the possession of the Member for any other person) for the purpose of ensuring compliance with the Rules. Where documentation of a Member is maintained for it by a third party, the Member shall procure that access is provided to such documentation as if it were in the possession of the Member. LME Clear shall (i) act reasonably in the exercise of its rights under this Rule 3.3.1 and (ii) shall provide reasonable notice of any exercise of such rights.

3.3.2 Representatives of LME Clear shall be entitled at any time to attend at the premises of any Member for the purpose of assessing the Member's compliance with the Rules and the Member shall ensure that all cooperation is afforded. LME Clear shall provide reasonable notice to a Member in advance of any such visit.

3.3.3 LME Clear may cooperate with any governmental or international agencies, any investment exchanges, any clearing houses, any rating agencies and self-regulatory and other regulatory or enforcement organisations in such manner as LME Clear thinks fit, including where LME Clear is required to do so under Applicable Law and shall, in particular, be permitted to divulge to any of the aforesaid persons or bodies any information for the time being in the possession of LME Clear regarding any Member's financial condition or clearing activity, including any information obtained pursuant to the Rules where:

(a) required or requested by such persons or bodies, provided that such persons or bodies have authority or responsibility for supervising or otherwise regulating the conduct or affairs of the Member;

(b) LME Clear is required to do so under Applicable Law; or

(c) LME Clear is directed or requested to do so by a Clearing House Regulator.

3.3.4 LME Clear may request financial or other information regarding any Member, Client or Indirect Client from any Approved Transaction Platform and the Member shall consent (and shall use reasonable endeavours to procure that any such Client or Indirect Client shall consent) to the provision by the Approved Transaction Platform of the same.

3.4 FEES AND CHARGES

3.4.1 Each Member shall pay such Fees to LME Clear as shall be determined by LME Clear in accordance with Clearing Procedure G and Annex 3 (*Fees and Charges*), as updated by LME Clear from time to time.

3.4.2 LME Clear may amend Annex 3 (*Fees and Charges*) from time to time by the publication of a Circular, which shall, subject to Rule 2.2.6, come into effect from such time as LME Clear may specify in that Circular.

3.4.3 Clearing Procedure G4 sets as the basis on which LME Clear will invoice Members.

3.5 TERMINATION OR SUSPENSION OF MEMBERSHIP GENERALLY

3.5.1 A Member's Membership may be:

(a) terminated by the Member in accordance with Rule 3.6 (*Withdrawal from Membership*);

(b) suspended by LME Clear in accordance with Rule 3.9 (*Suspension of a Member by LME Clear*);

(c) terminated by LME Clear pursuant to a Default Event in accordance with Rule 3.10 (*Termination by LME Clear of a Member's Membership*); or

(d) terminated by LME Clear pursuant to a Service Withdrawal applicable to a category of Members to which the Member belongs in accordance with Rule 3.11 (*Withdrawal of Services by LME Clear*).

3.5.2 Where a Member is participating in more than one Service, the Member's participation in that Service may be terminated without affecting its participation in any other Service, in accordance with Rule 3.7 (*Termination of a Service by a Member*).

3.6 WITHDRAWAL FROM MEMBERSHIP

3.6.1 Subject to the following Rules, a Member may at any time give Notice of its intentions to withdraw from Membership.

3.6.2 A Member desiring to withdraw from Membership shall lodge a Notice in writing to that effect (a "**Resignation Notice**") with LME Clear.

3.6.3 A Member that has lodged a Resignation Notice shall provide to LME Clear:

(a) an explanation of the reasons for the Member's resignation; and

(b) such further information as LME Clear may reasonably request regarding such circumstances of the Member's resignation.

Any failure to provide such explanation or information shall not prejudice the efficacy of the Resignation Notice.

3.6.4 Following receipt of a Resignation Notice, LME Clear shall issue to the Member a Voluntary Close Out Date Notice in accordance with Rule 3.13.4 below.

3.6.5 Subject to Rule 3.13.6 below, the effective date of termination of a Member's Membership shall be the next Business Day on which commercial banks are open in New York City for the settlement of transactions in US dollars after the Business Day on which the Default Fund is next recalculated following the date on which all Open Contracts to which the Member is a party have been settled, transferred, closed-out, liquidated or otherwise discharged in accordance with the Rules. Such Business Day shall be the Termination Date. LME Clear shall, promptly upon the settlement, transfer, close-out, liquidation or discharge of the Member's final Open Contract, Notify the Member of the date on which the relevant Default Fund shall next be recalculated. Where the Member participates in more than one Service, this Rule 3.6.5 shall apply where the later of the relevant Default Funds is next recalculated following the date on which all Open Contracts to which the Member is a party have been settled, transferred, closed out or liquidated.

3.6.5A Notwithstanding Rule 3.6.5 above, where, upon the termination of a Member's Membership its Default Fund Contribution (in respect of one or more Services) will be transferred to another Member (or Members) in accordance with Rule 6.13 (*Transfer of Contracts in the Absence of Default*), the effective date of termination of the Member's Membership will be

as agreed between LME Clear and the Member in order to facilitate such transfer(s). Such date shall be the Termination Date for the purposes of these Rules.

3.6.6 The provision of Notice by LME Clear of a Termination Date pursuant to Rule 3.6.5 shall be effective solely to confirm the Termination Date and shall in no way limit or restrict LME Clear from enforcing any rights, or making any claim, against a Member in respect of any Contract, or in respect of any obligations of the Member under the Rules that have not been fully discharged prior to the Termination Date (including for the avoidance of doubt, any rights of LME Clear, or any obligations of the Member, under Rule 3.13 below).

3.6.7 In the event that a Member lodges a Resignation Notice in accordance with Rule 3.6.2, such Member may not, within the three-month period following the date on which such Resignation Notice was delivered, (i) submit any application to LME Clear for Membership or (ii) withdraw such Resignation Notice. LME Clear may waive any such restriction or time limit in its absolute discretion.

3.6.8 In the event that a Member lodges a Resignation Notice during a Default Period:

(a) such Resignation Notice will not be treated as received by LME Clear until the Default Period has ended; in which case it shall be treated as having been made before the Cut Off Time in accordance with Rule 10.10.9(b); and

(b) Rule 3.8 (*Exposure Limiting Resignation*) shall apply with respect to the Member's continuing obligations in the period prior to the Termination Date.

3.7 TERMINATION OF A SERVICE BY A MEMBER

3.7.1 Subject to the following Rules, a Member may at any time give Notice of its intentions to terminate its participation in a Service.

3.7.2 A Member desiring to terminate its participation in a Service, whilst remaining a participant in any other Service, shall lodge a Notice in writing to that effect (a "**Service Termination Notice**") with LME Clear.

3.7.3 In the event that a Termination Notice specifies that all Services in which the Member participates are to be terminated, such Service Termination Notice shall be treated as a Resignation Notice in accordance with Rule 3.6.2.

3.7.4 Subject to Rule 3.13.6 below, the effective date of termination of a Member's participation in a Service shall be the next Business Day after the Business Day on which the relevant Default Fund for that Service is next recalculated following the date on which all In Scope Open Contracts to which the Member is a party have been settled, transferred, closed-out, liquidated or otherwise discharged in accordance with the Rules. Such Business Day shall be the Service Termination Date. LME Clear shall, promptly upon the settlement, transfer, close-out, liquidation or discharge of the Member's final In Scope Open Contract, Notify the Member of the date on which the relevant Default Fund shall next be recalculated.

3.7.5 The provision of Notice by LME Clear of a Service Termination Date pursuant to Rule 3.7.4 shall be effective solely to confirm the Service Termination Date and shall in no way limit or restrict LME Clear from enforcing any rights, or making any claim, against a Member in respect of any Contract, or in respect of any obligations of the Member under the Rules that have not been fully discharged prior to the Service Termination Date (including for the avoidance of doubt, any rights of LME Clear, or any obligations of the Member, under Rule 3.13 below).

3.7.6 In the event that a Member lodges a Service Termination Notice in accordance with Rule 3.7.2, such Member may not, within the three-month period following the date on which such Service Termination Notice was delivered, (i) submit any application to LME Clear for participation in the terminated Service or (ii) withdraw such Service Termination Notice. LME Clear may waive any such restriction or time limit in its absolute discretion.

3.7.7 In the event that a Member lodges a Service Termination Notice during a Default Period:

(a) such Service Termination Notice will not be treated as received by LME Clear until the Default Period has ended, in which case it shall be treated as having been made before the Cut Off Time in accordance with Rule 10.10.9(b); and

(b) Rule 3.8 (*Exposure Limiting Resignation*) shall apply with respect to the Member's continuing obligations in the period prior to the Termination Date.

3.8 EXPOSURE LIMITING RESIGNATION

3.8.1 If a Member lodges a Resignation Notice or a Service Termination Notice with LME Clear either (i) within a Default Period or (ii) between the end of a Default Period and the Cut Off Time applicable under Rule 10.10.9, then such Member will:

(a) in respect of the Services within the scope of the Resignation Notice or Service Termination Notice (the "**Terminated Services**"):

(i) be entitled, after the lodging of such Resignation Notice or Service Termination Notice, to submit further Transactions to LME Clear for Acceptance only for the purpose of closing its open Positions;

(ii) maintain the additional Collateral required under Rule 10.10.9(d) in respect of its Account, which Collateral may be applied by LME Clear only in or towards the discharge of such Member's own liabilities to LME Clear (if it defaults in performing those liabilities);

(iii) not be required to pay any additional amount towards its Default Fund Contribution under Rule 10.10.9(c) for the Relevant Default Fund(s) for such Terminated Services;

(b) in respect of any Default Loss that may arise in relation to the Terminated Services in respect of any other Member that has become a Defaulting Member prior to the Termination Date or Service Termination Date (as applicable):

(i) be liable to contribute towards any such Default Loss solely to the extent that the Member's Default Fund Contribution for the Relevant Default Fund shall be available to be applied towards the discharge of the Default Loss in accordance with Rule 10.10.1(d); but

(ii) (save to the extent specified in (i) above) not be liable to contribute any further towards any such Default Loss, and accordingly:

(1) the Member shall not be required to contribute towards any Default-Specific Replenishment Notice issued by LME Clear pursuant to Rule 10.10.1(e) in respect of the Relevant Default Fund(s) (and, for the avoidance of doubt, LME Clear shall not take account of the Member or the Member's Default Fund Contribution when determining the pro-rata allocations of the outstanding balance of any Default Loss for the purpose of Rule 10.10.1(e));

(2) the Member shall not be required to contribute towards any Stabilisation Replenishment Notice issued by LME Clear pursuant to Rule 10.10.5 in respect of the Relevant Default Fund(s);

(c) remain liable to contribute towards any Non-Default Loss in accordance with Rule 10.14 (*Allocation of Non-Default Losses*) and, as a consequence, the Member and its initial margin shall be taken into account when determining the NDL Percentages of the Members who are liable to contribute towards the Non-Default Loss;

(d) cease to:

(i) be a Member on the Termination Date, as such date is determined in accordance with Rule 3.6.5; or

(ii) be a participant in the Service on the Service Termination Date, as such date is determined in accordance with Rule 3.7.4; and

(e) remain liable for its own obligations under the Rules and, for the avoidance of doubt, in the event that such Member becomes a Defaulting Member at any time prior to the Termination Date or Service Termination Date, LME Clear shall be entitled to exercise any rights it may have under these Rules including, where a Default Loss arises in respect of such Defaulting Member, any rights that LME Clear may have under these Rules in respect of the such Defaulting Member's Collateral and Default Fund Contribution.

3.8.2 Collateral provided by way of additional margin by a Member under Rule 10.10.9(d) which has given a Termination Notice under Rule 10.10.8(b) will be returnable to it only after LME Clear is satisfied that all positions on the Accounts of such Member have been discharged in full and that all risk to LME Clear arising from such Member's Membership of the Clearing System has ceased to exist.

3.8.3 A Member that has given a Termination Notice under Rule 10.10.9(b) may not subsequently re-apply for Membership within a period of ninety (90) days following the Termination Date, unless LME Clear agrees otherwise. If a Member that has given a Termination Notice under Rule 10.10.9(b) subsequently applies to renew its Membership, LME Clear may impose such minimum conditions and standards as it deems appropriate.

3.9 SUSPENSION OF A MEMBER BY LME CLEAR

3.9.1 LME Clear may, at any time, suspend access by a Member to any aspect of the Clearing System, either with regard to a particular Transaction, Contract or Service or to multiple Transactions, Contracts or Services or with regard to all Transactions and Contracts and Services generally, with immediate effect (or with effect from such later time as LME Clear may specify) if any Default Event has occurred in relation to such Member, or any event or circumstance has occurred which would, with the expiry of a grace period, the giving of notice, the making of any determination under the Rules or any combination of the foregoing, constitute an Default Event.

3.9.2 The suspension of a Member pursuant to Rule 3.9.1 shall continue for so long as LME Clear shall determine and shall end on such date and on such conditions as LME Clear shall determine.

3.9.3 LME Clear may, acting reasonably, impose any restrictions or conditions that it deems reasonable and appropriate as a condition for ending such suspension.

3.9.4 Without prejudice to the generality of Rules 3.8.2 or 3.9.3, LME Clear may end a suspension if it determines that the reason for the suspension no longer exists, or that:

(a) the suspended Member is in full compliance with its obligations under the Rules; and

(b) the Member's use of the Clearing System will not threaten the orderly operation or integrity of the Clearing System or the interests of other Members.

3.10 TERMINATION BY LME CLEAR OF A MEMBER'S MEMBERSHIP

3.10.1 LME Clear may terminate the Membership of a Member, or a Member's participation in any Service, or terminate the access by such Member to any aspect of the Clearing System with immediate effect (or with effect from such later time as LME Clear may determine) if any Default Event has occurred in relation to such Member, whether or not such Member has first been suspended.

3.10.2 A Member shall, forthwith upon becoming aware of the occurrence of any event or circumstance referred to in Rule 3.10.1, inform LME Clear in writing of such event or circumstance and the Member will not (except with the prior consent of LME Clear) submit any further Transactions for Acceptance.

3.10.3 The effective date of termination specified by LME Clear in a Notice provided pursuant to Rule 3.10.1 above shall be the Termination Date. For the avoidance of doubt, LME Clear may specify in such Notice that such Termination Date shall be the next Business Day after the Business Day on which the relevant Default Fund is next recalculated following the date of the Notice.

3.11 WITHDRAWAL OF SERVICES BY LME CLEAR

In the event that LME Clear determines that it shall cease to offer and provide clearing services, or any part of its clearing services, in respect of any group or category of Member, or in respect of any Service (a "**Service Withdrawal**"):

(a) LME Clear shall Notify the Members affected by the Service Withdrawal that such Service Withdrawal is to take effect (such Notice being a "**Service Withdrawal Notice**");

(b) such Service Withdrawal Notice shall specify the date from which the Service Withdrawal shall take effect, provided that no such Service Withdrawal may be less than thirty (30) Business Days' following the date of such Service Withdrawal Notice unless: (i) LME Clear is required to apply a shorter period pursuant to Applicable Law or the directions of a Clearing House Regulator; or (ii) LME Clear determines that it is necessary to apply a shorter period in order to avoid LME Clear or the Members affected by the Service Withdrawal from being in breach of Applicable Law or the directions of a Clearing House Regulator;

(c) from the date that such Service Withdrawal takes effect, the Members affected by the Service Withdrawal shall no longer be eligible to submit Transactions in respect of Services falling within the scope of the Service Withdrawal to LME Clear for clearing in accordance with these Rules;

(d) where the Service Withdrawal relates to all Services in which the Member participates, it shall be treated as a termination of the Membership of the Member in accordance with Rule 3.10; and

(e) where the Service Withdrawal relates to a specific Service in which the Member participates, but not all such Services, the Service Termination Date for such Service shall be determined in accordance with Rule 3.13.4 below.

3.12 NOTIFICATION OF SUSPENSION OR TERMINATION

3.12.1 If LME Clear suspends or ceases to act for a Member with respect to a particular Transaction or Contract or to multiple Transactions or Contracts or with regard to all Transactions and Contracts generally, it shall promptly inform such Member and publish a Circular setting out its decision, specifying the date on which such suspension or cessation took effect.

3.12.2 LME Clear may, in accordance with its obligations under Applicable Law, inform:

(a) the appropriate Regulators; and

(b) any Approved Transaction Platform of which the Member is a member,

of any action it has taken or proposes to take pursuant to Rules 3.9 or 3.10.

3.12.3 Without prejudice to LME Clear's rights under the Rules (and Rule 10 (*Default*) in particular), suspension or termination of a Member shall not affect the continuation in force of Contract arising from any prior Acceptance of a Transaction.

3.13 CONSEQUENCES OF SUSPENSION OR TERMINATION

General

3.13.1 Suspension or termination shall not affect any rights or obligations arising prior to or continuing during or after the date of the suspension or the Termination Date, which arise in consequence of the suspension or termination or which relate to the Member's period of Membership and all such rights and obligations shall continue to be subject to the Rules.

3.13.2 LME Clear shall not be liable to the Member for any Loss incurred by the Member arising out of the exercise by LME Clear of its powers of suspension or termination pursuant to the Rules.

3.13.3 LME Clear shall be entitled to take all or any such action set out in Rule 10 (*Default*) (or as may otherwise be permitted under the Rules) as LME Clear may think appropriate, notwithstanding such suspension or termination.

Close-Out and Liquidation of Open Positions

3.13.4 In the event that (i) a Member issues a Resignation Notice, (ii) LME Clear Notifies a Member that its Membership is subject to a Service Withdrawal, (iii) a Member issues a Service Termination Notice, or (iv) LME Clear Notifies a Member that a Service in which it participates is subject to a Service Withdrawal:

(a) LME Clear shall issue to the Member a Notice specifying the date by which all In Scope Open Contracts to which the Member is a party must have been settled, transferred, closed-out, liquidated or otherwise discharged in accordance with the Rules (such date being the "**Voluntary Close Out Date**" and such Notice being a "**Voluntary Close Out Date Notice**").

(b) the Voluntary Close Out Date shall be:

(i) within a reasonable period following the date on which the Resignation Notice, Service Termination Notice or Service Withdrawal Notice was issued, having regard to:

(1) the number and size of the Member's open Positions, a timescale that is reasonable to enable the Member to settle, transfer, close-out, liquidate or otherwise discharge its obligations in respect of such open Positions; and

(2) where the Member is a General Clearing Member, a timescale that is reasonable to enable the Clients of the Member to establish alternative clearing arrangements with another General Clearing Member; and

(ii) in any event, not later than ninety (90) days following the date on which (as applicable):

(1) the Resignation Notice or Service Termination Notice was lodged with LME Clear; or

(2) the Service Withdrawal Notice was issued by LME Clear;

(c) the Member shall take such actions as LME Clear may specify in order to satisfy or discharge any of the Member's remaining obligations under the Rules on or prior to the Voluntary Close Out Date;

(d) in the event that a Member fails to satisfy or discharge its remaining obligations by the Voluntary Close Out Date, LME Clear shall be entitled to:

(i) close out and liquidate any or all of the Member's In Scope Open Contracts; and

(ii) take such steps and actions that LME Clear may determine to be necessary or appropriate to achieve such close out and liquidation, including without limitation:

(1) withdrawing or limiting the Member’s access to any functionality of the Clearing System;

(2) calling additional Margin from the Member in order to cover potential losses to LME Clear;

(3) liaising directly with Clients of the Member in order to carry-out transfers to other Members of Positions allocable to such Clients;

(4) entering into offsetting trades in the Member’s name, or undertaking compression activity, in order to reduce the open Positions in the Member's Accounts;

(5) hold an auction amongst an appropriate population of Members, as determined by LME Clear, in order to find a buyer for the Member’s portfolio of open Positions and transfer such portfolio to any successful buyer;

(6) appropriate and apply any of the Member's Collateral held by LME Clear in order to: (i) meet the terms of the winning bid in any auction

described in (5) above, and/or (ii) in order to execute the offsetting trades referred to in (4) above;

(7) take account of all sums due to and from the Member and calculate a net sum due to or from the Member to be paid on the Termination Date or Service Termination Date (as applicable); and

(8) any other steps which LME Clear considers necessary or appropriate in order to ensure the discharge of the relevant Contracts in a manner which will preserve market stability and the overall interests of market participants;

(e) on the next Business Day following the day on which the Member's last remaining In Scope Open Contract is settled, transferred, closed-out, liquidated or otherwise discharged, LME Clear shall issue Notice to the Member specifying the same and specifying the date on which the relevant Default Fund will be next recalculated;

(f) the Termination Date (or, where the termination relates only to a specific Service, the Service Termination Date) shall be the next following Business Day, after the Business Day on which the relevant Default Fund is next recalculated following the date Notified by LME Clear pursuant to (e) above; and

(g) and for the avoidance of doubt, to the extent legally possible:

(i) LME Clear shall be entitled, in accordance with Rule 2.18 (*Set-off*) to set off against any sum payable to the Member pursuant to the close-out and liquidation of Contracts pursuant to (d) above, any indebtedness owed by the Member to LME Clear; and

(ii) without prejudice to the generality of (i) above, LME Clear shall be entitled to appropriate or otherwise realise any of the Member's Collateral for the purpose of discharging any indebtedness owed by the Member to LME Clear or any costs or losses to LME Clear resulting from the close-out and liquidation of Contracts pursuant to (d), save that no Collateral allocated to a Client Account shall be applied to discharge any indebtedness, costs or loss relating to any Contract allocated to another Client Account or to the Member's House Account.

Delay of Termination Date

3.13.5 The Termination Date or Service Termination Date (as applicable) may not be earlier than the date on which all In Scope Open Contracts to which the Member is a party have been settled, transferred, closed-out, liquidated or otherwise discharged in accordance with the Rules.

3.13.6 LME Clear may (i) withhold or delay the provision to the Member of notice of the Termination Date or Service Termination Date (as applicable) pursuant to Rule 3.6.5, 3.7.4 or 3.13.4(e) or (ii) postpone any Termination Date or Service Termination Date (as applicable) notified to the Member pursuant to Rule 3.10 or 3.11 if:

(a) it considers it necessary in the interests of maintaining the integrity of the Clearing System or the stability of the financial system, in which case the Termination Date or Service Termination Date may be delayed for a maximum of thirty (30) days;

(b) it is requested to do so by an Approved Transaction Platform used by the Member and LME Clear considers such request to be reasonable in the circumstances, in

which case the Termination Date or Service Termination Date may be delayed for a maximum of thirty (30) days; or

(c) it is requested or instructed to do so by a Regulator.

Withdrawal of Notice by LME Clear

3.13.7 LME Clear may by Notice withdraw a Service Termination Notice, or a Service Withdrawal Notice and/or a Voluntary Close Out Date Notice at its discretion. In the event that, and from the date that, LME Clear does so:

(a) any Member subject to such Notice shall not be required to take any further steps to settle, transfer, close-out, liquidate or otherwise discharge its Contracts pursuant to Rule 3.13.4; and

(b) the original Service Termination Notice, Service Withdrawal Notice and/or Voluntary Close Out Date Notice shall cease to be effective.

For the avoidance of doubt, in the event that a Member has taken any steps to settle, transfer, close-out, liquidate or otherwise discharge its In Scope Open Contracts, in response to the Service Termination Notice, it shall be the sole responsibility of the Member to determine what further steps, if any, it should take in order to close out or re-establish its book of business, subject to the application of any Rules relevant to the actions taken by such Member.

Continuing Disciplinary Action

3.13.8 A Member who ceases to be a Member (a "**Former Member**") shall remain subject to:

(a) Rule 3.15 (*Discipline*) and Membership Procedure D (*Discipline*); and

(b) Rule 3.16 (*Appeal*) and Membership Procedure E (*Appeal*),

in respect of acts or omissions while he was a Member and in respect of any investigation or disciplinary proceedings relating thereto as if he were a Member for the longer of:

(c) the period of twelve months from the Termination Date; or

(d) the period during which any disciplinary proceedings continue against him, being proceedings started by LME Clear no later than twelve months after the date on which he ceased to be a Member, subject to any extension of the period under Rule 3.13.9.

3.13.9 Disciplinary proceedings following a Member's resignation may be started by giving notice to the Former Member of an investigation no later than twelve months after the Termination Date.

3.13.10 In the event that LME Clear concludes that there are, or may be matters which should be investigated and in respect of which disciplinary proceedings may be taken, the period referred to in Rule 3.13.7 shall be extended until such time as such additional disciplinary proceedings are completed (including the payment of any fine or application of any other sanction imposed).

Return of Asset Cover

3.13.11 The return of Asset Cover to a Former Member shall be made in accordance with Rule 8.8.

Timing of Recalculation of Default Fund

3.13.12 For the avoidance of doubt, the frequency of the recalculation of the Default Fund is specified in Default Procedure B.

3.14 COMPLAINTS

All Complaints shall be made and resolved in accordance with Membership Procedure C.

3.15 DISCIPLINE

LME Clear may investigate a Member and commence disciplinary proceedings against a Member in the circumstances specified by, and in accordance with the requirements of, Membership Procedure D.

3.16 APPEAL

Any appeal against:

(a) a decision regarding an application for Membership; or

(b) a decision by the Disciplinary Committee,

shall be made in accordance with the requirements of Membership Procedure E.

RULE 4 - ACCOUNTS

4.1 OBLIGATION TO MAINTAIN ACCOUNTS

4.1.1 LME Clear shall permit each Member to establish in the books and records of LME Clear:

(a) a House Account (or, where permitted by LME Clear, multiple House Accounts); and

(b) where the Member is a General Clearing Member, one or more Client Accounts.

4.1.2 Each Transaction that is Accepted in accordance with Rule 6 (*Acceptance*) and any Contracts resulting from such Acceptance shall be allocated by LME Clear to an Account, subject to and in accordance with Rule 6 (*Acceptance*).

4.1.3 Each Account shall be used to record the respective rights, liabilities and obligations of LME Clear and the Member arising in respect of Contracts allocated to such Account ("**Respective Entitlements**"), including for the avoidance of doubt, rights, liabilities and obligations in respect of:

(a) the Contracts resulting from the Acceptance of Transactions in accordance with Rule 6 (*Acceptance*);

(b) all Positions associated with such Contracts;

(c) all Collateral required or held by LME Clear in relation to such Contracts; and

(d) any other rights or obligations of LME Clear or the Member in relation to such Contracts and the matters described in (a) to (c) above.

4.2 ACCOUNT OPTIONS

House Account

4.2.1 Each Member shall establish at least one House Account. A House Account may only be used to record the Respective Entitlements arising in respect of Contracts resulting from Transactions effected on the Member's own behalf.

Types of Client Account

4.2.2 A General Clearing Member may establish one or more Client Accounts in respect of its Client Business. The General Clearing Member may elect to establish one or more of the following types of Client Account:

(a) one or more of the following types of Omnibus Segregated Client Account

(i) Direct Net Omnibus Segregated Client Account; and/or

(ii) Direct Gross Omnibus Segregated Client Account; and/or

(iii) Indirect Net Omnibus Segregated Client Account; and/or

(b) one or more of the following types of Individual Segregated Client Account:

(i) Direct Individual Segregated Client Account; and/or

(ii) Indirect Individual Segregated Client Account; and/or

(iii) Indirect Gross Omnibus Segregated Client Account.

Omnibus Segregated Client Accounts

4.2.3 An Omnibus Segregated Client Account may be used to record the Respective Entitlements arising in respect of Contracts resulting from Transactions effected or cleared by a General Clearing Member on behalf of one or more Clients. The different types of Omnibus Segregated Client Account are distinguished as follows.

(a) In a Direct Net Omnibus Segregated Client Account:

(i) the Positions of the Member in respect of each Client allocated to the Account may be subject to netting or aggregation at the Account-level in accordance with the position management provisions in Clearing Procedure B:4 and B:5; and

(ii) Margin Requirements shall be calculated at an Account-level in accordance with Clearing Procedure C.

(b) In a Direct Gross Omnibus Segregated Client Account:

(i) the Positions of the Member in respect of each Client allocated to the Account shall be separately identifiable and shall be subject to netting or aggregation at a per-Client level (as defined by Allocation IDs) in accordance with the position management provisions in Clearing Procedure B:4 and B:5; and

(ii) separate Margin Requirements shall be calculated, in accordance with Clearing Procedure C, in respect of:

(1) each of the Allocation IDs for which Positions are maintained in accordance with (i) above; and

(2) Positions without an Allocation ID; and

(iii) the Margin Requirement for the Account shall be the aggregate of the Margin Requirements calculated pursuant to (ii) above, together with any additional margin requirements imposed by LME Clear in respect of the Account and/or Allocation IDs pursuant to the Rules and Procedures.

(c) In an Indirect Net Omnibus Segregated Client Account:

(i) the Positions of the Member in respect of each Indirect Client allocated to the Account may be subject to netting or aggregation at the Account-level in accordance with the position management provisions in Clearing Procedure B:4 and B:5; and

(ii) Margin Requirements shall be calculated at an Account-level.

Individual Segregated Client Accounts

4.2.4 Each Direct Individual Segregated Client Account may only be used to record the Respective Entitlements arising in respect of Transactions effected or cleared by a General Clearing Member on behalf of a single Client.

4.2.5 Each Indirect Individual Segregated Client Account may only be used to record the Respective Entitlements arising in respect of Transactions effected or cleared by a General Clearing Member on behalf of a single Clearing Client which relate to a single Indirect Client.

4.2.6 Each Indirect Gross Omnibus Segregated Client Account may only be used to record the Respective Entitlements arising in respect of Transactions effected or cleared by a General Clearing Member on behalf of a single Clearing Client which relate to one or more Indirect Clients. In an Indirect Gross Omnibus Segregated Client Account:

(a) the Positions of the Member in respect of each Indirect Client allocated to the Account shall be separately identifiable and shall be subject to netting or aggregation at a per-Indirect Client level (as defined by Allocation IDs) in accordance with the position management provisions in Clearing Procedure B:4 and B:5; and

(b) separate Margin Requirements shall be calculated, in accordance with Clearing Procedure C, in respect of:

(i) each of the Allocation IDs for which Positions are maintained in accordance with (a) above; and

(ii) Positions without an Allocation ID; and

(c) the Margin Requirement for the Account shall be the aggregate of the Margin Requirements calculated pursuant to (b) above, together with any additional margin requirements imposed by LME Clear in respect of the Account and/or Allocation IDs pursuant to the Rules and Procedures.

Additional Requirements and Restrictions

4.2.7 Client Accounts are subject to certain restrictions on the use of Collateral set out in Rules 8 (*Margin Requirement and Collateral*) and 10 (*Default*).

4.2.8 Client Accounts are subject to certain additional provisions set out in Rule 5 (*Client Business and Portability Arrangements*).

4.2.9 A Member shall remain liable for all obligations owed to LME Clear in respect of each Account established by that Member.

Administrative Accounts

4.2.10 LME Clear may establish in respect of a Member one or more Administrative Accounts, each such Account designated either as a House Account or a Client Account, depending on its usage:

(a) in order to facilitate Give-Ups;

(b) in order to allocate Contracts resulting from Transactions effected or cleared by a General Clearing Member on behalf of a Client, where LME Clear considers that it has not received the correct information to allocate the Contract to a specific Client Account; or

(c) for such other administrative purposes as LME Clear considers appropriate.

Administrative Accounts shall be treated in the same manner as other Accounts and shall be subject to the application of Margin Requirements.

4.3 ACCOUNT SEGREGATION

4.3.1 LME Clear shall treat each Account maintained for a Member separately from each other Account maintained for that Member for the purposes of:

(a) recording the Respective Entitlements referable to each Account;

(b) recording and accounting for any Excess Collateral referable to that Account;

(c) where applicable, the netting of positions referable to Transactions or Contracts allocated to that Account;

(d) the exercise of any right by LME Clear under the Rules to combine or consolidate balances on Accounts or any set-off rights;

(e) the allocation or discharge of Losses, including Default Losses; and

(f) the exercise of rights or obligations pursuant to Rule 10.7 (*Portability of Client Accounts*).

4.3.2 Each Account established by a Member shall be segregated in the books and records of LME Clear from each other Account, so that: (a) the Respective Entitlements arising in respect of Contracts allocated to any one Account and (b) any Excess Collateral allocated to any one Account, shall be segregated and distinguished from the Respective Entitlements and Excess Collateral allocated to any other Account established by that Member.

4.3.3 Where a Member has one or more Accounts, the arrangements under Rule 8 (*Margin Requirement and Collateral*) for the calculation of the Member's Margin Requirement shall be applied separately to each such Account.

4.3.4 Rules 4.3.1, 4.3.2 and 4.3.3 shall be subject to any right of LME Clear to combine any two or more Accounts for the purpose of, and pursuant to, Rule 10 (*Default*).

4.4 POSITION MANAGEMENT

4.4.1 Contracts recorded to each Account shall be subject to position management in accordance with requirements specific to the Eligible Products held within such Account. Clearing Procedure B4 and B5 specify further the basis on which different types of Eligible Product will be subject to position management.

4.5 LEGALLY COMPLIANT ACCOUNT STRUCTURES

4.5.1 Subject to Rule 4.5.2 below, it is the sole responsibility of each Member to determine and establish the appropriate number and types of Accounts with LME Clear in order to enable the Member to satisfy its legal and regulatory obligations and its obligations under the Rules. This includes:

(a) any obligation of a Member to record Respective Entitlements to a Client Account, or to establish separate Omnibus Segregated Client Accounts or Individual Segregated Client Accounts, in order to comply with any client money requirements under Applicable Law applying to the Member;

(b) any obligation of a Member to record Respective Entitlements arising from Transactions or Contracts effected or cleared for a Client or any Indirect Client, to an Omnibus Segregated Client Accounts or Individual Segregated Client Account, in order to comply with the provisions of the EMIR Level 1 Regulation and / or the

EMIR Level 2 (Indirect Clearing) Regulation and/or MiFID II applying to the Member; or

(c) any obligation of a Member to ensure that Collateral provided by Clients is recorded or segregated in such a manner as enables the Member to be able to identify the person to whom such Collateral (or equivalent assets) is returnable upon release from any charge created over it by the Member in favour of LME Clear (pursuant to Rule 8.5).

4.5.2 Each General Clearing Member must offer, at least, a choice of one Client Account providing individual client segregation and one Client Account providing omnibus client segregation (in the manner set out in Articles 39 and 48 of the EMIR Level 1 Regulation) to each Client and potential Client. Where a General Clearing Member is subject to a non-EU insolvency regime which could interfere with the provision of individual client segregation or omnibus client segregation, it may meet this obligation by offering Client Accounts to be established by another General Clearing Member, subject to the establishment of any operational and technical procedures and contractual terms that LME Clear may determine are necessary in order to ensure that such clearing arrangement can be operated in accordance with these Rules.

4.5.3 LME Clear has no obligation, under the Rules or otherwise, to verify, confirm or otherwise ensure that a Member has adopted an appropriate account structure.

RULE 5 - CLIENT BUSINESS AND PORTABILITY ARRANGEMENTS

Background

The provisions set out below describe the basis on which a Member may establish and maintain Client Accounts in respect of its Clients and the arrangements to be established in respect of such Client Accounts in order to support the application of the Porting Process. Further provisions specifying the basis on which LME Clear shall implement the Porting Process are set out in:

(i) Rule 10.7 (*Portability of Client Accounts*); and

(ii) Default Procedure D (*Porting Procedure*).

5.1 AVAILABILITY OF PORTING TO CLIENT ACCOUNTS

5.1.1 The Porting Process may be applied in respect of any Client Account where:

(a) LME Clear is in receipt of all relevant documentation and information to enable LME Clear to determine that all Clients allocated to the account, and their nominated Member Transferee, each agree to the application of the Porting Process including:

(i) in relation to a Client Account to which the Automatic Porting Process applies, the Automatic Porting Designation Documents; and

(ii) in relation to any other Client Account, a Porting Request Notice issued in accordance with Rule 10.7;

(b) the conditions and requirements set out in this Rule 5, Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*) are satisfied; and

(c) all Clients allocated to such Client Account are either:

(i) Identified Clients; or

(ii) otherwise identified by LME Clear in accordance with Rule 10.7.8.

5.1.2 Where:

(a) a Client Account is maintained by a Member in respect of Identified Clients; and

(b) prior to LME Clear issuing a Default Notice in respect of such Member, all the Clients allocated to that Client Account have lodged with LME Clear Automatic Porting Designation Documents in respect of that Client Account in accordance with the requirements specified in Section 1 of Default Procedure D (*Porting Procedure*),

then LME Clear will apply the Automatic Porting Process in respect of such Client Account.

5.1.3 For the avoidance of doubt LME Clear will permit the Transfer of positions and assets from a Client Account only to a single Member Transferee that consents to receive such assets and positions during the Porting Election Period, in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*).

5.1.4 Notwithstanding that this Rule 5, Rule 10.7 and Default Procedure D (*Porting Procedure*) specify conditions and requirements for the application of the Porting Process, LME Clear may apply the Porting Process where such conditions and requirements are not fully satisfied, in accordance with and subject to its general discretion pursuant to Rule 10.7.9.

Identified Clients and Non-Identified Clients

5.1.5 A Client allocated to a Client Account shall be an "**Identified Client**" in respect of that Client Account where the Member or the Client has provided to LME Clear such up to date and accurate information regarding:

(a) the identity of such Client; and

(b) such other details regarding the authorised representatives of such Client as may be specified by LME Clear from time to time,

such that LME Clear considers, acting reasonably, that it has sufficient information to enable LME Clear to determine the true identity of such Client.

5.1.6 Any Client that is allocated to a Client Account that is not an Identified Client shall be a "**Non-Identified Client**".

5.1.7 In the event that, at the time that LME Clear issues a Default Notice in respect of the Member responsible for a Client Account, one or more Non-Identified Clients are allocated to such Client Account, LME Clear shall, acting reasonably, determine whether it can apply the Porting Process in relation to such Client Account in accordance with the requirements specified in Rule 10.7.8. In the event that LME Clear determines that it has insufficient information regarding all the Clients allocated to the Client Account to enable it to apply the Porting Process in accordance with Rule 10.7.8, LME Clear shall be under no obligation under these Rules to apply the Porting Process in respect of such Client Account or to otherwise act upon any Porting Request Notice received by LME Clear in respect of such Client Account.

5.1.8 Each Member acknowledges that the inclusion within a Client Account of a Non-Identified Client will, subject to Rule 10.7.8, impair the ability of all Clients allocated to such Account to apply the Porting Process in the event that such Member becomes a Defaulting Member. Accordingly,

(a) where the Clients allocated to a Client Account include Non-Identified Clients, the Member must notify all such Clients that the Porting Process may not be available to such Clients unless they become Identified Clients or LME Clear determines otherwise in the circumstances described in Rule 5.1.7 above; and

(b) where both Identified Clients and Non-Identified Clients are allocated to a Client Account, the Member must notify the Identified Clients that:

(i) the Porting Process may not be available to such Clients, notwithstanding that they may have submitted Automatic Porting Designation Documents to LME Clear, unless and until all Clients in that Client Account become Identified Clients or LME Clear determines otherwise in the circumstances described in Rule 5.1.7 above; and

(ii) an alternative means of enabling the Porting Process to apply in respect of each such Identified Client would be to establish an Individually Segregated Client Account in order to record the Positions and Collateral in respect of Client Business cleared for such Client.

5.1.9 Where a Member receives notice from all Clients allocated to an Omnibus Segregated Client Account maintained by that Member that such Clients wish to be Identified Clients, the Member must provide to LME Clear the information specified in Rule 5.1.5 in respect of all Clients allocated to that Account.

5.1.10 Any Client allocated to an Individual Segregated Client Account must be an Identified Client. A Member may not establish an Individual Segregated Client Account in respect of a Non-Identified Client.

5.2 ESTABLISHMENT OF APPROPRIATE CONTRACT TERMS WITH CLIENTS

5.2.1 A Member must not conduct any Client Business in respect of a Client (or an Indirect Client) unless:

(a) the Member has executed with such Client binding contractual terms recording the basis on which the Member will provide clearing services for that Client or (where applicable) any Indirect Client;

(b) the Member has:

(i) executed or has in place with such Client or Indirect Client either:

(1) a Client Acknowledgement Form in the form specified in Part A of Annex 6 (*Client Business Terms*); or

(2) contractual terms which incorporate the Mandatory CCP Provisions as specified in Part B of Annex 6 (Client Business Terms) (which may, for the avoidance of doubt, be incorporated by reference) or which are equivalent to the Mandatory CCP Provisions in all material respects (and LME Clear will regard as compliant with this paragraph (2) any contractual terms that have the effect of providing that transactions between the Member and the Client are subject to the rules of the clearing house through which transactions may be cleared by the Member for or on behalf of such Client); or

(ii) provided written notification to its Client:

(1) that LME Clear will be acting as the clearing house for Transactions effected on or matched via the systems of the Exchange;

(2) directing such Client to the sections of the Website on which LME Clear has published the Mandatory CCP Provisions; and

(3) making it clear that the Client's receipt of clearing services from the Member is subject to the application of those Mandatory CCP Provisions;

(c) the Member has notified the Client, and required the Client to notify any Indirect Client, of the basis on which the Rules applicable to Client Contracts and Client Accounts shall be applied in respect of the Client (and, where applicable, the Indirect Client) and the Positions and Collateral allocated to such Client Accounts;

(d) the Member complies with any additional documentary requirements that LME Clear may specify from time to time in relation to General Clearing Members. Any such requirements shall be set out in an Annex; and

(e) the Member has established such contractual arrangements with its Client that are specified in the LME Rules to enable the formation of Underlying Client Trades at the Acceptance Time and to ensure compliance with such other requirements as may be specified in the LME Rules.

5.2.2 Without prejudice to Rule 5.2.1, each Member must ensure that:

(a) each Client allocated to an Omnibus Segregated Client Account;

(b) the Client allocated to a Direct Individual Segregated Client Account; or

(c) the Client and each Indirect Client allocated to an Indirect Individual Segregated Client Account; or

(d) the Client allocated to an Indirect Net Omnibus Segregated Account or an Indirect Gross Omnibus Segregated Account,

is aware and understands that:

(i) in the event that a Default Event occurs in respect of the Member, LME Clear shall be entitled, upon receipt of a Porting Request Notice from such Client or Clients, to apply the Porting Process in respect of such Account in accordance with Rule 10.7; and

(ii) where all Clients allocated to the relevant Client Account have lodged with LME Clear Automatic Porting Designation Documents in accordance with Rule 5.4.1 and Part 1 of Default Procedure D (*Porting Procedure*), LME Clear shall be entitled, without any requirement to seek any further consent from the Client (or, where relevant, any Indirect Client) to implement the Automatic Porting Process on behalf of such Client, in accordance with Rule 10.7; and

(iii) LME Clear shall, subject to and in accordance with Rule 2.1.5, not have any obligations or liability under these Rules to any person who is not a Member; and

(e) each Client allocated to an Indirect Net Omnibus Segregated Account or an Indirect Gross Omnibus Segregated Account is aware of the necessity of ensuring that each Indirect Client allocated to such Account is aware of, and understands, the matters described in (i), (ii) and (iii) above; and

(f) each Client allocated to an Indirect Individual Segregated Client Account or Indirect Gross Omnibus Segregated Client Account: (i) is aware and understands that in the event of a Client Termination Event in respect of the Client allocated to such Account(s), any transfer or re-allocation of the Positions and Collateral recorded to such Account(s) shall be effected subject to, and in accordance with, Rule 10.12 (*Indirect Client Porting*); and (ii) is aware of the necessity of ensuring that each Indirect Client allocated to such Account is aware of, and understands, the matters described in (i).

5.2.3 LME Clear will consider a Member to have complied with its obligations under Rules 5.2.1(c) and Rule 5.2.2 if a Member has directed its Clients to the relevant sections of the Website on which LME Clear publishes its Rulebook, the Mandatory CCP Provisions and the disclosure document published by LME Clear pursuant to its obligations under EMIR, including by making reference to such Website in the disclosure document that such Member is required to prepare pursuant to Article 39(7) of EMIR.

5.2.4 Where a Member intends to facilitate an Indirect Clearing Arrangement:

(a) it shall comply with the requirements set out in Rule 5.2.1 and in the LME Rules; and

(b) the Member shall be responsible for ensuring that, where any such Indirect Clearing Arrangement involves a "second indirect client" and/or a "third indirect client" within the meaning of the Indirect Clearing Regulations, the Client and each Indirect Client is aware and understands that the matters set out in Rule 5.2.1 and 5.2.2 must be communicated to, and understood by, each other person in the chain of cleared contracts and agrees to do so; and

(c) LME Clear shall be under no obligation to verify, to any extent, whether such Indirect Clearing Arrangement, or any documentation, account structure(s) or procedures established by the Member and/or any other party to such Indirect Clearing Arrangement is appropriate or compliant with the Indirect Clearing Regulations.

5.2.5 A Client shall only be permitted to post LME Warrant Collateral held by it to LME Clear directly as Collateral in respect of a Designated Client Account pursuant to the Client Direct Posting Structure if:

(a) such Client has entered into all required Client Direct Posting Documentation identifying the relevant Designated Client Account with LME Clear and the Member; and

(b) such Client is the Client of a Category 1 or Category 2 Member of the LME. For the avoidance of doubt, no Indirect Clients may become a Posting Client.

5.3 MEMBER OBLIGATIONS IN SUPPORT OF CLIENT ACCOUNTS

5.3.1 A Member in respect of whom LME Clear has established a Client Account shall:

(a) not submit to LME Clear any Transaction in respect of a Client or any Indirect Client(s) (being client(s) of a single Client) allocated to a Client Account unless and until the Member has established contractual terms that comply with the requirements specified in Rule 5.2 and only for so long as such terms remain in force;

(b) at all times ensure that:

(i) any Transactions submitted to LME Clear; and

(ii) any Collateral provided to LME Clear

in respect of Client Business conducted by the Member for a Client shall be accurately and separately identified and allocated to the relevant Client Account maintained by the Member for such Client;

(c) provide to, and maintain with, LME Clear at all times an accurate, current and complete list of all Identified Clients in respect of which Transactions are executed that result in Contracts and Positions being recorded on such Client Account;

(d) use its best endeavours to ensure that LME Clear has at all times up to date details of the representatives of the Identified Clients allocated to a Client Account who are authorised to make binding decisions and instructions on behalf of such Identified Client (including the contact details for such representatives);

(e) maintain accurate and up-to-date records of the Contracts, Positions and Collateral relating to each Client in respect of which Transactions or their corresponding Contracts are recorded on such Client Account and the Collateral it has provided,

or in the case of a Posting Client, the LME Warrant Collateral such Posting Client has provided, to LME Clear in respect of such Contracts;

(f) promptly provide such information as LME Clear may reasonably request in respect of such Client Account and the Clients to which it relates (including the Transactions in respect of which Contracts are recorded and Collateral provided, including LME Warrant Collateral posted by a Posting Client pursuant to the Client Direct Posting Structure);

(g) use its best endeavours to ensure that each such Client provides to LME Clear such information about itself and its Transactions as LME Clear may reasonably request. For the avoidance of doubt, it shall be reasonable for LME Clear to request information directly from a Client in the event that LME Clear requires such information in order to discharge any obligation or perform any function under these Rules and the Member is unable or unwilling to provide such information to LME Clear within a timescale acceptable to LME Clear;

(h) at all times be in compliance with the requirements of Rule 5.2.1;

(i) provide to or, where applicable, execute with, each Client allocated to such Client Account any notice or documentation specified by LME Clear in accordance with any Annex, together with any updates to such notices or documentation specified by LME Clear from time to time.

5.3.2 LME Clear shall not be under any obligation to facilitate the application of the Porting Process in respect of a Client Account in the event that LME Clear has any reason to doubt that:

(a) all Clients allocated to such Client Account are Identified Clients; or

(b) it has accurate, current and up-to-date records of the Clients, Contracts, Positions and Collateral allocated to a Client Account.

This Rule 5.3.2 shall at all times be subject to the Rule 10.7.8 and the general discretion of LME Clear thereunder.

5.3.3 Without prejudice to the Member's obligations under Rule 5.3.1, each Member that has established a Client Account must provide LME Clear with such updated details regarding:

(a) its Clients; and

(b) any other matters specified in Rule 5.3.1,

as may reasonably be requested by LME Clear as part of its annual due diligence processes in respect of the Member and its Accounts.

Allocation IDs

5.3.4 A Member in respect of whom LME Clear has established a Gross Omnibus Segregated Client Account must, in respect of each Contract allocated to such Account (and its associated Positions and Collateral), notify LME Clear of the Allocation ID against which such Contract should be recorded by LME Clear. Such notification must be made in within the timescales, and using the format, specified by LME Clear in the DSS. It shall be the sole responsibility of the Member to notify LME Clear of the correct Allocation ID for each Contract and LME Clear shall have no responsibility, or liability to any person for, recording

any Contract (or its associated Position or Collateral), in a Gross Omnibus Segregated Client Account in accordance with the Allocation ID notified to LME Clear by the Member.

5.3.5 In the event that a Contract is allocated to a Gross Omnibus Segregated Client Account and has not yet been assigned to an Allocation ID, it shall be held as an unallocated Contract until the Member has provided details of the Allocation ID against which the Contract should be recorded. Following a Default Event, the Member may request that such unallocated Contracts be allocated to an Allocation ID, and LME Clear in its sole discretion shall have the right but not the obligation to assign the unallocated Contract to the Allocation ID that has been notified to LME Clear by the Member.

5.4 AUTOMATIC PORTING PROCESS

Submission of Automatic Porting Designation Documents

5.4.1 In the event that an Identified Client allocated to a Client Account wishes to participate in the Automatic Porting Process, such Client must ensure that it submits to LME Clear Automatic Porting Designation Documents, in accordance with Section 1 of Default Procedure D (*Porting Procedure*), that are completed, executed and submitted to LME Clear by:

(a) the Client itself; and

(b) (where the Client Account is an Omnibus Segregated Client Account) each other Client allocated to the Client Account; and

(c) the Designated Member Transferee for such Client or Clients.

5.4.2 Where requested by the Client or Clients allocated to a Client Account maintained by a Member, the Member shall facilitate the completion and execution of the Automatic Porting Designation Documents by each Client allocated to the Client Account and their Designated Member Transferee and shall submit to LME Clear the completed Automatic Porting Designation Document on such Client or Clients' behalf.

5.4.3 Each Member acknowledges that, in the event that the Client or Clients allocated to a Client Account maintained by that Member submit to LME Clear Automatic Porting Designation Documents in accordance with this Rule 5.4 and Section 1 of Default Procedure D (*Porting Procedure*), LME Clear shall be entitled to implement the Automatic Porting Process upon such Member becoming a Defaulting Member.

Obligations of Designated Member Transferee

5.4.4 Each Member that has agreed to be identified as a Designated Member Transferee for any Client(s) in the Automatic Porting Designation Documents lodged with LME Clear must ensure that it has established, and maintains in place, appropriate contractual arrangements with such Client(s) to enable such Designated Member Transferee to commence the provision of clearing services to such Client(s) immediately upon completion of any Transfer. For the avoidance of doubt, such contractual arrangements must be in compliance with the requirements set out in Rule 5.2 (*Establishment of Appropriate Contract Terms with Clients*).

5.4.5 Each Member that has agreed to be identified as a Designated Member Transferee for any Posting Client(s) in the Automatic Porting Designation Documents lodged with LME Clear must ensure that it has entered into the relevant Client Direct Posting Documentation with LME Clear and such Posting Client(s) in order to enable such Designated Member Transferee to support the Client Direct Posting Structure in respect of such Posting Client.

Any Contracts, Positions and Collateral relating to a Posting Client may be temporarily transferred to an Omnibus Segregated Client Account held by the Designated Member Transferee, provided that LME Clear, the Posting Client and the Designated Member Transferee agree to such transfer. The Designated Member Transferee must have transferred the Posting Client's assets and Positions, including the LME Warrant Collateral provided to it, to the Individual Segregated Client Account within ten (10) business days of the relevant Default Event. Nothing in this part shall prevent LME Clear from requiring the Designated Member Transferee to replace the LME Warrant Collateral with other Eligible Collateral at any time.

Termination or Change of Arrangements Supporting Automatic Porting Designation Document

5.4.6 A Designated Member Transferee shall notify LME Clear immediately in the event that the Designated Member Transferee or any Client allocated to a Client Account gives notice to terminate the terms on which the Designated Member Transferee is appointed by the Client to act as its Designated Member Transferee for that Client Account.

5.4.7 In the event that LME Clear receives written notice from:

(a) a Client allocated to a Client Account indicating that it no longer wishes to participate in the arrangements specified in the latest Automatic Porting Designation Document received by LME Clear in respect of that Client Account; or

(b) the Designated Member Transferee identified in the latest Automatic Porting Designation Document received by LME Clear in respect of a Client Account indicating that it no longer wishes to act as Designated Member Transferee for such Client Account or that notice has been given by itself or any Client to terminate the terms on which it is appointed by the Client to act as its Designated Member Transferee for that Client Account,

then such Client Account shall, subject to Rule 5.4.8 below, immediately cease to be treated as eligible for the application of the Automatic Porting Process until such time as LME Clear receives updated Automatic Porting Designation Documents in respect of such Client Account in accordance with Rules 5.4.1 and Section 1 of Default Procedure D (*Porting Procedure*).

5.4.8 Subject to Default Procedure D1.3, LME Clear shall be entitled not to treat as valid any notice made under Rule 5.4.6 or 5.4.7 that is received less than one (1) Business Day prior to the Member that has established the relevant Client Account becoming a Defaulting Member.

5.5 CLIENT MONEY

5.5.1 Where a Member holds cash in respect of a Client as client money in accordance with the Client Assets chapter of the UK Financial Conduct Authority's Handbook (the "**CASS Rules**"), it shall be the responsibility of the Member to provide to LME Clear such notifications as may be required pursuant to the CASS Rules.

5.5.2 It shall be the responsibility of any such Member to ensure that where a Client Account is to be treated as a "client transaction account" under the CASS Rules, the Member must only record to such Client Account, Contracts and Collateral that are required and/or permitted under the CASS Rules to be allocated to such Client Account. Clause 7 of the Membership Agreement shall apply in respect of any such Client Account.

RULE 6 - ACCEPTANCE

6.1 INTRODUCTION

6.1.1 This Rule 6 sets out the basis on which LME Clear will accept Transactions into the Clearing System and create Contracts with Members in respect of such Transactions.

6.1.2 The Clearing Procedures set out further detail on the arrangements for the acceptance of Transactions and the clearing of Contracts.

6.1.3 Without prejudice to the specific provisions set out below and in the Clearing Procedures:

(a) Transactions that meet the Acceptance Criteria shall be Accepted into the Clearing System and shall form Contracts, in accordance with Rule 6.5;

(b) Contracts shall be subject to the application of the clearing processes specified in this Rule 6 and the Clearing Procedures, including the application of netting to Accounts reflecting Members' Positions in respect of such Contracts and, where applicable, the daily marking-to-market or settlement to market of such Contracts;

(c) Contracts shall only be transferred, modified, cancelled or otherwise amended where, and to the extent permitted by the Rules or the Clearing Procedures; and

(d) Contracts shall be subject to settlement or delivery in accordance with the provisions of Rule 7 (*Settlement and Contract Performance*).

6.2 APPROVED TRANSACTION PLATFORMS

6.2.1 LME Clear will clear such Transactions in accordance with Transaction Data submitted to LME Clear by the Approved Transaction Platform.

6.3 TRANSMISSION AND PROCESSING OF TRANSACTION DATA

6.3.1 Transaction Data shall be submitted to LME Clear by an Approved Transaction Platform in such format and containing such identifying details and additional information as LME Clear may specify from time to time in relation to the type of Transaction. LME Clear shall not be obliged to accept any Transaction Data that does not meet such requirements.

6.3.2 Clearing Procedure B2 specifies the processes that LME Clear shall apply to determine how it shall deal with Transaction Data that does not meet its requirements.

6.4 OPEN OFFER AND ACCEPTANCE CRITERIA

6.4.1 LME Clear shall assume rights and obligations in respect of each Transaction as provided in Rule 6.5 at the time when the Transaction is deemed to be Accepted (pursuant to Rule 6.4.3 below) by LME Clear.

6.4.2 LME Clear makes an open offer to Members to enter into Contracts in respect of a Transaction. Such offer is conditional only upon the satisfaction of the Acceptance Criteria.

6.4.3 Upon satisfaction of the Acceptance Criteria, at the time specified in Clearing Procedure B3.2:

(a) a Transaction shall be deemed to be accepted into the Clearing System ("**Acceptance**"); and

(b) Contracts shall automatically and immediately come into effect between LME Clear and each Member responsible for the Transaction, in accordance with Rule 6.5,

and the time at which Acceptance occurs shall be the "**Acceptance Time**".

6.5 FORMATION OF CONTRACTS

Upon Acceptance of a Transaction:

(a) Subject to (b) below:

(i) where a Member is (or is clearing the transaction for a Client which is) the seller, it shall (acting as principal) acquire as seller rights against, and assume obligations towards, LME Clear as buyer on the terms of the Relevant Rights and Obligations, and a Contract shall be deemed to come into effect between LME Clear and the Member reflecting such terms; and/or

(ii) where a Member is (or is clearing the transaction for a Client which is) the buyer, it shall (acting as principal) acquire as buyer rights against, and assume obligations towards, LME Clear as seller on the terms of the Relevant Rights and Obligations, and a Contract shall be deemed to come into effect between LME Clear and the Member reflecting such terms; or

(b) where the Transaction is between a Member and its Client, two Contracts shall be deemed to come into effect between LME Clear and the Member:

(i) a Contract where LME Clear shall assume the position of the buyer and the Member shall assume the position of the seller, on the terms of the Relevant Rights and Obligations; and

(ii) a Contract where LME Clear shall assume the position of the seller and the Member shall assume the position of the buyer, on the terms of the Relevant Rights and Obligations.

6.6 ALLOCATION OF CONTRACTS

6.6.1 LME Clear shall allocate the Contracts arising pursuant to Rule 6.5 to the Account(s) specified by the Member in the Transaction Data.

6.6.2 In the event that LME Clear considers that any Transaction Data has incorrectly allocated a Contract to an Account, LME Clear may allocate such Contract to an Administrative Account.

6.6.3 Notwithstanding Rule 6.6.1, any Contract formed pursuant to a Transaction made in the Ring shall be allocated to the Member's House Account.

6.6.4 LME Clear has no obligation, under the Rules or otherwise, to verify, confirm or otherwise ensure that a Member has allocated a Contract to an appropriate Account.

6.6.5 Where a Transaction is subject to a Give-Up, Clearing Procedure B3 shall apply to determine how the Contracts allocated to an Account in respect of such Give-Up shall be treated upon acceptance of the Give-Up.

6.6.6 Where a Contract is allocated to a Gross Omnibus Segregated Client Account, LME Clear shall record the Allocation ID referable to such Contract in accordance with the information notified to LME Clear by the Member pursuant to the DSS.

6.7 TREATMENT OF UNDERLYING CLIENT TRADES

Where any Contract between LME Clear and a Member arises in respect of any Transaction that is with or for a Client and one or more corresponding contracts in respect of such Transaction comes into effect between the Member and its Client (or between such Client and any underlying Indirect Client) (such corresponding contracts being the Underlying Client Trade):

(a) the execution of such Underlying Client Trade shall be governed by the LME Rules and/or any terms of business between such Member, Client and/or Indirect Client, and not by these Rules; and

(b) nothing in these Rules shall be treated as creating any right or obligation for LME Clear under the Underlying Client Trade.

6.8 LME CLEAR NOT ON RISK UNTIL ACCEPTANCE

For the avoidance of doubt:

(a) LME Clear shall be under no obligation to treat a Transaction as giving rise to any Contract in the event that the Transaction has not been Accepted; and

(b) LME Clear shall be under no obligation to any Member or any other party, and shall accept no risk, in respect of any Transaction that has not been Accepted.

6.9 POST-ACCEPTANCE OBLIGATIONS

6.9.1 The Member shall comply with any obligations relating to any Transaction that is Accepted pursuant to this Rule 6, and which are required to be performed following such Acceptance, in accordance with the LME Rules and/or these Rules (including the Clearing Procedures).

6.9.2 Any failure by a Member to comply with the obligations specified under Rule 6.9.1 shall not invalidate any Contract that has formed upon Acceptance, but may constitute an Act of Misconduct for the purposes of these Rules, or a breach of the LME Rules.

6.10 ACCOUNTS

Accounts shall be subject to the application of such processes as are specified in the Clearing Procedures and the Respective Entitlements of LME Clear and each Member under each Open Contract, and the Positions that reflect such rights and obligations, shall be subject to the processes described in the Clearing Procedures.

6.11 POSITION MAINTENANCE AND DAILY SETTLEMENT TO MARKET

6.11.1 LME Clear shall record and maintain all Positions referable to an Account in accordance with Clearing Procedure B4 (*Position Update and Maintenance and Settlement to Market*).

6.11.2 The Clearing Procedures specify:

(a) those Contracts that shall be subject to maintenance on a gross, net or aggregated basis and the basis on which such processes shall be applied;

(b) those Contracts that shall be subject to daily settlement to market and the basis on which LME Clear shall conduct such daily settlement to market; and

(c) the basis on which Aggregated Contracts may be subject to a regular close out process.

6.11.3 Where specified in the Clearing Procedures, LME Clear shall effect the daily settlement to market of Open Contracts.

6.11.4 Where any Contract is subject to netting, aggregation or close-out in accordance with the position management provisions set out in Clearing Procedure B4 (*Position Update and Settlement to Market*) and/or Clearing Procedure B5 (*Settlement to Market Process*) the Member that is party to such Contract shall:

(a) comply with the procedures specified by LME Clear as applicable to the implementation of such processes, including ensuring that any instructions issued by the Member to LME Clear are compliant with any restrictions applying to the Contracts that may be subject to such processes;

(b) ensure that the Member makes any notifications to any trade repository or Regulator regarding the effect of such netting on any Transaction or Contract to which the Member is a party as may be required of such Member pursuant to Applicable Law;

(c) ensure that any Client is promptly notified of the implementation of any netting or aggregation in relation to any Contract that relates to any Underlying Client Trade to which that Client is a party; and

(d) take all necessary and appropriate steps to ensure that, upon the netting or aggregation of any Contracts, a corresponding netting or aggregation takes effect in respect of any Underlying Client Trades that remain in force between the Member and any other party, or between any Client and any other party, and that are cleared by such Contracts. Without limitation to the foregoing, the Member shall ensure that the terms governing any such Transaction shall specify that such netting or aggregation shall take effect automatically upon such netting or aggregation, in order to avoid the creation of a mis-match between the positions between the counterparties to the relevant Transaction and the netted or aggregated Positions.

6.12 MEMBERS AS PRINCIPALS

6.12.1 Each Member shall act as principal (and not as agent) in relation to each Contract entered into with LME Clear.

6.12.2 Except to the extent specifically set out in the Rules, LME Clear shall not be obliged to recognise the interest of any person that is not a Member in any Account, Contract or Relevant Entitlement. Any record maintained by LME Clear of the interest of any Client or Indirect Client in any Transaction, Contract or Collateral, allocated to a Client Account shall be for administrative purposes only, and shall not be treated as giving rise to any rights or entitlements by any such Client or Indirect Client that are enforceable against LME Clear.

6.12.3 For the avoidance of doubt, except as specifically set out in Rule 2.1.5, LME Clear shall have no obligations of any kind (whether in contract, tort or pursuant to any duty of care) to any Client or Indirect Client and shall be under no obligation to act on the instructions of, or at the request of any such Client or Indirect Client.

6.13 TRANSFER OF CONTRACTS IN THE ABSENCE OF DEFAULT

Account Transfers

6.13.1 A Member may request that all of its rights and liabilities under an Open Contract recorded on a House Account or a Client Account, including all open Positions and Collateral associated with such Contract, shall be transferred:

(a) to another Member (an "**Inter-Member Transfer**"); or

(b) to another Account maintained by that Member (an "**Inter-Account Transfer**")

(each being an "**Account Transfer**").

Process for Requesting Account Transfers

6.13.2 Any request for an Account Transfer shall be made by the Member that is responsible for the relevant Account. LME Clear will not be under any obligation to consider or act on any request received from any Client or Indirect Client in respect of which the Member has established such Account.

6.13.3 Where a Member requests an Account Transfer, such Member shall complete and submit to LME Clear such form of request as LME Clear may specify, having regard to the nature and features of the requested transfer, such form to be signed by:

(a) the transferor Member and the transferee Member, confirming the agreement of both such Members to the terms of the transfer, in the case of an Inter-Member Transfer; or

(b) the requesting Member, in the case of an Inter-Account Transfer,

(and in each case, such form of request shall be a "**Transfer Request Notice**"). For the purpose of this Rule 6.13 the Member or Members that sign the Transfer Request Notice shall each be a "**Requesting Member**"). Any Requesting Member shall, by signing, such Transfer Request Notice, be treated as making the statements, confirmations, representations, warranties and agreements applicable to such Account Transfer pursuant to this Rule 6.13 and Annex 9 (*Account Transfer Process*).

6.13.4 Any Account Transfer shall be effected in accordance with the procedure set out in Annex 9 (*Account Transfer Process*) and shall be subject to any requirements specified therein.

Conditions to Account Transfer

6.13.5 LME Clear may effect an Account Transfer where:

(a) the conditions in 6.13.7 below (the "**Common Transfer Conditions**"); and

(b) all additional conditions applicable to the type of Account Transfer, as specified in Annex 9 (*Account Transfer Process*) (such conditions being "**Transfer-Specific Conditions**"),

(together, the "**Transfer Conditions**") are satisfied.

6.13.6 LME Clear may, in its discretion, agree to effect an Account Transfer in circumstances where any of the Transfer Conditions are not satisfied, subject in all cases to the satisfaction of the condition in Rule 6.13.7(g).

6.13.7 The Common Transfer Conditions are that:

(a) the rules of the Approved Transaction Platform on which the original Transaction was executed or confirmed:

(i) do not prohibit the transfer of the Contract that is subject to the Account Transfer; and

(ii) where there is to be any change in the relationship between any parties in the chain of Underlying Client Trades, permit such changes;

(iii) (in the case of an Inter-Member Transfer) permit the transferee Member to become a party to such Contract;

(b) where the rules of the Approved Transaction Platform on which the original Transaction was executed or confirmed, or which govern any corresponding Underlying Client Trade, impose procedural requirements or conditions to any such transfer, all such requirements and conditions shall be fully satisfied;

(c) the Approved Transaction Platform has been notified by LME Clear of the requested transfer and has not notified LME Clear of any objection, on reasonable grounds, to such transfer taking effect;

(d) LME Clear, has the information required to enable it to calculate the amounts to be transferred and is satisfied as to its accuracy;

(e) LME Clear is satisfied that sufficient additional Collateral will, on the transfer being effected or, if necessary, in advance, be provided to it by the Member (being, in the case of an Inter-Member Transfer, the transferee Member) to ensure that the Account into which the Open Contracts are transferred is fully collateralised taking into account the additional risk represented by the Positions to be transferred to such Account;

(f) the Requesting Member (or, in the case of an Inter-Member Transfer, Requesting Members) demonstrate to the reasonable satisfaction of LME Clear that any Underlying Client Trade that corresponds to the Open Contract that is to be transferred shall also be tranferred or amended, as appropriate, simultaneously with the transfer of the Open Contract, (whether by novation or otherwise), such that:

(i) any Client is able to enforce against the relevant Member (being, in the case of an Inter-Member Transfer, the transferee Member); and

(ii) any Indirect Client is able to enforce against the relevant Client,

the terms of the Underlying Client Trade(s) that correspond(s) to such transferred Open Contract. LME Clear may require the Requesting Member (or, in the case of an Inter-Member Transfer, Requesting Members) to provide written representations to the effect that such Underlying Client Trade(s) shall be so transferred or amended;

(g) LME Clear agrees to the transfer. For the avoidance of doubt, and without limitation to LME Clear's discretion, LME Clear will not agree to the transfer in the event that it considers that the transfer would:

(i) not be reasonably practicable to achieve under the technical or operational arrangements used by LME Clear in relation to the Contracts or Accounts that are subject to the transfer request;

(ii) be contrary to the interests of LME Clear;

(iii) cause LME Clear to breach any requirement or order of any Regulator, or any Applicable Law;

(iv) result in LME Clear failing to hold sufficient Collateral in respect of the risks represented by the Positions of any Member; or

(v) would create an unacceptable risk to LME Clear or its Members or to the stability of the market in any Instrument.

In the event that the conditions specified above are satisfied, the Requesting Member (or, in the case of an Inter-Member Transfer, Requesting Members) will co-operate with LME Clear to ensure the prompt completion of such transfer.

Requesting Member Responsibility for Clients and Indirect Clients

6.13.8 LME Clear shall be entitled to treat any Transfer Request Notice as having been made by the Requesting Member(s) with the full consent of any and all the Clients and/or Indirect Clients allocated to the relevant Account and shall not be under any obligation to the Member, any Client, any Indirect Client or any other person to make further enquiries regarding the wishes of the Clients and/or Indirect Clients. Accordingly, it shall be the responsibility of the Requesting Member(s) to ensure that:

(a) the transferring Clients and/or Indirect Clients allocated to the Account that is the subject of the Transfer Request Notice:

(i) are notified of:

(1) the fact that the Transfer Request Notice has been made by the Member in respect of such Account(s);

(2) the nature of the transfer requested by the Member;

(3) the conditions LME Clear requires to be satisfied in order to enable LME Clear to effect such transfer; and

(4) the time period within which the conditions to the transfer must be satisfied; and

(ii) do not object to the Transfer Request Notice;

(b) each Requesting Member has made, prior to LME Clear giving effect to any Transfer Request Notice, such arrangements with the transferring Clients and/or Indirect Clients and (where applicable) any transferee Clearing Client as are necessary and appropriate to enable the Member and any transferee Clearing Client to facilitate:

(i) the clearing of Transactions in respect of such transferring Clients and/or Indirect Clients (including the transferring Underlying Client Trades) via the Clearing System; and

(ii) either:

(1) the transfer of Collateral from the Origination Account to the Destination Account; or

(2) the deposit of sufficient Collateral to the Destination Account to cover the risks associated with the Transactions to be transferred to such Account;

(c) the Requesting Member has made arrangements with the relevant Client(s) and/or Indirect Client(s) that mean it has the legal right to make or accept (as applicable in the context of the Account Transfer) the transfer (and any associated assignment and/or conveyance) of the Open Contracts (and, where applicable, any associated Collateral) set out in the Transfer Request Notice; and

(d) the Requesting Member operating the Destination Account has established such Account as an appropriate type of Account to receive the assets and positions in respect of the transferring Clients and/or Indirect Clients.

6.13.9 For the avoidance of doubt, this Rule 6.13 shall not apply in circumstances where Rule 10.12 applies.

6.14 NO TRANSFER OF RIGHTS AND OBLIGATIONS

Except as may be permitted pursuant to Rule 6.13 above, and subject to the application of Rule 10.7 (*Portability of Client Accounts*) in respect of a Defaulting Member, no Member may assign, novate or otherwise transfer any of its rights or obligations under the Rules without the prior written consent of LME Clear, which consent LME Clear may withhold.

6.15 CANCELLATION OF CONTRACTS

6.15.1 LME Clear may cancel any Contract in the event that:

(a) LME Clear reasonably considers that such Contract or the performance by any party of its obligations under such Contract would:

(i) be unenforceable or voidable by any person in law;

(ii) contravene any Applicable Law including, on the grounds of illegality, fraud, the performance of regulated activities by a person that does not have the necessary regulatory permissions or authorisations, money laundering (or suspicion thereof), insider dealing, market abuse, or breach of any Sanctions; or

(iii) be contrary to the rules of any Approved Transaction Platform or the cancellation of such Contract is necessary to enable the Approved Transaction Platform to maintain an orderly market in the Eligible Products traded on such Approved Transaction Platform; or

(b) the Transaction to which the Contract relates has been the subject of an intra-day cancellation request by the Member pursuant to the Rules of the Approved Transaction Platform and is cancelled in accordance with such Rules; or

(c) the Contract has been allocated to an Administrative Account of a Member for the purpose of facilitating a Give-Up and such Give-Up has subsequently been accepted by another Member.

6.15.2 In the event that LME Clear proposes to cancel any LME Contract in accordance with Rule 6.15.1 above, LME Clear shall take all reasonable steps to consult with, and co-operate with, the LME with a view to LME Clear and the LME applying a co-ordinated approach to the cancellation of the LME Contract that is consistent with both the LME Rules and the Rules.

6.15.3 In the event that LME Clear cancels any Contract in accordance with Rule 6.15.1 above, LME Clear may take such action as LME Clear considers reasonably necessary to preserve

the integrity of the Clearing System or the orderly performance of the market in the Eligible Products including:

(a) requiring any other Contract that arose from the same Transaction as the cancelled Contract to also be cancelled, and for the original Transaction to be re-instated as between the original counterparties;

(b) requiring the Member that was party to the cancelled Contract to enter into a replacement Contract for the same or materially equivalent terms; or

(c) entering into one or more contracts on its own account in order to balance its obligations in respect of any other Contract or Contracts.

6.16 CONTRACTS AS BINDING OBLIGATIONS

6.16.1 Subject to Rule 6.16.2 below, a Contract that has come into effect under the Rules shall remain open and shall bind the parties until such time as:

(a) it is settled in accordance with the Rules;

(b) it expires in accordance with its terms;

(c) it is transferred to another Member in accordance with the Rules;

(d) it is closed out, liquidated or otherwise discharged in accordance with the Rules; or

(e) it is cancelled in accordance with the Rules.

6.16.2 Nothing in this Rule 6.16 shall be construed so as to limit or prevent LME Clear from applying daily settlement to market processes in relation to relevant Contracts in accordance with Clearing Procedure B. For the avoidance of doubt, the settlement to market process shall involve the daily close-out of relevant Open Contracts, and the creation of new Open Contracts reflecting the relevant Position.

6.16.3 Subject to Rule 6.16.2, no variation, amendment, waiver or surrender of any terms, rights or obligations under any Contract shall be effective without the prior written consent of LME Clear.

6.17 REPORTS

6.17.1 LME Clear shall make available to each Member Reports relating to the Member's rights and obligations under or in respect of Contracts formed pursuant to this Rule 6, containing such information and at such frequencies as are specified in Annex 4 (*List of Available Reports*).

6.17.2 The Member shall comply with the requirements set out in the Clearing Procedures in relation to the Member's use and verification of such Reports.

RULE 7 - SETTLEMENT AND CONTRACT PERFORMANCE

7.1 INTRODUCTION

7.1.1 This Rule 7 sets out the basis on which Open Contracts shall be settled or otherwise discharged.

7.1.2 Members' obligations under this Rule 7 shall be read and interpreted in conjunction with Clearing Procedures.

7.1.3 Members shall perform their obligations in respect of each Contract in accordance with the Clearing Procedures.

7.2 TYPES OF SETTLEMENT

Contracts Settled under LME Rules

7.2.1 Contracts arising as a consequence of the Acceptance of Transactions shall settle or otherwise be discharged in accordance with:

(a) the relevant provisions of the LME Rules; and

(b) any additional requirements specified for such Contracts in the Clearing Procedures,

(such Contracts being "**Contracts Settled Under LME Rules**"). LME Clear and the Member shall comply with the LME Rules and the Clearing Procedures in relation to the settlement and / or discharge of Contracts Settled under LME Rules. In the event of any conflict between the LME Rules and these Rules in respect of any matter that falls within the scope of any Rule or provision of these Rules, these Rules shall prevail.

Contracts that are not Contracts Settled Under LME Rules

7.2.2 In accordance with the Clearing Procedures, Contracts that are not Contracts Settled Under LME Rules shall be settled in the following ways:

(a) Physical Delivery Contracts shall be settled, on the Settlement Date, by:

(i) the Buyer making a Settlement Payment to the Seller, in cash in the relevant Settlement Currency; and

(ii) the Seller delivering to the Buyer such quantity of Underlying Assets as are specified by the terms of the Contract,

in accordance with Rule 7.5 below;

(b) Financially Settling Contracts shall be settled, on the Settlement Date, by:

(i) the payment of a Settlement Payment by the party to the Contract that has the Payment Obligation; and

(ii) the expiry of the Contract in accordance with its terms;

(c) Option Contracts shall be discharged upon:

(i) expiry; or

(ii) exercise of the option by the Option Holder, whether such exercise occurs automatically or at the election of the Option Holder, in accordance with Rule 7.6 below and the Clearing Procedures.

7.3 ISSUE OF SETTLEMENT INSTRUCTIONS

7.3.1 On each Business Day, LME Clear shall issue to each Member instructions to perform the Cash Settlements and Delivery Obligations due to be performed by that Member ("**Settlement Instructions**"). The requirements, timing and process for the issue of Settlement Instructions shall be as set out in the Clearing Procedures.

7.3.2 For the avoidance of doubt, Settlement Instructions may include instructions to a Member to make a payment on the day on which the Settlement Instruction is issued (including an instruction to provide Collateral in respect of an Intra-Day Margin Requirement).

7.4 CASH SETTLEMENT ARRANGEMENTS

7.4.1 Each Member shall, on each Business Day, settle all Cash Settlements due to or from the Member to LME Clear in accordance with the Settlement Instructions issued by LME Clear and within the timeframes specified in the Clearing Procedures.

7.4.2 Clearing Procedure E sets out the specific requirements applying to Cash Settlements. Members shall at all times comply with the requirements of Clearing Procedure E.

7.5 PHYSICAL DELIVERY

7.5.1 A Member shall not be eligible to become a party to a Physical Delivery Contract in relation to any Underlying Asset unless it has in place, at all times, all necessary arrangements with an Approved Delivery Facility that is specified in the Clearing Procedures as being approved for such Underlying Asset.

7.5.2 Rule 7.5.3 below applies only in respect of Physical Delivery Contracts that are not Contracts Settled Under LME Rules.

7.5.3 Upon the Settlement Date for a Physical Delivery Contract the Member and LME Clear shall settle their respective Delivery Positions in accordance with the following:

(a) where the Member is the Seller:

(i) the Member shall deliver to LME Clear the Underlying Asset that is required to be delivered under the terms of the Contract and in such quantities and in such form as are required pursuant to the Member's Delivery Obligation;

(ii) unless LME Clear directs the Member otherwise, the Member shall ensure that an Approved Delivery Facility shall deliver, from the Member's account with the relevant Approved Delivery Facility to LME Clear's account with a relevant Approved Delivery Facility, the Underlying Asset required to be delivered in accordance with (i) above; and

(iii) LME Clear shall make, or direct the relevant Approved Settlement Bank to make, a Settlement Payment to the Member's Settlement Account at the relevant Approved Settlement Bank in such Settlement Currency and of such amount as is required pursuant to LME Clear Payment Obligation and the Member shall accept such Settlement Payment in discharge of LME Clear's Payment Obligation and shall ensure that its Approved Settlement Bank accepts such Settlement Payment; or

(b) where the Member is the Buyer:

(i) the Member shall pay to LME Clear the Settlement Payment in such Settlement Currency and of such amount as is required pursuant to the Members Payment Obligation;

(ii) unless LME Clear directs otherwise, the Member shall direct its Approved Settlement Bank to make, a Settlement Payment in accordance with (i) above to LME Clear's Settlement Account. Such payment shall be a Cash Settlement and shall be discharged in accordance with Rule 7.4 above; and

(iii) LME Clear shall direct a relevant Approved Delivery Facility to deliver, from LME Clear's account with the Approved Delivery Facility to the Member's account with an Approved Delivery Facility, the Underlying Asset that is required to be delivered under the terms of the Contract and in such quantities and in such form as are required pursuant to LME Clear's Delivery Obligation. The Member shall accept such delivery in discharge of LME Clear's Delivery Obligation and shall ensure its Approved Delivery Facility accepts such Underlying Asset.

7.5.4 The settlement obligations specified in Rule 7.5.3 above shall be performed in accordance with the procedures, requirements and timescales specified in the Clearing Procedures.

7.5.5 LME Clear may refuse to accept delivery of an Underlying Asset in settlement of an Open Contract in the event that such acceptance would result in a breach of Applicable Law.

7.6 OPTION CONTRACTS

7.6.1 This Rule 7.6 applies only in respect of Option Contracts that are not Contracts Settled Under LME Rules. (Clearing Procedure B6 shall apply to Contracts Settled under LME Rules).

7.6.2 Upon the Option Premium Date the Option Holder under an Option Contract shall pay to the other party under the Contract the Option Contract Premium. Such payment shall be discharged as a Cash Settlement in accordance with:

(a) Rule 7.4 above; and

(b) any other requirements applicable to such Option Contract specified in the Clearing Procedures.

7.6.3 The option under an Option Contract will be deemed to be exercised by the Option Holder on the Option Exercise Date, in accordance with the Clearing Procedures. Any Member that is an Option Holder under an Option Contract shall have no right to abandon, disclaim, refuse or otherwise prevent the exercise of such option.

7.6.4 [left intentionally blank]

7.6.5 Upon the exercise of an option under an Option Contract that requires the payment of an Option Exercise Payment, such payment shall become due and payable to the Option Holder by the other party under the Contract on the Option Exercise Date. Such payment shall be discharged as a Cash Settlement in accordance with:

(a) Rules 7.4 above; and

(b) any other requirements applicable to such Option Contract specified in the Clearing Procedures.

7.6.6 Upon the exercise of an option under an Option Contract that provides for the creation of one or more new Contracts, then upon the Option Exercise Date:

(a) the Option Contract shall be discharged; and

(b) one or more new Contracts shall be deemed to take effect between LME Clear and the Member, in accordance with and on such terms as are specified in the Clearing Procedures.

7.6.7 [left intentionally blank]

7.6.8 The settlement obligations specified in this Rule 7.6 shall be performed in accordance with the procedures, requirements and timescales specified in the Clearing Procedures (including, for the avoidance of doubt, Clearing Procedure B6 (*Option Exercise and Assignment*)).

7.7 FAILURE TO SETTLE

7.7.1 All payments and deliveries required to be made pursuant to this Rule 7 shall be made:

(a) on the Settlement Date; or

(b) on the Option Exercise Date, where the relevant Option Contract requires a payment or delivery to be made on its exercise; and

(c) in accordance with such additional procedural requirements,

that in each case are to be determined in relation to the relevant Contract in accordance with the Clearing Procedures. A Member shall ensure that any Cash Settlements or Delivery Obligations in respect of a Contract are performed in accordance with such specified requirements.

7.7.2 A Member that fails to ensure that its Cash Settlements or Delivery Obligations are performed in accordance with this Rule 7 may constitute an Act of Misconduct and/or may be subject to action by LME Clear pursuant to Rule 10 (*Default*).

7.7.3 Without prejudice to Rule 7.7.2, in the event of a Failed Settlement Position, LME Clear shall be entitled to take any action permitted or contemplated by:

(a) the LME Rules, where the Failed Settlement Position relates to a Contract Settled Under LME Rules; and/or

(b) the Default Procedures; and /or

(c) Rule 7.8 below; and/or

(d) Rule 7.9 below, where the Failed Settlement Position relates to an LMEprecious Future.

7.8 BUY-IN AND INVOICING BACK

7.8.1 In the event that:

(a) a Member fails to deliver an Underlying Asset to LME Clear in fulfilment of its Delivery Obligation under a Physically Settling Contract; and

(b) LME Clear requires an Underlying Asset in order to satisfy any Delivery Obligation that LME Clear has to any Member under a Physically Settling Contract,

LME Clear may:

(i) in accordance with Rule 7.8.2, effect a buy-in of the relevant Underlying Asset in order to enable LME Clear to discharge such Delivery Obligation (a "**Buy-In**"); or

(ii) in the event that LME Clear determines that it is not possible or practicable to effect a Buy-In, and in accordance with Rule 7.8.3, make a Cash Settlement to any Member in respect of which LME Clear has such a Delivery Obligation in substitution for the delivery of the Underlying Asset, in order to close out LME Clear's open Positions in respect of Contracts requiring delivery by LME Clear of such Underlying Asset ("**Invoice Back**").

7.8.2 Buy-In

(a) LME Clear may effect a Buy-In by purchasing or borrowing the relevant Underlying Asset from another Member or pursuant to a transaction with a third party. LME Clear may effect such Buy-In:

(i) (except where (ii) below applies) at such price as is determined in accordance with the LME Rules applying to Buy-Ins or, where no such LME Rules apply in respect of the relevant Contract, at the latest Closing Price for such Underlying Asset or, if such Closing Price is not available, at such price as LME Clear determines is reasonably appropriate in the circumstances in consultation with the EMIR Risk Committee; or

(ii) where the Underlying Asset is a Precious Metal, at the prevailing market price for such Precious Metal at the time of the Buy-In; and

(iii) in such manner as LME Clear considers appropriate in the circumstances.

(b) In the event that LME Clear effects a Buy-In, the Member that failed to deliver the relevant Underlying Asset shall reimburse LME Clear for all costs incurred by LME Clear in purchasing or borrowing the Underlying Asset, including, without limitation, the amount paid by LME Clear to purchase the Underlying Asset and any costs incurred by LME Clear in executing the transaction to purchase or borrow the Underlying Asset. LME Clear shall notify the Member detailing the amount LME Clear requires the Member to reimburse and such payment shall be settled as a Cash Settlement.

7.8.3 Invoice Back

(a) LME Clear may effect an Invoice Back:

(i) at such price as is determined in accordance with the LME Rules applying to Invoice Back or, where no such LME Rules apply in respect of the relevant Contract, at the latest Closing Price for such Underlying Asset or, if such Closing Price is not available, at such price as LME Clear determines is reasonably appropriate in the circumstances in consultation with the EMIR Risk Committee; and

(ii) in such manner as LME Clear considers appropriate in the circumstances.

(b) In the event that LME Clear effects an Invoice Back, the Member that failed to deliver the relevant Underlying Asset shall reimburse LME Clear for all costs, liabilities or losses incurred by LME Clear in effecting the Invoice Back. LME Clear shall notify the Member detailing the amount LME Clear requires the Member to reimburse and such payment shall be settled as a Cash Settlement.

7.8.4 This Rule 7.8 explains the meaning of "Invoice Back" for the purpose of the LME Rules. For the avoidance of doubt, an Invoice Back shall be a cash settlement of the relevant Contract.

7.8.5 LME Clear's rights under this Rule 7.8 are without prejudice to its other rights under these Rules, including without limitation Rule 2.4 (*Force Majeure*), Rule 7.7 above, Rule 10 (*Default*) and the Default Procedures.

7.9 POSTPONED DELIVERY (LMEPRECIOUS FUTURES)

7.9.1 In the event that a Member fails to deliver an Underlying Asset to LME Clear in fulfilment of its Delivery Obligation under a Physically Settling Contract that is an LMEprecious Future:

(a) subject to (d) below, LME Clear shall allow the Member to deliver the Underlying Asset to LME Clear until 12pm on the next following Business Day, notwithstanding the Settlement Date for the Contract;

(b) in the event that LME Clear allows a delivery to be postponed pursuant to (a) above:

(i) it shall notify the Member;

(ii) the Contract(s) that are the subject of the failed delivery shall be subject to the application of a Variation Margin Requirement calculated on the basis of the Cash Contingent Variation Margin approach;

(iii) in the event that the Member fails to deliver the Underlying Asset to LME Clear by 12pm on the next following Business Day, LME Clear may take any such action as it may have taken on the Settlement Date pursuant to Rule 7.7.3 (including the powers specified in Rule 7.8) or may elect to accept the delivery of the Underlying Asset from the Member provided that LME Clear has not initiated a Buy-In; and

(iv) the Cash Settlement by LME Clear to such Member may be made at any time on such next following Business Day;

(c) the Member shall have committed an Act of Misconduct and may be subject to disciplinary proceedings pursuant to Membership Procedure D; and

(d) in the event that the Member becomes a Defaulting Member, LME Clear reserves its right to take such other action as may be permitted pursuant to Rule 7.7.3 and Rule 10 (*Default*).

7.9.2 In the event that LME Clear allows a delivery to be postponed pursuant to Rule 7.9.1(a) above, then:

(a) one or more Open Contracts for LMEprecious Futures with Members having a Receive Entitlement in respect of an Underlying Asset of the same type as that which has not been delivered to LME Clear shall be subject to a postponement of LME Clear's performance of its Delivery Obligation until LME Clear is able to make

delivery, following receipt of the Underlying Asset from the Member that is subject to Rule 7.9.1(a) or LME Clear having obtained the Underlying Asset pursuant to the completion of a Buy-In with respect to such Member;

(b) the Open Contracts to be made subject to such postponement shall be selected by reference to a methodology that will have regard to (i) the timing of the Cash Settlement made by the Member with the Receive Entitlement; (ii) the sizes of LME Clear's Delivery Obligations under such Open Contracts; and (iii) whether a Member with a Receive Entitlement has already been subject to a postponement in respect of that Receive Entitlement; and

(c) notwithstanding the postponement of LME Clear's Delivery Obligation, any Member to which (a) applies shall not be relieved of its obligation to ensure that any Cash Settlement in respect of the Contract is performed on the scheduled Settlement Date.

7.9.3 It is the responsibility of each General Clearing Member to ensure that, where it is a party to any Underlying Client Trade the performance of which by the General Clearing Member is dependent upon receipt of an Underlying Asset from LME Clear pursuant to a Delivery Obligation under a Contract, the General Clearing Member is able to postpone its own delivery of such Underlying Asset to its Client in the event that LME Clear exercises its discretion pursuant to Rule 7.9.2 above.

7.10 MANDATORY CASH SETTLEMENT FOR UNAVAILABLE PRICING DATA

7.10.1 In the event that: (i) LME Clear is unable for any reason to obtain access to any Pricing Data (either directly or via its Price Source) on an on-going basis, or loses access to such Pricing Data; or (ii) any such Pricing Data is subject to investigation, suspension or prohibition by any regulatory authority having authority over the issuer or users of such Pricing Data in circumstances where LME Clear, acting reasonably, considers that it is no longer appropriate or prudent to continue using such Pricing Data; or (iii) LME Clear is directed to cease using any such Pricing Data by a Clearing House Regulator, and LME Clear determines that it is not appropriate or acceptable to LME Clear (or, where relevant, its Price Source) to exercise its powers to determine for itself the relevant Pricing Data, then LME Clear may take any or all of the following steps:

(a) determine that such Eligible Product shall cease to be eligible for clearing in the Clearing System, such that the contract shall cease to be an Eligible Product (such contract being a "**Withdrawn Product**");

(b) refuse to Accept any further Transactions in respect of such Withdrawn Product; and

(c) require all Open Contracts in such Withdrawn Product shall be cash settled in accordance with Rule 7.10.4 below.

7.10.2 In the event that LME Clear determines to take any of the actions specified in Rule 7.10.1, LME Clear shall issue a Circular specifying:

(a) the steps that LME Clear proposed to take; and

(b) the timeframes within, and any deadlines by which, such steps shall be taken; and

(c) what steps, if any, Members with Open Contracts in Withdrawn Products shall be required to take.

7.10.3 Promptly following the issue of such Circular, Members with Open Contracts in Withdrawn Products shall comply with, and implement, any steps specified to be taken by such Members in the Circular.

7.10.4 If LME Clear determines to require all Open Contracts in such Withdrawn Products to be cash settled, then:

(a) LME Clear will:

(i) permit such Open Contracts with LME Clear to be withdrawn for bilateral settlement between two Members;

(ii) run a final settlement cycle for such Open Contracts at a time chosen by LME Clear;

(iii) terminate all such Open Contracts on a Settlement Date determined by LME Clear and the price for the cash settlement of such Open Contracts shall be determined at:

(1) the latest Closing Price for the Underlying Assets for such Open Contracts; or

(2) if such Closing Price is not available, the price shall be such price as the Board determines is reasonably appropriate in the circumstances in consultation with the EMIR Risk Committee; and

(iv) notify each Member of any amounts payable as determined by the final settlement cycle (which will be immediately paid by each Member to LME Clear in accordance with Rule 8 (*Margin Requirement and Collateral*),

in each case on such terms and conditions as LME Clear may determine as appropriate in the circumstances then prevailing; and

(b) it shall be the responsibility of each Member that has any Underlying Client Trade with any Client that corresponds to an Open Contract that is terminated pursuant to (a) above to ensure that:

(i) such Underlying Client Trade; and

(ii) any other corresponding Underlying Client Trade that may be in effect between the Client, an Indirect Client and/or any other person pursuant to an Indirect Clearing Arrangement,

is settled or otherwise closed out at the same time as the settlement of the Open Contract. LME Clear shall have no responsibility for any matter falling within this paragraph (b).

7.10.5 Nothing in this Rule 7.10 shall prevent or limit LME Clear from determining, subsequently to any Circular issued pursuant to Rule 7.10.2, that a Withdrawn Product shall again be treated as an Eligible Product, in the event that LME Clear determines that it has access to an appropriate source of Pricing Data for such contract. Any such determination shall be notified to Members by LME Clear pursuant to the issue of a Circular, specifying:

(a) the date from which such contract shall be treated as an Eligible Contract; and

(b) the Pricing Data that LME Clear shall use in connection with such Eligible Contract.

7.11 Delivery Failure Prevention Service

7.11.1 Where:

(a) a Member has failed to appropriately manage its Positions with the result that off-setting long and short Delivery Positions in respect of an Underlying Asset are contained in different Accounts after the Final Delivery Position has been determined, and as a result is unable to allocate the appropriate LME Warrants in order to meet a Delivery Obligation (an "**At Risk Delivery Obligation**"); and

(b) the Member can demonstrate that, under the same LME Warrant allocation and delivery process, it has a Receive Entitlement in respect of the same Underlying Asset as is required to be delivered under the At Risk Delivery Obligation (a "**Corresponding Receive Entitlement**"),

then that Member may request that LME Clear delivers to the Member under the Corresponding Receive Entitlement the LME Warrants that the Member is due to receive in order for the Member to deliver the same LME Warrants back to LME Clear in order to meet the At Risk Delivery Obligation.

7.11.2 If the Member wishes to make a request pursuant to 7.11.1 above, it must do so as soon as it becomes aware of the situation and in any event by no later than 10:30am on the date that the At Risk Delivery Obligation is due under the LME Rules and/or these Rules (as applicable). The Member must provide such information, representations and confirmations as LME Clear may require in writing in order for LME Clear to consider and act upon the request.

7.11.3 In the event that LME Clear agrees to the request, then in satisfaction of the At Risk Delivery Obligation, the requesting Member must return to LME Clear the same LME Warrants that it received under its Corresponding Receive Entitlement. The Member must at all times comply with the LME Rulebook.

7.11.4 The application of this Rule 7.11 shall be at the discretion of LME Clear and LME Clear shall be under no obligation to agree or give effect to the process described in Rules 7.11.1 to 7.11.3 above, nothwithstanding:

(a) any request by a Member to do so; or

(b) any other provision of the Rules.

7.11.5 In the event that LME Clear declines to give effect to the process set out in Rules 7.11.1 to 7.11.3, LME Clear shall notify the Member.

7.11.6 In the event that LME Clear agrees to give effect to the process set out in Rules 7.11.1 to 7.11.3, the requesting Member shall pay to LME Clear such fee for the implementation of such process as may be specified by LME Clear from time to time.

7.11.7 Nothing in this Rule 7.11 shall prevent LME Clear from exercising its rights under any Rule, including Rule 7, Rule 10 and/or Rule 3.15.

RULE 8 - MARGIN REQUIREMENT AND COLLATERAL

8.1 COLLATERAL

Each Member shall provide to LME Clear, and maintain on a daily basis for so long as it is a Member, Eligible Collateral with a Collateral Value sufficient to satisfy its Margin Requirement, which shall comprise:

(a) the End of Day Margin Requirement;

(b) the Intra-Day Margin Requirement(s); and

(c) any other margin requirements (which excludes a Default Fund Contribution) required at any time by LME Clear pursuant to the Rules and the Procedures,

as collateral, cover and/or credit support for the performance by that Member of all of its present and future obligations to LME Clear pursuant to the Rules or the operation of the Clearing System. Notwithstanding the application of the Affiliate Posting Structure or the Client Direct Posting Structure, the relevant Member shall remain responsible for maintaining the Member's Margin Requirement in full at all times.

8.1A PERMITTED USE OF TRIPARTY CUSTODY ARRANGEMENTS

Where permitted by LME Clear in accordance with Clearing Procedure D, a Member may use a Triparty Custody Arrangement to facilitate the transfer of Collateral to LME Clear to satisfy its Margin Requirement (in whole or in part, and subject to the provisions of this Rule 8). Such Triparty Custody Arrangement shall be used for the purposes of transferring Securities Collateral from the Member's Triparty Collateral Custody Account to LME Clear's Triparty Collateral Custody Account, subject that the Member shall be permitted to transfer Cash Collateral to LME Clear's Triparty Collateral Custody Account where the Member has insufficient Securities Collateral in its Member Triparty Collateral Custody Account to meet its Triparty Transaction Amount. Prior to a Member seeking to transfer Collateral from its Member Triparty Collateral Custody Account to LME Clear's Triparty Collateral Custody Account in relation to a Margin Requirement, the Member shall notify LME Clear of the Member's Triparty Transaction Amount by entering the Triparty Transaction Amount via the LME Mercury GUI.

8.2 CALCULATION OF MARGIN REQUIREMENT

8.2.1 The Margin Requirement for each Member will be the amount which LME Clear may determine and notify the Member from time to time.

8.2.2 The Margin Requirement for each Member will be calculated by LME Clear in accordance with methodology from time to time available on its Website and at such times as LME Clear may determine (whether at the regular times stated in the Clearing Procedures or otherwise). LME Clear may adopt different methodologies in respect of different Eligible Products and different Underlying Assets.

8.2.3 LME Clear shall notify each Member, at the times determined by LME Clear, of the amounts of Collateral required to be provided to LME Clear to satisfy its Margin Requirement.

8.2.4 Any Cash Collateral to be provided by a Member shall be provided to LME Clear in immediately available funds within the time limits set out in the Clearing Procedures.

8.2.5 Calculations made by LME Clear for the purposes of this Rule 8 may be made in the Base Currency using such notional currency conversion rates determined by LME Clear at the relevant time.

8.3 TYPES OF COLLATERAL

8.3.1 Collateral may be provided by a Member to LME Clear in the form of certain asset types and subject to eligibility criteria as set out in Part D of the Clearing Procedures and the Collateral Specifications, and on such terms as LME Clear may agree, provided that:

(a) the part of a Member's Collateral comprising Cash Collateral (excluding Cash Collateral provided through a Triparty Custody Arrangement) may not at any time fall below the minimum proportion and/or minimum amount set out in the Clearing Procedures; and

(b) the part of a Member's Collateral in any other form may not at any time exceed the maximum proportion and/or maximum amount for each category of Collateral as referred to in the Clearing Procedures or Annexes to the Clearing Procedures.

8.3.2 All Cash Cover provided by a Member shall be available to LME Clear freely to use and apply. Notwithstanding any other provision of any Member Documentation or Triparty Custody Documentation as applicable, the Member will have no proprietary interest in such cash which will constitute an unsecured debt (evidenced by the relevant Account(s) of the Member) payable by LME Clear to the Member in the amount(s) at the time(s) set out in the Member Documentation or Triparty Custody Documentation as applicable and subject to any deduction, set-off and other rights of LME Clear provided in the Member Documentation or Triparty Custody Documentation as applicable.

8.3.3 Subject to 8.3.3A below, LME Clear shall pay interest on Cash Collateral provided by a Member at such rate and at such times as LME Clear may from time to time specify (or, if such rate is a negative rate, LME Clear may charge the Member interest). Regardless of which Account in respect of which the relevant cash is recorded (including any Client Account) all interest will be credited or debited to the Member's House Account. LME Clear reserves the right not to pay interest if the amount of Eligible Cash does not exceed such threshold as it may select from time to time and not to pay interest on any amount of Cash Collateral which LME Clear determines is in excess of the amount of Collateral required by it from the Member under this Rule 8. LME Clear may pay interest at different rates upon different types of cash balance.

8.3.3A LME Clear shall not be required to pay interest on Cash Collateral that is transferred from a Member’s Triparty Collateral Custody Account to LME Clear’s Triparty Collateral Custody Account.

8.3.4 LME Clear shall levy accommodation charges in respect of non-cash Collateral held by LME Clear at such rates and at such times as LME Clear may from time to time specify. For the avoidance of doubt, LME Clear may also apply such accommodation charges to non-cash Collateral held by LME Clear within its LME Clear Triparty Collateral Custody Account.

8.4 TOP-UP COLLATERAL

8.4.1 If at any time the Collateral Value of Eligible Collateral provided by a Member, its Posting Affiliate or Posting Client is less than the Member’s Margin Requirement, the Member shall immediately on request by LME Clear deliver additional Collateral in order that such shortfall is eliminated.

8.5 SECURITY, MEMBER REPRESENTATIONS AND NEGATIVE PLEDGE

8.5.1 As collateral for the performance by a Member of all of its present and future obligations to LME Clear pursuant to the Rules and any other Member Documentation, or the operation of the Clearing System, the Member shall execute such Security Documents over all or part of its Collateral (as determined by LME Clear) and in such terms as set out in the Clearing Procedures. In the case of the Affiliate Posting Structure, as collateral for the performance by a Member of certain of its present and future obligations to LME Clear pursuant to that Member's House Account, an Affiliate shall execute such Affiliate Guarantee, Affiliate Security Documents over all or part of the LME Warrant Collateral (as determined by LME Clear) and Affiliate Tripartite Agreement and, in each case, in such terms as set out in the Clearing Procedures. In the case of the Client Direct Posting Structure, as collateral for the performance by a Member of certain of its present and future obligations to LME Clear pursuant to a Designated Client Account of a Posting Client, such Posting Client shall execute such Posting Client Security Documents over all or part of the LME Warrant Collateral (as determined by LME Clear) and Posting Client Tripartite Agreement and, in each case, in such terms as set out in Rules 8.10 and 8.11 below and the Clearing Procedures.

8.5.2 Each Member, Posting Affiliate and Posting Client represents and warrants to LME Clear as at each date on which such Member, Posting Affiliate or Posting Client provides Asset Cover to LME Clear under the Rules that:

(a) such Member, Posting Affiliate or Posting Client is the sole legal and beneficial owner of the Asset Cover at the time it is provided to LME Clear or, where the property comprising the Asset Cover has been made available to the Member by its own Client or other person, the property has been made available by way of title transfer or with a right of use so as to enable the Member to charge or transfer it as owner to LME Clear to collateralise the Member's obligations to LME Clear;

(b) all such Asset Cover is provided to LME Clear free and clear of any Security Interest, trust or third party rights save any subordinated or other Security Interest in favour of any person including a Client of the Member which LME Clear may have required or approved in advance (and, in respect of LME Warrant Collateral, LME Clear provides its approval for such purposes in relation to: (i) the rights and interests of the Depository, pursuant to the LMEsword Regulations, in respect of any Asset Cover; and (ii) any lien arising by operation of law or a right of retention in favour of a Warehouse in respect of unpaid rent and other charges owing to that Warehouse, in each case, relating to Underlying Metal to which an LME Warrant provided as Collateral relates); and

(c) the provision of such Asset Cover to LME Clear will not constitute or result in a breach of Applicable Law or any of trust, agreement or undertaking binding on the Member, Posting Affiliate or Posting Client or affect any such Asset Cover.

8.5.3 LME Clear shall be entitled to assume that all Asset Cover provided by a Member, Posting Affiliate or Posting Client to LME Clear under this Rule or under the terms of any agreement made with the Member, Posting Affiliate or Posting Client is in conformity with Rule 8.5.2.

8.5.4 None of a Member, a Posting Affiliate and a Posting Client shall, without the prior written consent of LME Clear:

(a) create, or agree or attempt to create, or permit to subsist, other than in favour of LME Clear, any Security Interest, trust or other interest over any Asset Cover provided to LME Clear under this Rule 8, or purport to do so (and, in respect of LME Warrant Collateral, LME Clear shall be deemed to have provided its prior written consent for such purposes in relation to: (i) the rights and interests of the Depository, pursuant to the LMEsword Regulations, in respect of any Asset Cover, and (ii) any

lien arising by operation of law or a right of retention in favour of a Warehouse in respect of unpaid rent and other charges owing to that Warehouse, in each case, relating to Underlying Metal to which an LME Warrant provided as Collateral relates);

(b) sell, assign, transfer or otherwise dispose all or any part of, or any interest in, any such Asset Cover, or purport to do so, or part with ownership of any of it; or

(c) take any step which would otherwise constitute or result in a breach of the representations and warranties contained in Rule 8.5.2.

8.5.5 All Asset Cover provided by a Member, Posting Affiliate or Posting Client shall be incapable of assignment or charge by the Member, the Posting Affiliate or the Posting Client or any other person (except LME Clear to the extent authorised by the Rules and/or to the extent LME Clear may have required or approved in advance). Any purported assignment or charge by a Member, a Posting Affiliate, a Posting Client or such other person (whether by way of security or otherwise) of any such Asset Cover in contravention of the foregoing sentence shall be of no effect.

8.5.6 "Asset Cover" when used in Rules 8.5.4 and 8.5.5 includes any obligation owed by LME Clear to the Member or any other person (a) in the case of cash, to pay a sum of money corresponding to such Asset Cover in the form of cash, and (b) in the case of Gold, to deliver unallocated Gold corresponding to such Asset Cover in the form of Gold.

8.6 USE OF ASSET COVER

8.6.1 LME Clear shall ensure that all Asset Cover provided to it by Members, any Posting Affiliate or any Posting Client is identifiable separately from LME Clear's own assets and those of any third party by whom they may be held.

8.6.2 Cash Cover may be partially or wholly invested by LME Clear in accordance with its investment policy as amended from time to time by LME Clear. To the extent not so invested, such cash funds shall be deposited by LME Clear as it considers appropriate (consistent with Applicable Clearing Regulations). For the avoidance of doubt, LME Clear shall not be required to invest Cash Cover Collateral that is held by it pursuant to a Triparty Custody Arrangement.

(a) Upon any such investment being made, there shall be no change to the entries in the relevant Member's Account.

(b) Members shall have no proprietary or other interest in any Investment Securities, which shall be owned by LME Clear.

(c) All income, profits, losses and risks associated with any Investment Securities shall be for the account of LME Clear, save to the extent losses and risks are shared with Members generally pursuant to the non-default loss procedure under Rule 10.14 (*Allocation of Non-Default Losses*).

8.6.3 Notwithstanding any provision of any Security Document, any Affiliate Security Document or any Posting Client Security Document which refers to any right of LME Clear to use any assets the subject of the Security Document, the Affiliate Security Document or the Posting Client Security Document, LME Clear shall have no right of use over any such asset.

8.7 WITHDRAWAL OF EXCESS OR INELIGIBLE COLLATERAL

8.7.1 If at any time the Collateral Value of a Member's Collateral (which includes Collateral provided by a Posting Affiliate or Posting Client of that Member) exceeds its then Margin

Requirement, LME Clear shall (upon request by the Member) return the Excess Collateral to the Member, Posting Affiliate or Posting Client that provided it in accordance with the Clearing Procedures provided any withdrawal would not result in a breach of the Rules including in relation to Collateral Limits. This Rule 8.7 shall not apply if Rule 8.8.1 has become applicable, nor shall it apply if a Default Event has occurred and is continuing in relation to the Member, and in any event shall be subject to the terms of any relevant Security Document, any relevant Affiliate Security Document or any relevant Posting Client Security Document. For the avoidance of doubt, no Posting Affiliate nor any Posting Client is permitted to request the return of Excess Collateral (and all such requests shall be made by the Member).

8.7.2 A Member may request that any Collateral which is not or has ceased to be Eligible Collateral be returned to it, the Posting Affiliate or the Posting Client that provided it in accordance with the Clearing Procedures, save that no such Collateral shall be returned unless the Member is in compliance with Rule 8.4, and nor shall this Rule 8.7.2 apply if a Default Event has occurred and is continuing in relation to the Member, and in any event shall be subject to the terms of any relevant Security Document, any relevant Affiliate Security Document or any relevant Posting Client Security Document. For the avoidance of doubt, no Posting Affiliate nor any Posting Client is permitted to request the return of Collateral which is not or has ceased to be Eligible Collateral (and all such requests shall be made by the Member).

8.8 RETURN OF COLLATERAL ON TERMINATION OF MEMBERSHIP

8.8.1 If a Member gives notice to LME Clear to terminate its Membership, the Member's Collateral and any Posting Affiliate's Collateral and any Posting Client's Collateral shall be returned to the Member, Posting Affiliate and Posting Client, as applicable, as soon as reasonably practicable (and within five (5) Business Days) after the Termination Date applicable to the Member, provided that in each case all amounts owing to LME Clear by the Member have been fully, finally and unconditionally paid or discharged to LME Clear prior to return, such Member has no remaining Open Contracts and no circumstances exist which might lead to further obligations or liabilities owed by the Member to LME Clear to arise.

8.8.2 Any obligation of a Member to LME Clear which is unpaid or un-discharged at the time it ceases to be a Member shall continue in force notwithstanding such termination and LME Clear may retain sufficient amounts of Collateral to collateralise or cover any remaining obligations of the Member (including any contingent or prospective obligations) and any obligation which may arise out of any disciplinary action.

8.9 RETURN OF COLLATERAL TO A DEFAULTING MEMBER

Upon LME Clear determining that, in relation to a Defaulting Member, the Default Procedures and the procedures set out in Rule 10 have been satisfied and that no debt or liability is due or capable of becoming due from the Defaulting Member to LME Clear, the Defaulting Member or its Posting Affiliate shall be entitled to the return of the Collateral (if any) which LME Clear at that time holds for the Defaulting Member or Posting Affiliate (including paying the Defaulting Member a sum equal to the Cash Collateral (if any) which at that time is (subject to, and following any debit carried out under, Rule 10.4.1(o)) recorded in an Account of the Defaulting Member), save that LME Clear may at any time after a Default Event has occurred return to the Defaulting Member any Collateral (including paying the Defaulting Member a sum equal to any Cash Collateral) which is recorded in any Client Account of the Defaulting Member. This Rule 8.9 is subject to any Applicable Law or any provision of the Member Documentation, Affiliate Posting Documentation or Client Direct Posting Documentation (or of any security agreement granted by the Defaulting Member to its Client(s)) which requires any such Collateral to be transferred or paid to any other person including pursuant to the Porting Process or Rule 10.5.1(c).

8.10 POSTING CLIENT UNDERTAKING AND REIMBURSEMENT

8.10.1 Subject to Rule 8.10.3 each Posting Client irrevocably and unconditionally undertakes to LME Clear that whenever its Member does not pay any amount when due to LME Clear in respect of the Designated Client Account under or in connection with the Rules, the Posting Client shall immediately on demand from LME Clear pay that amount to LME Clear as if it were the principal obligor.

8.10.2 Subject to Rule 8.10.3 each Posting Client irrevocably and unconditionally undertakes to LME Clear that, if LME Clear is required to make a payment to the relevant Member in accordance with Rule 8.11.1, the Posting Client shall immediately on demand pay that amount to LME Clear for that same amount as if it were the principal obligor.

8.10.3 The recourse of LME Clear under either of Rule 8.10.1 or Rule 8.10.2 is limited to an amount equal to the value of the LME Warrant Collateral to the extent transferred from time to time by the Posting Client to the LME Clear Pledged Account.

8.10.4 In relation to Rule 8.10.1 or 8.10.2, LME Clear shall promptly certify each amount payable by the Posting Client. The certificate of LME Clear under this Rule 8.10.4 shall be conclusive as to the sum payable by the Posting Client. LME Clear shall incur no liability whatsoever for any act or omission in determining the sum payable under this Rule 8.10.4 except to the extent arising from LME Clear's wilful default.

8.11 LME CLEAR UNDERTAKING RELATING TO THE CLIENT DIRECT POSTING STRUCTURE

8.11.1 Subject to Rule 8.11.2 LME Clear irrevocably and unconditionally undertakes to each Member that whenever its Posting Client does not pay any amount when due to the Member in respect of the Client Account operated by the Member on behalf of such Posting Client under or in connection with the Client Clearing Agreement, LME Clear shall immediately on demand from the Member pay that amount to the Member as if it were the principal obligor. Subject always to Rule 8.11.2, the Member may make more than one demand under this Rule 8.11.1.

8.11.2 The recourse of the Member under Rule 8.11.1 above is limited to the lower of:

(a) an amount equal to the value of the LME Warrant Collateral to the extent transferred from time to time by the Posting Client to the LME Clear Pledged Account; and

(b) the amount by which the Collateral Value exceeds the Member's Margin Requirement.

8.11.3 In relation to Rule 8.11.1, the Member shall promptly certify each amount payable by LME Clear. The certificate of the Member under this Rule 8.11.3 shall be conclusive as to the sum payable by LME Clear. The Member shall incur no liability whatsoever for any act or omission in determining the sum payable under this Rule 8.11.3 except to the extent arising from the Member's wilful default.

8.12 ADDITIONAL PROVISIONS RELATING TO THE UNDERTAKINGS RELATING TO THE CLIENT DIRECT POSTING STRUCTURE

8.12.1 The obligation of LME Clear under Rule 8.10.1 and 8.10.2 and the obligation of a Member under Rule 8.11.1 shall:

(a) constitute a separate and independent obligation from the other obligations in the Client Direct Posting Documentation;

(b) give rise to a separate and independent cause of action;

(c) apply irrespective of any indulgence granted by LME Clear or the Member, as applicable; and

(d) continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Client Direct Posting Documentation or any other judgment or order.

RULE 9 - DEFAULT FUND

9.1 DEFAULT FUND

9.1.0 LME Clear shall maintain separate Default Funds in respect of each Service, and this Rule 9 shall apply separately in respect of each such Service. Accordingly (a) the terms Default Fund and Default Fund Contribution shall be construed to apply to the Default Fund maintained in respect of the relevant Service, as the context requires; and (b) any reference to a Member shall be to a Member in the context of its participation in the relevant Service.

9.1.1 Each Member shall provide, and maintain on a daily basis for so long as it is a Member, a Default Fund Contribution in the amount specified by LME Clear from time to time. All Default Fund Contributions shall be made and maintained wholly in Eligible Cash in accordance with the Default Procedures and in the Eligible Currency set out in Annex 2 (*Eligible Currencies, Collateral and Haircuts*). It will be paid in immediately available funds within the time limits set out in such Procedure.

9.1.2 The initial amount of the Default Fund Contribution to be paid by an Applicant shall be determined by LME Clear subject to and in accordance with Default Procedure B, and shall be paid by the Applicant to LME Clear prior to submitting any Transactions to LME Clear.

9.1.3 The amount of the Default Fund Contribution to be provided by each Member shall be recalculated from time to time by LME Clear in accordance with such methodology as LME Clear shall set out in the Default Procedures.

9.1.4 LME Clear shall pay interest on the Default Fund Contribution provided by a Member at such rate and at such times as LME Clear may from time to time specify (or, if such rate is a negative rate, LME Clear may charge the Member interest). Such amount may be added to (or, if the rate of interest is negative, deducted from) the Member's Default Fund Contribution.

9.1.5 If at any time the amount of Default Fund Contributions provided by a Member exceeds the amount then required of it by LME Clear, the amount of such excess Default Fund Contribution will be repaid at the intervals from time to time specified in Default Procedure Part B, provided that:

(a) no security over such Default Fund Contributions granted by the Member to LME Clear is, or is likely to become, enforceable, and no Default Event has occurred and is continuing in relation to the Member;

(b) LME Clear is satisfied that, after such excess Default Fund Contribution is returned to the Member, there will continue to be sufficient Default Fund Contributions in order to continue to satisfy the Member's obligations under this Rule 9; and

(c) LME Clear may, if a Default Loss has arisen, retain such excess Default Fund Contribution to the extent and for as long as it believes that this may be required for use in replenishing the Member's Default Fund Contribution under Rule 10.10.1(e)(i).

9.1.6 If a Member gives notice to LME Clear to terminate its Membership for whatever reason, the Member's Default Fund Contribution, less any applications or deductions made as contemplated by Rule 9.1.9, shall be repaid on the Termination Date, as determined in accordance with Rule 3.6, 3.7, 3.8 or 3.11, as applicable.

9.1.7 The provisions of Rule 8.5 apply to Default Fund Contributions to the extent stated in the Rules.

9.1.8 Without prejudice to LME Clear's rights under Rule 9.1.9, no part of a Default Fund Contribution shall be treated as standing to the credit of any Client Account.

9.1.9 LME Clear shall be entitled to apply Default Fund Contributions for the purposes and in the manner and at the times provided for in Rule 10.10 and elsewhere in the Rules and Procedures.

9.1.10 Default Fund Contributions shall be "default fund contributions" for the purposes of Part VII of the Companies Act 1989.

RULE 10 - DEFAULT

10.1 APPLICABILITY

10.1.1 The provisions of this Rule 10 and the Default Procedures constitute the default rules of LME Clear for the purposes of Part VII of the Companies Act 1989, the Recognition Regulations, the Settlement Finality Regulations and EMIR.

10.1.2 LME Clear shall be entitled to take action under this Rule 10 with respect to a Member if LME Clear determines that a Default Event has occurred and is continuing in respect of the Member.

10.1.3 LME Clear has a discretion to determine whether any Default Event has occurred and, if so, what action to take under the Default Rules.

10.1.4 The exercise by LME Clear of its powers under this Rule 10 shall be subject to any directions given by the Regulator pursuant to section 166 of the Companies Act 1989 or other Applicable Clearing Regulations.

10.1.5 Where LME Clear determines that a Default Event has occurred with respect to a Member, such Default Event shall be treated as applying in respect of all Services in which the Member participates, and such Member shall be a Defaulting-Member in respect of all such Services.

10.2 DEFAULT EVENTS

A "**Default Event**" means the occurrence, in relation to a Member, of any of the following events:

(a) the Member fails to perform (or threatens not to perform, or appears to LME Clear unable, or likely to become unable, to perform) any obligation it owes to LME Clear including under any Member Documentation, Contract or Transfer Order;

(b) the Member is in material breach of the rules or terms of membership of any exchange, trading platform or clearing house (other than LME Clear), or has been declared a defaulter or is suspended or has been expelled from membership by any such exchange, trading platform or clearing house;

(c) the Member is in material breach of the requirements (whether or not having the force of law) of its regulator or of any other regulatory body or organisation (including, for the avoidance of doubt, the Regulator), or the authorisation of the Member by any such regulatory body or organisation, is suspended or withdrawn;

(d) any regulatory body takes or threatens to take action against or in respect of the Member under any law or regulation;

(e) LME Clear determines that the financial condition of the Member is such that, in the reasonable opinion of LME Clear the Member no longer satisfies the Membership Criteria or the continuing use of LME Clear by the Member would result in an increased level of risk or uncertainty for LME Clear and/or its other Members (in respect of the exposures of such other Members to the Clearing System);

(f) LME Clear has reasonable grounds to believe that the Member is in or is approaching significant financial or operational difficulty or otherwise will be unable to perform its obligations to LME Clear;

(g) LME Clear has reasonable grounds to believe that the Member has made any material misstatement to LME Clear, or has omitted to disclose to LME Clear any material fact in any statement made to LME Clear, or has been responsible for any fraudulent or dishonest conduct or any breach of fiduciary duty;

(h) circumstances have arisen which LME Clear has reasonable grounds to believe make it appropriate to suspend or terminate the Member's participation in order to avoid the risk of a failed or rejected delivery, or which could be prejudicial to LME Clear or represent a threat to the orderly operation, security, integrity or reputation of the Clearing System or which could lead to LME Clear becoming involved in legal proceedings with any third party;

(i) the Member is dissolved pursuant to a consolidation, amalgamation or merger (except on terms previously approved by LME Clear);

(j) the Member suspends or threatens to suspend, or ceases or threatens to cease, to carry on all or substantially all of its business;

(k) the Member repudiates or attempts to repudiate any Member Documentation, or contests the validity, perfection or priority of any Member Documentation;

(l) any regulation, order, judgment or proceeding shall purport to render any provision of any Member Documentation, invalid or unenforceable or shall purport to prevent or materially delay the performance or observance by the Member of its obligations in accordance with its terms;

(m) any provision of Member Documentation, is or ceases for any reason to be binding on or enforceable against the Member, or the Member shall so assert in writing;

(n) LME Clear has reasonable grounds to believe that there is a risk that the continuing participation of the Member could result in an obligation being incurred by it to LME Clear which the Member would be unable to settle when due;

(o) LME Clear has reasonable grounds to believe that the suspension or termination of the Member's Membership is necessary either for the protection of LME Clear or for any of the other Members or to ensure the orderly operation, security, integrity and/or reputation of the Clearing System;

(p) LME Clear has determined that suspension or termination of the Member's Membership is appropriate following a review of the suitability of the Member pursuant to Membership Procedure B7.2 or 7.3 (*Changes of Ownership*);

(q) the Member admits in writing its inability to pay any debt, or it appears to LME Clear that the Member is unable to pay its debts as they fall due or that the value of its assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities;

(r) the Member stops, or suspends, or threatens to stop or suspend, payment of all or any part of its indebtedness or commences negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of all or any part of its indebtedness or the making of a general assignment for the benefit of or composition with its creditors or if a moratorium is agreed, declared or otherwise obtained in respect of, or affecting, all or any part of its indebtedness;

(s) any distress, execution or other process is levied or enforced upon or against any property of the Member where the value of the property involved exceeds £500,000;

(t) an application is made to a court of competent jurisdiction, or an order is made by such court, for the purpose of: (i) declaring the Member to be bankrupt or insolvent; (ii) approving or granting a petition for a moratorium, reorganisation, arrangement (including pursuant to a scheme of arrangement), liquidation, dissolution, adjustment or composition of or in respect of the Member under any Applicable Law; (iii) appointing an administrator, assignee, custodian, examiner, liquidator, provisional liquidator, receiver, sequestrator, supervisor, nominee or trustee or other similar official in respect of the Member or any substantial part of its property, assets or undertaking; (iv) ordering the winding up, liquidation or bankruptcy of the Member; or (v) consenting to the institution by the Member or any person of proceedings for it to be adjudicated, bankrupt or insolvent or for it to be wound up or liquidated; provide that this paragraph (t) shall not apply to any winding up petition which LME Clear reasonably considers to be frivolous or vexatious;

(u) the Member takes any step or commences any proceedings, or consents to any application, for, or becomes subject to, the appointment of an administrator, assignee, custodian, examiner, liquidator, provisional liquidator, receiver, sequestrator, supervisor, nominee, trustee or other similar official in respect of the Member or any substantial part of its property, assets or undertaking;

(v) the Member, being a partnership, is dissolved, or being a registered company, is dissolved or suffers its name to be struck off the register of companies;

(w) anything occurs under the laws of any applicable jurisdiction which is analogous to or has a substantially similar effect to any of the events described in clause paragraphs (s) to (v) inclusive above in relation to the Member; or

(x) an event listed in paragraphs (s) to (v) inclusive (or an event which is analogous to or has a substantially similar effect to any of the events described in clause paragraphs (s) to (v) inclusive) occurs in relation to any Affiliate of the Member, where in the reasonable opinion of LME Clear such occurrence is reasonably likely to result in a Default Event occurring in relation to the Member.

10.3 DEFAULT NOTICE AND OTHER ACTION

10.3.1 The Member shall, immediately on becoming aware of the occurrence of any Default Event, give a Notice to LME Clear of such event. The Member will not (except with the prior consent of LME Clear which shall not be unreasonably withheld or delayed) take any steps which could result in any further Transactions being submitted to LME Clear.

10.3.2 If LME Clear considers that a Member will not be able to meet its future obligations to LME Clear, LME Clear shall inform the Bank of England to that effect before issuing a Default Notice.

10.3.3 LME Clear will, as soon as reasonably practicable after it has decided to exercise any of its powers under Rule 10.4.1 below in relation to a Member:

(a) issue a Default Notice in respect of such Member;

(b) publish on its Website its decision to issue such Default Notice;

(c) notify each Approved Transaction Platform (through which the Member trades) of its decision to issue a Default Notice and, in general terms, the action that has been or is expected to be taken by LME Clear under the Rules to settle all outstanding obligations involving the Defaulting Member and LME Clear;

(d) where such Member's obligations are subject to the Affiliate Posting Structure, notify the Posting Affiliate of its decision to issue a Default Notice;

(e) where such Member's obligations are subject to the Client Direct Posting Structure, notify the Posting Client of its decision to issue a Default Notice; and

(f) thereafter, notify such Member periodically of notices received from Clients requesting LME Clear to carry out a transfer pursuant to Rule 10.7.1;

10.3.4 A Member in respect of which a Default Notice has been issued is referred to in the Rules as a "**Defaulting Member**" and the expression "**Office-Holder**" has the meaning given to "relevant office holder" by section 189 of the Companies Act 1989. A reference to the Defaulting Member shall include (where the context permits) a reference to any Office-Holder appointed in relation to the Defaulting Member.

10.3.5 Without prejudice to the preceding provisions of this Rule 10, a Member shall notify LME Clear, the Regulator and (if different) the Member's regulator immediately of its passing of a creditors' voluntary winding up resolution, or a trust deed granted by it becoming a protected trust deed.

10.3.6 On LME Clear issuing a Default Notice, each non-defaulting Member shall co-operate with LME Clear and shall in particular (to the extent that it is reasonably able to do so):

(a) if requested by LME Clear, assist in effecting any closing out or transfer of an Open Contract pursuant to Rule 10.4.1; and

(b) comply with any reasonable directions of LME Clear,

where LME Clear considers that such requests or directions are reasonable or necessary in the interests of maintaining the integrity of the Clearing System or the stability of the financial system.

10.4 POWERS OF LME CLEAR AFTER A DEFAULT NOTICE

10.4.1 LME Clear may take any one or more of the following steps on or at any time or times after it becomes entitled to do so under Rule 10.1.2:

(a) Accept or decline to Accept a Transaction;

(b) cancel or reverse any outstanding instruction for a Settlement Payment or delivery of any Underlying Asset to or for the benefit of the Defaulting Member;

(c) close out or otherwise discharge all or any rights, obligations and positions of the Defaulting Member then outstanding with respect to Open Contracts and all or any rights, obligations and positions of the Defaulting Member arising out of the exercise by LME Clear of all or any of its other powers under the Rules (including closing out by netting of any Open Contracts within an Account of the Defaulting Member, where possible, to remove the Positions represented by such Open Contracts from those to be otherwise dealt with under this Rule 10);

(d) enforce and/or otherwise exercise all or any rights, powers and discretions conferred on LME Clear by the Security Documents, the Affiliate Security Documents or the Posting Client Security Documents;

(e) realise all or any of the Member's Collateral, any Posting Affiliate's Collateral or any Posting Client's Collateral (following the Porting Election Period and to the extent such Posting Client's Collateral is not transferred in accordance with Rule 10.7) whether by private sale or otherwise for the account of the Defaulting Member, its Posting Affiliate or its Posting Client without being obliged to obtain the Defaulting Member's, Posting Affiliate's or Posting Client's consent or any order of a court of law, and to appoint any person to execute any document for such purpose in the name and on behalf of the Defaulting Member, its Posting Affiliate or its Posting Client;

(f) subject to, and in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*), transfer an Open Contract of the Defaulting Member to the account of another Member, or terminate and close out such Contact and re-establish a Contract on the same terms with another Member, being in each case a Member entitled and willing to have such position transferred to it;

(g) subject to, and in accordance with Rule 10.7 (*Portability of Client Accounts*) and Default Procedure D (*Porting Procedure*), transfer to the Member to which an Open Contract is transferred (or with which the replacement Contract is re-established) under Rule 10.4.1(f) above, such Collateral held as collateral for the Defaulting Member's obligations to LME Clear on that account to cover the risks associated with the Open Contract that has been so transferred;

(h) transfer an Open Contract of another Member with its agreement to the Defaulting Member for the purposes of closing out an Open Contract in the name of the Defaulting Member or for any other reason which LME Clear considers appropriate in the circumstances, without requiring the consent of any relevant Approved Transaction Platform;

(i) make or cause to be made contracts for the purpose of hedging the risks to which LME Clear is exposed under Open Contracts with the Defaulting Member (whether such contracts are made through an Approved Transaction Platform, off market or otherwise), and (i) to record the same as Contracts in the Defaulting Member's name under the Rules or (ii) to allocate the costs of and/or the proceeds or losses under any contracts for the purpose of hedging to the relevant Account of the Defaulting Member that corresponds to the hedged Open Contracts;

(j) exercise on behalf of the Defaulting Member (if LME Clear chooses) any option granted by an Open Contract, notwithstanding that such exercise may take place on a day which is not a day prescribed for such exercise by rules of any relevant Approved Transaction Platform;

(k) to take such steps as may be available to LME Clear in the circumstances known to it to preserve as far as appropriate the position (including preservation of the Positions and Collateral) of any Client or Indirect Client of the Defaulting Member allocated to a Client Account, including the crediting or debiting of accounts, entry into new Contracts, transfer of existing Contracts, reversal of Contracts, or termination, close-out and re-establishment of Contracts (save that LME Clear may not, pursuant to this Rule 10.4.1(k), transfer to any non-defaulting Member any Contracts, or otherwise vary any rights or obligations of a non-defaulting

Member without that non-defaulting Member's consent, subject that this shall be without prejudice to LME Clear's powers under Rules 10.4.1, 10.4.2, 10.7 and 10.10);

(l) conduct an auction of Open Contracts to which the Defaulting Member is a party in such Auction Portfolios and at such time or times as LME Clear may determine and invite non-defaulting Members to submit bids for such portfolios in accordance with the auction principles and process provided for in the Default Procedures;

(m) designate a currency as a currency of account and, at the Defaulting Member's expense, convert any sum payable by or to the Defaulting Member in another currency into the currency of account;

(n) without prejudice to any other right of LME Clear under the Rules and subject to Applicable Clearing Regulations, take such other action with regard to any Open Contract to which the Defaulting Member is a party as LME Clear may deem necessary or expedient to effect an orderly discharge of the Defaulting Member's obligations and/or for the protection of LME Clear or other Members and any such action may be taken in the name and at the expense of the Defaulting Member (save that LME Clear may not, pursuant to this Rule 10.4.1(n), transfer to any non-defaulting Member any Contracts, or otherwise vary any rights or obligations of a non-defaulting Member without that non-defaulting Member's consent, subject that this shall be without prejudice to LME Clear's powers under Rules 10.4.2, 10.7 and 10.10);

(o) subject to the segregation provisions in Rule 4.3 (*Account Segregation*), debit any Account of the Member (including any such Account in which Cash Collateral is recorded) with any amount owed by the Defaulting Member to LME Clear including, to the extent permitted by Applicable Clearing Regulations, debiting the Defaulting Member's House Account with all amounts owing in respect of Fees and any expenses incurred by LME Clear with regard to or in consequence of the circumstances referred to in Rule 10.2 or the steps which are or may be taken under this Rule 10.4.1 or the Default Procedures (as the case may be);

(p) any other step considered to be necessary or expedient by LME Clear to complete the process set out in Rule 10.7 or the Default Procedures;

(q) appoint any person as its agent for the purpose of hedging, financing, selling or otherwise disposing of any Collateral of the Defaulting Member, its Posting Affiliate or its Posting Client at any time after the powers conferred by this Rule 10.4 have become exercisable;

(r) (subject always to Rule 10.4.7) cash settle any Delivery Obligation or LME Premium Warrant Payment Obligation that LME Clear may owe to a non-defaulting Member in circumstances where the failure by the Defaulting Member to discharge a Delivery Obligation or LME Premium Warrant Payment Obligation to LME Clear results in LME Clear being unable to deliver the relevant Underlying Asset to the non-defaulting Member;

(s) obtain (at the expense of the Defaulting Member) such advice or assistance, including legal advice, as LME Clear may deem necessary with respect to any matter arising out of the occurrence of any event referred to in Rule 10.2;

(t) take such steps as LME Clear considers necessary or appropriate to delay any physical delivery of an Underlying Asset where LME Clear has a Delivery Obligation under an Open Contract with the Defaulting Member; and/or

(u) (i) issue instructions within LMEsword for the settlement of any Contract under which:

(1) an LME Warrant is due to be delivered to LME Clear;

(2) the Defaulting Member has, prior to its becoming a Defaulting Member, issued an "Authorised Warrant Transfer Instruction" in respect of such LME Warrant, in accordance with Clearing Procedure F; and

(3) such LME Warrant has not yet been delivered to LME Clear; and

(ii) perform any actions necessary to facilitate such settlement (including any actions specified under Clearing Procedure F2.17);

(v) where the Defaulting Member has a Give-Up Contract allocated to an Administrative Account:

(i) allow a Give-Up Acceptance to be Accepted from a non-defaulting Member acting as the Accepting Member in respect of the Give-Up; and

(ii) upon Acceptance of such Give-Up Acceptance, cancel the Give-Up Contract allocated to the Defaulting Member's Administrative Account; and

(w) in circumstances where LME Clear has a Delivery Obligation to a non-defaulting Member in respect of an Underlying Asset that LME Clear considers will or will likely be adversely affected by the failure by the Defaulting Member to perform its own Delivery Obligation to LME Clear in respect of the same Underlying Asset:

(i) (subject always to Rule 10.4.7) effect an Invoice Back in accordance with Rule 7.8; and/or

(ii)_ either:

(1) request that the Approved Transaction Platform take such steps as may be available under the rules of that platform; or

(2) take such other steps as LME Clear considers necessary or appropriate,

to delay any physical delivery of an Underlying Asset where LME Clear has a Delivery Obligation under an Open Contract with a non-defaulting Member; and/or

(x) to the extent not otherwise specified in this Rule 10.4.1 above, take any other step or apply any other process required or permitted pursuant to the Default Procedures.

The powers exercisable under this Rule 10.4.1 shall be applied in respect of the Defaulting Member and shall not be construed so as to enable LME Clear to take action in respect of any non-defaulting Member, unless and except to the extent, specifically stated in the relevant paragraph of this Rule 10.4.1.

10.4.2 Where LME Clear exercises its rights under Rule 10.4.1, and subject to Rule 10.5:

(a) LME Clear may take such action as it may determine to be necessary or expedient, subject to Applicable Clearing Regulations, to close out or otherwise discharge and/or net the rights, obligations and positions of the Defaulting Member referred to in Rule 10.4.1(c), including by:

(i) buying in or selling out the Underlying Asset deliverable by or to the Defaulting Member or (if LME Clear considers this impractical or inexpedient) to effect a cash settlement of an Open Contract and/or taking such other action as LME Clear may determine to be necessary or expedient to close out the Delivery Obligations or Payment Obligations (including, without limitation, any LME Premium Warrant Payment Obligation) and Failed Settlement Positions of the Defaulting Member; and/or

(ii) effecting corresponding contracts in relation to Open Contracts to which the Defaulting Member is a party;

(b) LME Clear may take such action notwithstanding the fact that the Contracts concerned have different scheduled Settlement Dates;

(c) LME Clear may bring into account for the purpose of such close out, discharge and/or netting all liabilities incurred by LME Clear in consequence of exercising its powers under the Default Rules (for which the Defaulting Member shall be liable to indemnify LME Clear), including all reasonable expenses of responding to the default and enforcing its rights hereunder;

(d) LME Clear may collect and retain or bring into account for the purpose of such close out, discharge and/or netting, all dividends, interest and other income receivable under any Collateral provided by the Defaulting Member;

(e) amounts payable by or to a Defaulting Member on such close out, discharge, cash settlement and/or netting of its rights, obligations or positions shall be determined by LME Clear (whose determination will be conclusive); and

(f) LME Clear may take such action as it may determine to be necessary in order to delay any physical delivery of an Underlying Asset that may be required pursuant to a Delivery Obligation of LME Clear under an Open Contract, including by:

(i) effecting a corresponding contract with the Defaulting Member that has the same Settlement Date as the Open Contract (such that the Defaulting Member has a Delivery Obligation corresponding to the Delivery Obligation of LME Clear under the Open Contract); and

(ii) effecting another Contract between the Defaulting Member and LME Clear that is identical to the original Open Contract except that the Settlement Date under which LME Clear shall be required to perform the Delivery Obligation shall be scheduled for a later date.

For the purposes of this Rule 10.4.2, a "**corresponding contract**" means a contract on the same terms (except as to price, premium or date of performance) as the Contract to which the Defaulting Member is a party but under which the person who is the Buyer under the Contract agrees to sell and the person who is the Seller under the Contract agrees to buy.

10.4.3 If a Defaulting Member has an open Position for the purchase of an Underlying Asset and the same or another Defaulting Member has an open Position for the sale of the

same Underlying Asset, then LME Clear may, if it chooses and subject to any requirements of Applicable Clearing Regulations, close out or hedge such Positions wholly or partly by effecting (i) a sale under which the Defaulting Member acting as Buyer agrees to sell to LME Clear at Market Value all or such part of the relevant Underlying Asset as LME Clear may select and (ii) a simultaneous purchase under which the Defaulting Member acting as Seller agrees to buy from LME Clear at Market Value a corresponding amount of the same Underlying Asset. This power may be exercised in respect of open Positions on different Accounts where the same Defaulting Member is involved in both transactions.

10.4.4 To the extent that the ability of LME Clear to perform its obligations to deliver Underlying Assets to any Member other than a Defaulting Member is adversely affected by the operation of the procedures set out in Rule 10.4.1 to 10.4.3, LME Clear may take such action as it considers appropriate and reasonable in the circumstances known to it to protect its position.

10.4.5 The procedure applicable under Rules 10.4.2 and 10.4.3 shall be completed by LME Clear as promptly as practicable after LME Clear has served a Default Notice. However, if it appears appropriate to LME Clear in the circumstances known to it, LME Clear may exercise the procedure in such stages and at such times as LME Clear considers best calculated to minimise any Loss to the Members of LME Clear and to avoid the creation of a disorderly market in any Underlying Asset that could otherwise arise from such close-out procedure.

10.4.6 When taking action under this Rule 10.4, LME Clear will ensure that such action does not adversely affect in any material way any Client's ability to effect a Transfer in respect of any Client Account in accordance with Rule 10.7 (*Portability of Client Accounts*).

10.4.7 LME Clear may not exercise any of its powers under Rule 10.4 to cash settle or Invoice Back any Contract with a non-defaulting Member unless and except to the extent explicitly specified in this Rule 10.4. Prior to exercising any power to cash settle or Invoice Back any Contract with a non-defaulting Member, LME Clear shall first consult with the EMIR Risk Committee and obtain the approval of the Board. For the avoidance of doubt, but without prejudice to the specific wording in any Rule, in the event that LME Clear exercises any right under this Rule 10 to cash settle or invoice back any Contract with a non-defaulting Member, the price for such cash settlement or Invoice Back shall be determined at the Closing Price for such Open Contracts as applies on the relevant Business Day or, if such Closing Price is not available, the price shall be such price as the Board determines is reasonably appropriate in the circumstances in consultation with the EMIR Risk Committee.

10.4.8 The Defaulting Member shall indemnify LME Clear in respect of all costs incurred by LME Clear in implementing its powers pursuant to this Rule 10 in relation to any Account(s) of the Defaulting Member (including any expenses, hedging costs, staff costs and legal fees), such costs being for the account of the Defaulting Member, and allocable to the Account in respect of which such costs are incurred.

10.4.9 Any amount that is to be brought into account as a sum payable under Rule 10.6.1, 10.6.4 or 10.8.1:

(a) shall be an amount that is due and payable under these Rules, and shall, if it is not already due, become immediately due from the time of occurrence of a Default Event or (where such amount is incurred subsequent to the occurrence of the Default Event) from the time the relevant party incurs the relevant cost that corresponds to such amount; and

(b) subject that any amount so payable shall be subject to the application of the netting provisions in Rules 10.6 and 10.8 and any liability of LME Clear to make any such payment to the Defaulting Member shall be subject to such netting provisions and the satisfaction of the requirements in Rule 10.9.

10.5 TREATMENT OF DIFFERENT TYPES OF ACCOUNT

10.5.1 Where the Defaulting Member has one or more Client Accounts and one or more House Accounts with LME Clear, the process set out in Rule 10.6 will be separately completed in respect of each such House Account and the process set out in Rule 10.8 will be separately completed in respect of each such Client Account. Each sum finally payable shall be separately certified under Rule 10.9.1. For this purpose:

(a) an Account which is a House Account may be combined for the purpose of such process with another House Account of the same Defaulting Member;

(b) no Omnibus Segregated Client Account or Individual Segregated Client Account may be combined with any other Account of the Defaulting Member with LME Clear except to the extent permitted by Applicable Clearing Regulations;

(c) LME Clear will as soon as practicable deliver any surplus amount or Collateral owing to the Defaulting Member, or in the case of the Client Direct Posting Structure, to the Posting Client, in respect of an Individual Segregated Client Account or an Omnibus Segregated Client Account (after completion of final net settlement under Rule 10.8 and satisfaction of the Default Rules and Default Procedures) to the Client to which such Individual Segregated Client Account relates or to the Clients entitled to share in such Omnibus Segregated Client Account (as the case may be) or, if such Clients are not known to LME Clear or if it has insufficient information to determine how an amount is to be apportioned between them or to permit it to make a payment, to the Defaulting Member for the account of the relevant Client or Clients save that LME Clear shall only return any surplus amount or Collateral to a Client under this paragraph (c) if it is permissible under Applicable Law and LME Clear is not prevented from effecting such return by any court order or legal restriction applying to LME Clear, the amount or the Collateral, or by any claim or right of the Defaulting Member or any other person which may take precedence during any insolvency procedure affecting the Defaulting Member;

Proviso: LME Clear shall not return any such surplus amount or Collateral to a Client where any condition or requirement that reflects a condition or requirement to such return under Article 48(7) of the EMIR Level 1 Regulation is not satisfied;

(d) LME Clear may (to the extent permitted by Applicable Clearing Regulations) allocate all or any part of a positive net balance on a House Account of a Defaulting Member (including any surplus of Collateral provided by the Defaulting Member or its Posting Affiliate in respect of the House Account) to meet a deficiency on one or more Client Accounts of the Defaulting Member (but not vice versa);

(e) LME Clear shall allocate the Defaulting Member's Default Fund Contribution in or towards the discharge of Default Loss on a Client Account and a House Account on such basis as it deems appropriate; and

(f) LME Clear shall deliver any surplus amount of Default Fund Contribution to the Defaulting Member after: (i) the application of such Default Fund Contribution in accordance with this Rule 10; (ii) the completion of the final net settlement under

Rule 10.6; and (iii) satisfaction of the Default Rules and Default Procedures, subject to and in accordance with Rule 10.9.

10.6 FINAL NET SETTLEMENT ON HOUSE ACCOUNT

10.6.1 For the purpose of discharging the Defaulting Member's rights and liabilities under or in respect of all Contracts to which it is party and which are recorded on its House Account(s), LME Clear shall:

(a) bring into account:

(i) all sums payable by or to the Defaulting Member in respect of such Contracts;

(ii) (to the extent permitted by the Default Requirements) all other sums payable by or to the Defaulting Member under the Rules (otherwise than on Client Account); and

(iii) all costs incurred by LME Clear in implementing its powers pursuant to this Rule 10 in relation to any Account(s) of the Defaulting Member (including any expenses, hedging costs, staff costs and legal fees), such costs being for the account of the Defaulting Member;

(b) the sums so payable shall be aggregated or set off so as to produce a net sum; and

(c) if payable by the Defaulting Member to LME Clear, such net sum shall be set off against:

(i) any sum due by LME Clear to the Defaulting Member and/or any Collateral (following enforcement and liquidation if necessary pursuant to the terms of the relevant Security Document or of the relevant Affiliate Security Document) provided by or on behalf of the Defaulting Member; and

Defaulting Member in respect of its House Account(s);

(ii) such amount (if any) of the outstanding Default Fund Contribution of the Defaulting Member as LME Clear may determine under Rule 10.5.1(d) (after the application of such Default Fund Contribution for any other purpose permitted under the Rules),

(or, in either case, the proceeds of realisation of such amounts) so as to produce a further net sum; or

(d) if payable by LME Clear to the Defaulting Member such net sum on its House Account(s) shall be aggregated with the amounts referred to in paragraph (c)(i) and (ii) (or the proceeds of realisation of such amounts), or shall be set off against any other sum payable by the Defaulting Member to LME Clear (otherwise than on Client Account) as LME Clear may select so as to produce a further net sum.

10.6.2 For the purposes of this Rule, LME Clear may assess the sum payable by or to the Defaulting Member in respect of any breach of the Rules in such reasonable manner as it thinks fit.

10.6.3 Where the net sum determined under Rule 10.6.1 above is payable to the Defaulting Member, the amount payable shall be subject to the further application of Rule 10.8.1(c)(ii) (*Final Net Settlement of Unported Client Accounts*) and Rule 10.6.4 below.

10.6.3A The process in Rule 10.6.1 to 10.6.3 shall be applied separately in respect of each Service, such that a separate net sum shall be calculated for the House Account in respect of each Service, subject that:

(a) this shall be without prejudice to LME Clear's rights pursuant to Rule 10.5.1(d); and

(b) where the net sum for the House Account for one Service indicates a positive balance, such that an amount may be due to the Defaulting Member, and the net sum for the House Account for another Service indicates a negative balance, such that an amount may be payable to LME Clear, LME Clear may set-off such positive and negative amounts in order to reduce the negative balance, and the net sums for each House Account shall be adjusted accordingly;

(c) LME Clear shall apportion the relevant costs in accordance with Rule 10.6.1(a)(iii) between the respective net sum calculations for the House Account in respect of each Service in such manner as LME Clear shall determine in its sole discretion.

Counterparty Losses

10.6.4 In the event that the Defaulting Member is also a Treasury Counterparty and LME Clear has incurred Counterparty Losses pursuant to the default of such Treasury Counterparty, and where LME Clear has:

(a) completed the application of its powers under Rule 10.4 (*Powers of LME Clear after a Default Notice*) and Rule 10.10.1 (*Default Waterfall and Allocation of any Excess Loss – During the Default Period*);

(b) calculated the net sum payable under Rule 10.6.1 above; and

(c) (where applicable) deducted from such net sum any amount set off in accordance with Rule 10.8.1(c)(ii),

then, in the event that (after the application of (a) to (c) above) there remains a positive net balance on any House Account of the Defaulting Member:

(d) LME Clear may elect to set such positive net balance off against any such Counterparty Losses, ***provided that*** the maximum amount of such Counterparty Losses that may be so set off shall be limited to the amount of the remaining positive net balance on the House Account. For the avoidance of doubt, LME Clear shall not apply its rights of set off under this Rule 10.6.4 so as to cause the House Account to have a negative net balance; and

(e) in the event that LME Clear exercises its rights under this Rule 10.6.4, the final net sum certified by LME Clear in respect of the Defaulting Member's House Account, pursuant to Rule 10.9 below shall be the sum resulting from the application of (d) above.

10.7 PORTABILITY OF CLIENT ACCOUNTS

10.7.1 Where assets and positions are recorded on an Individual Segregated Client Account or an Omnibus Segregated Client Account of a Defaulting Member, LME Clear shall, during the Porting Period, apply the provisions of this Rule 10.7 and Default Procedure D, with

the objective of transferring the assets and Positions recorded to such Client Account from the relevant Individual Segregated Client Account or the Omnibus Segregated Client Account with the Defaulting Member (the "**Member Transferor**") to a new Client Account of a non-defaulting Member (the "**Member Transferee**") that:

(a) (in the case of a Client Account to which the Automatic Porting Process applies) has been identified in the Automatic Porting Designation Documents lodged in respect of the Client or Clients allocated to such Client Account; or

(b) (in the case of any other Client Account) has agreed to accept such assets and Positions and that has been identified in a Porting Request Notice issued to LME Clear by such Client or Clients in accordance with the requirements set out in Default Procedure D,

(each such transfer being a "**Transfer**").

10.7.2 Where the Automatic Porting Process applies to a Client Account, the Automatic Porting Designation Documents lodged by a Member in respect of a Client (or any Indirect Client) shall constitute a request by such Clients (for themselves and in respect of any Indirect Clients) to LME Clear to execute a Transfer to any Member Transferee specified in the Automatic Porting Designation Documents in the event that the Member becomes a Defaulting Member.

10.7.3 Where the Automatic Porting Process does not apply to a Client Account, LME Clear must be in receipt of a validly executed Porting Request Notice from each Client allocated to that Client Account in order for LME Clear to apply the Porting Process.

10.7.4 If the relevant Client Account of a Defaulting Member records the assets and/or positions of two or more Clients, any Transfer shall be:

(a) requested and exercised jointly in respect of all such Clients; and

(b) to the same Member Transferee,

unless LME Clear agrees otherwise.

10.7.5 LME Clear shall seek to transfer the assets and Positions (which shall include the Contracts and Collateral, including, where applicable, any LME Warrant Collateral posted by a Posting Client pursuant to the Client Direct Posting Structure) allocated to a Client Account of a Defaulting Member only if:

(a) in the case of a Client Account to which the Automatic Porting Process applies:

(i) the Automatic Porting Designation Documents held by LME Clear in respect of such Client Account identify a potential Member Transferee that has been designated by all Clients allocated to such Client Account as a Designated Member Transferee;

(ii) such Member Transferee is a non-defaulting Member which has agreed in writing to accept such Transfer within the Porting Election Period; and

(iii) the requirements set out in Default Procedure D2.2 are satisfied;

(b) in the case of a Client Account to which the Automatic Porting Process does not apply:

(i) LME Clear must have received, within the Porting Election Period, in respect of each Client allocated to the Client Account, a Porting Request Notice that has been:

(1) validly made under Rule 10.7.1 and Rule 10.7.3; and

(2) duly completed by the Member Transferee and each such Client allocated to the Client Account;

(subject that separate Porting Request Notices may be submitted by each Client, provided that each Porting Request Notice is accepted by the same Member Transferee);

(ii) the requirements set out in Default Procedure D2.3 are satisfied;

(c) LME Clear has the information required to enable it to calculate the amounts to be transferred and is satisfied as to its accuracy, whether provided by the Defaulting Member or the relevant Client or otherwise; and

(d) LME Clear is satisfied that sufficient additional Collateral (if any) will, on the transfer being effected or, if necessary, in advance, be provided to it by the Member Transferee in accordance with the Rules including, without limitation, as a result of the operation of Rule 10.7.11 below;

(e) LME Clear is satisfied that all Clients allocated to the Client Account are Identified Clients; and

(f) such transfer is permissible under Applicable Law and LME Clear is not prevented from effecting such transfer by any court order or legal restriction applying to LME Clear, the Collateral or the Open Contracts, or by any claim or right of the Member Transferor or any other person which may take precedence during any insolvency procedure affecting the Member Transferor.

The transfer of assets (including Collateral) pursuant to this Rule 10.7.5 is subject to Rule 10.7.10.

10.7.6 Partial Porting

(a) Notwithstanding any other provision set out in Rule 5 (*Client Business and Portability Arrangements*), this Rule 10.7 and Default Procedure D (*Porting Procedure*), LME Clear may effect a Transfer of the Positions relating to some but not all of the Open Contracts recorded to an Omnibus Segregated Client Account of a Defaulting Member (a "**Partial Transfer"**) in accordance with the provisions of this Rule 10.7.6.

(b) If at any time during a Default Period LME Clear determines, in its absolute discretion and in consultation with the Default Management Committee, that it is unlikely that the condition set out in Rule 10.7.3 will be satisfied with respect to one or more Omnibus Segregated Client Accounts to which the Automatic Porting Process does not apply (each a "**Relevant Account"**), LME Clear may decide to facilitate Partial Transfers out of the Relevant Accounts. In such circumstances LME Clear shall, in consultation with the Default Management Committee, designate one or more indicative Partial Transfer Windows. When determining the duration and aggregate number of Partial Transfer Windows, LME Clear shall, in its sole discretion, seek to identify the most favourable risk management solution, having regard to:

(i) the number of Clients allocated to the Relevant Accounts;

(ii) the number, size and Market Value of the Open Contracts allocated to the Relevant Accounts; and

(iii) the direction, size of the Position and overall risk profile of each Relevant Account.

(c) LME Clear shall, as soon as practicable after determination, publish such indicative Partial Transfer Windows on its Website. Throughout the Default Period LME Clear shall have the right, having as its primary objective effective risk management, to vary the number and/or duration of the Partial Transfer Windows without prior notification. LME Clear shall publish on its Website any decision to shorten any previously publicised Partial Transfer Window as soon as practicable following the implementation of such decision.

(d) At the end of each Partial Transfer Window LME Clear shall, in respect of each Relevant Account, consider all Porting Request Notices received from one or more Clients allocated to the Relevant Account (each a "**Requesting Client"**) during or prior to that Partial Transfer Window, together with any Porting Request Notices received but not actioned in prior Partial Transfer Windows. LME Clear will, subject to the proviso below, transfer from the Relevant Account the Open Contracts (but not the Collateral) of all Requesting Clients to the Member Transferee(s) nominated in the relevant Porting Request Notices if:

(i) by effecting such Partial Transfers, the risk to LME Clear would not significantly increase taking into account:

1. any increase or decrease in the Margin Requirement that would apply to the Relevant Account going forward; and

2. if applicable to the Relevant Account, any increase or decrease in any contingent margin credit that would offset the Margin Requirements of that Relevant Account going forward;

(ii) LME Clear is satisfied that sufficient additional Collateral (if any) will, on the transfer being effected or, if necessary, in advance, be provided to it by the Member Transferee in accordance with the Rules including, without limitation, due to the operation of Rule 10.7.11 below;

(iii) LME Clear has the information required to enable it to calculate the amounts to be transferred (including, for the avoidance of doubt, contingent margin credits) and is satisfied as to its accuracy, whether provided by the Defaulting Member or the relevant Requesting Clients or otherwise;

(iv) the requirements set out in Default Procedure D2.4 are satisfied;

(v) LME Clear is satisfied that all Requesting Clients allocated to the Relevant Account are Identified Clients;

(vi) it is practicable to determine the specific Positions allocable to each Requesting Client; and

(vii) such Partial Transfers are permissible under Applicable Law and LME Clear is not prevented from effecting such Partial Transfers by any court order or legal restriction applying to LME Clear or the Open Contracts, or by any claim or right of the Member Transferor or any other person which may take precedence during any insolvency procedure affecting the Member Transferor.

Proviso: Nothing in this Rule 10.7.6(d) shall oblige LME Clear to effect a Partial Transfer which either: (x) if effected would change the direction and/or size of the Positions of the Open Contracts remaining in the Relevant Account; or (y) LME Clear considers inappropriate having as its primary objective effective risk management.

(e) If LME Clear is unable at the end of any Partial Transfer Window to effect Partial Transfers of all Requesting Clients in accordance with Rule 10.7.6(d) above, LME Clear shall effect as many Partial Transfers as it considers appropriate having as its primary objective effective risk management but also having regard to porting the largest number of Requesting Clients and/or the largest number and greatest size and Market Value of Open Contracts. Where LME Clear is considering a Partial Transfer which, if effected, would prevent it from effecting Partial Transfers for one or more other Requesting Clients with similar positions that would satisfy the requirements for a Partial Transfer on their own merits but not together, LME Clear shall draw lots to decide which Partial Transfer to effect at such time.

(f) Notwithstanding any other provision in this Rule 10.7.6, LME Clear may effect a Partial Transfer in respect of a Requesting Client prior to the expiry of a Partial Transfer Window if:

(i) the conditions set out in Rule 10.7.6(d) are otherwise satisfied; and

(ii) LME Clear determines in consultation with the Default Management Committee that by effecting such Partial Transfer earlier than would otherwise be permitted pursuant to the terms of Rule 10.7.6(d) it would, in LME Clear's sole discretion, either:

1. significantly decrease the risk to LME Clear; and/or

2. enable LME Clear to process a greater number of Partial Transfers than would otherwise be possible if it did not accelerate the implementation of such Partial Transfer.

(g) References in this Rule 10.7.6 to LME Clear either practising or having regard to "effective risk management" shall be taken to mean that LME Clear, when taking default action, will always seek to protect: (i) its capital and the Default Fund; and (ii) the integrity of the markets which it clears.

10.7.7 LME Clear may decline to effect a Transfer in respect of any Individual Segregated Client Account or Omnibus Segregated Client Account:

(a) if any of the conditions set out in Rule 10.7.5 or, if applicable, 10.7.6 are not satisfied in relation to the Individual Segregated Client Account or Omnibus Segregated Client Account; or

(b) if LME Clear has reason to believe that the taking of any action under this Rule 10.7 in relation to the Individual Segregated Client Account or Omnibus

Segregated Client Account would be contrary to Applicable Clearing Regulations, or impair its own ability to perform its obligations as they fall due.

10.7.8 Notwithstanding Rule 5.1.7, 5.1.8,10.7.5(e) and 10.7.6(d)(v), LME Clear shall effect a Transfer pursuant to a Porting Request Notice issued in respect of a Client Account to which Non-Identified Clients are allocated where all such Non-Identified Clients have provided to LME Clear such information as LME Clear reasonably considers to be appropriate and sufficient regarding their identities, the details of their representatives that are authorised to provide instructions on their behalf and the Transactions that have been registered on their behalf. Any such Client shall be treated as an Identified Client from the time that LME Clear considers that it has appropriate and sufficient information in accordance with this Rule 10.7.8.

10.7.9 Notwithstanding any other provision set out in Rule 5 (*Client Business and Portability Arrangements*), this Rule 10.7 and Default Procedure D (*Porting Procedure*), but subject to the proviso below, LME Clear may permit a Transfer pursuant to a Porting Request Notice issued in respect of a Client Account where any condition or requirement specified in such Rules or Procedures is not satisfied (including, for the avoidance of doubt, where the Porting Election Period has expired) where LME Clear considers that it is appropriate, in the interests of (i) the Clients; (ii) the Clearing System; (iii) the stability of the markets in which the Member's or Clients participate; or (iv) the stability of the wider financial system in the United Kingdom, that such Transfer shall take place.

Proviso: Where and to the extent that a Transfer falls within the meaning of, and is subject to, Article 48(5) or (6) of the EMIR Level 1 Regulation, LME Clear shall not permit such Transfer to take effect where any condition or requirement that reflects a condition or requirement to a Transfer under Article 48(5) or (6) of the EMIR Level 1 Regulation is not satisfied, including for the avoidance of doubt, any requirement for the Client(s) and the Member Transferee to have consented to the Transfer.

10.7.10 LME Clear may, pursuant to any Transfer, transfer only the positions (and associated Contracts) allocated to an Account and not the related assets (or Collateral) allocated to that Account where and to the extent that:

(a) the Member Transferee ensures that the Margin Requirement applicable to its Client Account (taking into account the Positions that will be added by the Transfer) is satisfied by the provision of Collateral provided by such Member Transferee to LME Clear prior to the Transfer Time;

(b) the Automatic Porting Designation Documents or the Porting Request Notice specifies that any Collateral shall not be subject to the Transfer, in which case the Transfer shall be conditional upon the satisfaction of the requirement specified in Rule 10.7.5(d) above;

(c) for reasons outside the control of LME Clear it is not operationally practicable for such Collateral to be subject to the Transfer, in which case the Transfer shall be conditional upon the satisfaction of the requirement specified in Rule 10.7.5(d) above;

(d) the transfer of the Collateral is not permissible under Applicable Law or LME Clear is prevented from effecting such transfer by any court order or legal restriction applying to LME Clear or the Collateral, or by any claim or right of the Member Transferor or any other person which may take precedence during any insolvency procedure affecting the Member Transferor; or

(e) the Transfer is a Partial Transfer.

10.7.11 Where the Collateral allocated to an Account includes LME Warrant Collateral provided by the Defaulting Member or its Posting Affiliate, such LME Warrant Collateral (but not LME Warrant Collateral posted by a Posting Client) shall cease to constitute Available Non-cash Collateral from the time that the relevant Default Notice is effective until such time as that LME Warrant Collateral is retransferred to the LME Clear Pledged Account by a Member Transferee in accordance with and subject to the provisions of Default Procedure Part D2.12.

10.7.12 LME Clear may, when taking the action under this Rule 10.7, rely (without further investigation) on the information provided by the Defaulting Member or its relevant Clients to LME Clear pursuant to the Rules.

10.7.13 Such a Transfer shall be effected in accordance with the provisions set out in the Default Procedures.

10.7.14 LME Clear shall incur no liability to the Defaulting Member, any Client or other person for any action taken or omitted to be taken under this Rule 10.7, except in the case of its own wilful default.

10.7.15 LME Clear has published a disclosure document summarising the legal implications of its powers to effect Transfers. This document explains the implications of Transfers made in accordance with LME Clear's obligations under Articles 48(5) and 48(6) of the EMIR Level 1 Regulation, together with the implications of the exercise by LME Clear of its discretion pursuant to Rule 10.7.9 to permit a Transfer notwithstanding that any condition in the Rules or Procedures may not have been satisfied. The exercise of such a waiver may result in Transfers in circumstances where it is not necessary for the purposes of complying with the minimum requirements of Articles 48(5) and 48(6) of the EMIR Level 1 Regulation. The disclosure document can be found at:

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10.8 FINAL NET SETTLEMENT OF UNPORTED CLIENT ACCOUNTS

10.8.1 For the purpose of discharging the Defaulting Member's rights and liabilities under or in respect of all Contracts to which it is party and which are recorded on a Client Account (which has not been ported under Rule 10.7), LME Clear shall:

(a) bring into account:

(i) all sums payable by or to the Defaulting Member in respect of such Contracts recorded on such Client Account;

(ii) (to the extent permitted by the Default Requirements) all other sums payable by or to the Defaulting Member under the Rules on such Client Account; and

(iii) LME Clear's costs in hedging and liquidating any Positions allocated to a Client Account that have not been transferred pursuant to the Porting Process, such costs being for the account of the Defaulting Member;

(b) the sums so payable shall be aggregated or set off so as to produce a net sum; and

(c) if payable by the Defaulting Member to LME Clear:

(i) such net sum shall in each case be set off against:

(1) any sum due by LME Clear to the Defaulting Member and/or any Collateral (following enforcement and liquidation if necessary pursuant to the terms of the relevant Security Document) provided by or on behalf of the Defaulting Member in each case in respect of the relevant Client Account; and

(2) such amount (if any) of the outstanding Default Fund Contribution of the Defaulting Member as LME Clear may determine under Rule 10.5.1(e) (after the application of such Default Fund Contribution for any other purpose permitted under the Rules),

(or, in either case, the proceeds of realisation of such amounts) so as to produce a further net sum, or shall be aggregated with any debit balance on such Client Account; and

(ii) such net sum may be further set off against any positive net balance on a House Account of the Defaulting Member that LME Clear elects to allocate to meet any deficiency on the Client Account pursuant to Rule 10.5.1(d) so as to produce a further net sum; and

(iii) such net sum shall be reduced by the extent that LME Clear makes a claim and recovers the value of that claim directly against any Posting Client that has provided LME Warrant Collateral in respect of such Client Account under the undertaking in Rule 8.10.1 including by enforcing and liquidating any such LME Warrant Collateral pursuant to the terms of the relevant Posting Client Security Document; or

(d) if payable by LME Clear to the Defaulting Member, the net sum on such Client Account shall be aggregated with the amounts referred to in paragraph (c)(i) and (ii) (or the proceeds of realisation of such amounts).

10.8.2 The process in this Rule 10.8 shall be applied separately in respect of each Service, such that a separate net sum shall be calculated for each Client Account in respect of each Service.

10.9 CERTIFICATION, DELEGATION, CO-OPERATION, REPORTING

10.9.1 On completion of the process set out in Rule 10.6 or 10.8 (whichever is applicable), LME Clear shall promptly certify each sum finally payable by the Defaulting Member to LME Clear (or vice versa) on the relevant Account or, as the case may be, the fact that no sum is payable. The certificate of LME Clear under this Rule 10.9 shall be conclusive as to the discharge of the Defaulting Member's rights and liabilities in respect of the Contracts to which it relates and the net sum finally payable in respect of them (or the fact that no sum is payable). LME Clear shall incur no liability whatsoever for any act or omission in determining any sum payable under this Rule 10 except to the extent arising from LME Clear's wilful default.

10.9.2 LME Clear shall, as soon as practicable after issuing a Default Notice in respect of a Member, appoint a day on which any net sums certified under this Rule 10 will become due to the Defaulting Member and will be paid by LME Clear. The day so appointed shall not fall on a day before completion of the process specified in this Rule 10.9.

10.9.3 LME Clear shall make such report to the Regulator of its proceedings under this Rule, and shall supply copies and make available such report, in the manner required by section 162 of the Companies Act 1989.

10.9.4 The provisions of this Rule 10 are without prejudice to the right of LME Clear to prove in the insolvency of the Defaulting Member both in respect of any net sum or sums payable by the Defaulting Member pursuant to Rule 10.5 and 10.8 and in respect of any other obligations of the Defaulting Member to the extent they are not brought into account in the net settlement procedure set out in the Rules 10.5 and 10.8, including any other expenses incurred by LME Clear in consequence or in respect of the event or circumstance which entitled LME Clear to act under Rule 10.1.2 or the steps which are taken under this Rule 10, and of any other losses, costs or expenses incurred or suffered by LME Clear and for which the Defaulting Member is liable under the Rules and/or to exercise any other rights and remedies which it may have against the Defaulting Member.

10.9.5 LME Clear may appoint any person to take or assist it in taking any step under the Rules or to complete or assist it in completing the process set out in Rule 10.4 to 10.9. Any costs incurred by LME Clear, acting reasonably, to any such person shall be for the account of the Defaulting Member.

10.9.6 LME Clear may at any time co-operate, by the sharing of information and otherwise, with the Regulator or any other regulator, any Approved Transaction Platform, or any relevant Office-Holder acting in relation to the Defaulting Member, its Posting Affiliate or either of their estates and any other authority or body having responsibility for any Defaulting Member or Posting Affiliate, or having an interest in any matter arising out of or connected with the circumstances mentioned in Rule 10.1.

10.9.7 In addition to any report supplied under section 162(3) of the Companies Act 1989, LME Clear shall report to the Defaulting Member, on the steps taken by LME Clear in relation to the Defaulting Member under Rule 10.4.

10.9.8 LME Clear may, by notice in writing to a non-defaulting Member, require such non-defaulting Member to provide reasonable assistance to LME Clear (including market execution services and information) in connection with the close out of a Defaulting Member's open contracts. Such assistance may include, but shall not be limited to, the participation by such non-defaulting Member in auctions of a Defaulting Member's positions under any open contracts.

10.9.9 LME Clear may, if required pursuant to any law or regulation binding on LME Clear or at the direction of any Regulator that has the power to give directions to LME Clear, disclose to the public any breach by a Member of the Membership Criteria. Any such disclosure shall not constitute a breach by LME Clear of its obligations under Rule 2.6.1 (*Confidentiality*).

10.9.10 LME Clear may retain so much of the net sum referred to in Rule 10.9.2 as it considers necessary to cover any further costs (including expenses, staff costs and legal fees incurred by LME Clear in managing the default of the Defaulting Member) recoverable by LME Clear from the Defaulting Member under the Rules. LME Clear shall, upon the settlement of such further costs, pay any remaining amount of the net sum to the Defaulting Member or, where Rule 10.5.1(c) applies, to the relevant Client(s).

10.9.11 LME Clear shall not be liable to any Member, Client or any other person for any statement made by an Approved Transaction Platform or any other person regarding the amount of profit or loss that may be due to such Member, Client or other person in

the event of any Default Event or any similar circumstances arising in relation to any Member.

10.10 DEFAULT WATERFALL AND ALLOCATION OF ANY EXCESS LOSS

Separate Default Waterfalls for Separate Services

10.10.0 This Rule 10.10 shall be applied separately in respect of each Service, and references specific terms (including references to the Default Loss, Excess Loss, Default Period, Default Fund Contributions and Dedicated Own Resources and Termination Dates) shall be construed to refer to such terms as they apply solely in the context of the specific Service and the relevant Default Fund, ***provided that*** where a Member has a positive balance on its House Account in respect of any Service, such positive balance may be set off against any Account on which there is a Default Loss in respect of any Service, so as to reduce the Default Loss to which the provisions of Rule 10.10 are to be applied. For the avoidance of doubt, and subject to the foregoing proviso, where a Defaulting Member participates in more than one Service:

(a) the Default Loss and/or Excess Loss in respect of one Service shall be calculated separately from the Default Loss and/or Excess Loss in respect of any other Service;

(b) any Default-Specific Replenishment Notice, Default-Specific Cap, Stabilisation Replenishment Notice and Per Default Stabilisation Cap shall be calculated separately in respect of the relevant Default Fund applicable to each Service, and the provisions applying to such terms shall be applied separately in respect of each such Service;

(c) where this Rule 10 is applied in respect of any Service, only Members participating in that Service shall be liable to make contributions pursuant to a Default Specific Replenishment Notice or a Stabilisation Replenishment Notice in respect of the relevant Default Fund applicable to that Service;

(d) LME Clear shall maintain separate Dedicated Own Resources in respect of each Service, and accordingly, references to such Dedicated Own Resources shall be construed on a service-specific basis;

(e) separate Default Periods may apply in respect of each Service, subject that all such Default Periods shall commence at the time of the issue of the Default Notice, and each such Default Period shall end at the relevant time determined in accordance with Rule 10.10.6.

Indemnity Basis of Obligations

10.10.0A Where under this Rule 10.10 a non-defaulting Member is required to make a payment, contribution or replenishment, including out of its Default Fund Contributions, in relation to a Defaulting Member's Excess Loss, such payment, contribution or replenishment shall be made pursuant to an indemnity which is hereby given irrevocably by such non-defaulting Member to LME Clear.

During the Default Period

10.10.1 A Default Loss shall be satisfied in the following order of priority:

(a) first, LME Clear will apply all Collateral provided by the Defaulting Member, its Posting Affiliate or a Posting Client in respect of each relevant Account on which

a Default Loss has arisen, in accordance with Rule 10.5 and 10.6 or 10.8 (as applicable) in or towards the discharge of the Default Loss in accordance with the Rules;

(b) second, if the Collateral provided by the Defaulting Member, its Posting Affiliate or a Posting Client is applied by LME Clear towards the Default Loss and is not sufficient to discharge the balance of the Default Loss, LME Clear will apply the Default Fund Contribution of the Defaulting Member in or towards the discharge of the outstanding balance of the Default Loss;

(c) third, if the Default Fund Contribution of the Defaulting Member is applied by LME Clear towards the Default Loss and is not sufficient to discharge the balance of the Default Loss, LME Clear will apply its Dedicated Own Resources in or towards the discharge of the outstanding balance of the Default Loss;

(d) fourth, if the Dedicated Own Resources of LME Clear have been applied by LME Clear towards the Default Loss and are not sufficient to discharge the balance of the Default Loss, LME Clear will apply the Default Fund Contributions of non-defaulting Members on the basis set out in Default Procedure Part C6.6 and, if applicable, Default Procedure Part C6.8, in or towards the discharge of the remaining balance of the Default Loss (the "**Excess Loss**"); and

(e) fifth, if all the above resources have been applied by LME Clear towards the Default Loss and are not sufficient to discharge the balance of the Default Loss, or where permitted under Rule 10.10.4 below, then LME Clear may issue one or more Notices to the non-defaulting Members requiring such Members to contribute additional resources towards the discharge of the remaining balance of the Default Loss in the form of Default Fund Contributions (a "**Default-Specific Replenishment Notice**"). Upon the publication of a Default-Specific Replenishment Notice:

(i) each non-defaulting Member will immediately pay to LME Clear with the amount of Default Fund Contribution specified in the Default-Specific Replenishment Notice, subject to and up to the limits specified in Rule 10.10.4 below; and

(ii) LME Clear will immediately replenish such an amount of its Dedicated Own Resources that is in the same proportion as the total amounts payable under (i) bear to the aggregate sum of the Default-Specific Replenishment Caps applicable to all non-defaulting Members, subject that LME Clear shall not be required to replenish an amount that would result in the level of Dedicated Own Resources being in excess of the level immediately prior to the commencement of the Default Period.

All amounts so replenished by non-defaulting Members and LME Clear will be applied on a pro-rata basis in or towards the discharge of the outstanding balance of the Default Loss.

For the purposes of Rule 10.10.1(e), the expression "*pro rata*" means in the proportion which:

(1) (in the case of the non-defaulting Member's replenishment) the amount of the Default Fund Contributions provided to LME Clear by each individual non-defaulting Member to the aggregate amount of the Default Fund Contributions provided by all non-defaulting Members and

the amount of the Dedicated Own Resources provided by LME Clear (taken as a whole), immediately following the replenishment; or

(2) (in the case of LME Clear's replenishment) the amount of the Dedicated Own Resources provided by LME Clear bears to the aggregate amount of the Default Fund Contributions provided by all non-defaulting Members and the amount of the Dedicated Own Resources provided by LME Clear (taken as a whole), immediately following the replenishment.

This provision is subject to Rule 10.10.9(d).

When determining the amount of any Excess Loss, LME Clear may include within the amount of such Excess Loss a provision for the reasonable costs that LME Clear, acting reasonably, estimates will be incurred by LME Clear in implementing its powers pursuant to this Rule 10 in relation to any Account(s) of the Defaulting Member (including any expenses, staff costs and legal fees).

10.10.2 If the amounts replenished and applied in accordance with Rule 10.10.1(e) are not sufficient to discharge the Excess Loss, LME Clear may notify the non-defaulting Members, by Notice, that they shall be required to contribute towards the discharge of the Excess Loss on the following basis:

(a) LME Clear shall determine:

(i) the total amounts of payments due to Members on the next following Business Day pursuant to the calculation of Members' Variation Margin Requirements ("**Total Member VM Profit Payments**"); and

(ii) the total value of contingent credits due to Members in respect of DCVM and CCVM calculations, for value on the next following Business Day pursuant to the calculation of the Member's Variation Margin Requirements ("**Total Member VM Credits**"),

the sum value of the Total Member VM Profit Payments and Total Member VM Credits being the "**Total Member VM Profits**";

(b) LME Clear shall apportion the Excess Loss against each Account of each Member that has, in respect of such Account, an entitlement to receive payment balances pursuant to the calculation of that Member's Variation Margin Requirement (each Member's entitlement in respect of each such Account being its "**Per Account Member VM Profit**"), on the basis that:

(i) if the amount of remaining Excess Loss is less than the Total Member VM Profits, the non-defaulting Members that have Per Account Member VM Profits shall have their Per Account Member VM Profits applied towards the discharge of the Excess Loss on a pro-rata basis (where the expression "*pro rata*" means in the proportion which the amount of the Per Account Member VM Profit of each individual non-defaulting Member bears to the Total Member VM Profits of all Accounts of all non-defaulting Members); and

(ii) if the amount of remaining Excess Loss is equal to or greater than the Total Member VM Profits, each non-defaulting Member's Per Account Member VM Profit shall be applied in full towards the discharge of the Excess Loss,

and where LME Clear has applied all or any part of a non-defaulting Member's Per Account Member VM Profit towards the discharge of the remaining Excess Loss, LME Clear's Payment Obligations to such Member for that Business Day and any contingent credits shall be reduced accordingly (the process set out in this paragraph (b) being a "**VM Haircut**"). Where LME Clear applies part of the non-defaulting Members' Per Account Member VM Profit towards the discharge of the Excess Loss and such Per Account Member VM Profit comprises both payments and contingent credits due to the Member, LME Clear shall, in its discretion, determine how to apportion such payments and contingent credits to the amounts to be applied;

(c) in the event that, following the application of the VM Haircut, there remains an Excess Loss, LME Clear may repeat the VM Haircut process on each of the next following Business Days until the earlier of:

(i) the Excess Loss has been fully discharged; or

(ii) the Board determines, following consultation with the EMIR Risk Committee, that the application of further VM Haircuts would be inappropriate or ineffective in discharging the Excess Loss and that cash settlement in accordance with paragraph (d) below should be applied; and

(d) in the event that LME Clear makes a determination in accordance with paragraph (c)(ii) above, then on the day on which the final VM Haircut is calculated (the "**Final Day**"), LME Clear may effect a cash settlement of certain Open Contracts between LME Clear and the non-defaulting Members, together with a write-down of LME Clear's cash settlement obligations to such non-defaulting Members on the following basis:

(i) LME Clear shall determine which Open Contracts of the Defaulting Member have not yet been closed out;

(ii) LME Clear shall identify the metal or metals comprising the Underlying Assets for such Open Contracts (such metals being the "**Unclosed Metals**");

(iii) LME Clear shall effect a cash settlement of every Open Contract between LME Clear and any non-defaulting Member for which an Unclosed Metal comprises the Underlying Asset, and the price for such cash settlement shall be determined at the Closing Price for such Open Contracts as applies on the Final Day or, if such Closing Price is not available, the price shall be such price as the Board determines is reasonably appropriate in the circumstances in consultation with the EMIR Risk Committee (on the basis that, where possible, such price shall be the same as that applied in respect of the variation margin calculation applied in respect of each such Open Contract on the Final Day); and

(iv) any amount payable by LME Clear to each non-defaulting Member as a consequence of the cash settlements applicable to each Account of such Member shall be set off against any amounts payable to, or otherwise due as credits to, LME Clear by such Member pursuant to the calculation of the Variation Margin Requirement applicable to such Account as determined following Close of Business on that Final Day, and the settlement of such payments and set-off amounts shall be made on the next Business Day following the Final Day in accordance with the Cover Distribution Process.

10.10.3 The amount of the Default Fund will not be recalculated and reset during the Default Period. Each Member shall be required to provide additional Default Fund Contributions during the Default Period:

(a) pursuant to a Default-Specific Replenishment Notice (in accordance with Rule 10.10.1(e)(i) and subject to and in accordance with Rule 10.10.4 below); and/or

(b) pursuant to a Stabilisation Replenishment Notice (in accordance with and subject to Rule 10.10.5 below).

10.10.4 LME Clear may issue one or more Default-Specific Replenishment Notices to each non-defaulting Member during the Default Period, in accordance with Rule 10.10.1(e) and in accordance with and subject to the following provisions:

(a) the total amount payable by a non-defaulting Member pursuant to one or more Default-Specific Replenishment Notices issued in respect of a single Member Default shall not exceed the level of Default Fund Contributions of that non-defaulting Member immediately prior to the Default Period (the "**Default-Specific Cap**");

(b) in respect of each Member Default, LME Clear may issue one or more Default-Specific Replenishment Notices to each non-defaulting Member for such amounts and at such times as LME Clear determines is appropriate, subject to the application of the Default-Specific Cap;

(c) LME Clear may issue a Default-Specific Replenishment Notice pursuant to Rule 10.10.1(e) notwithstanding that:

(i) the Default Fund Contributions of non-defaulting Members may not have been exhausted pursuant to Rule 10.10.1(d); and

(ii) the effect of such Default-Specific Replenishment Notice, taken together with any other replenishments and the existing balance of the Default Fund, would result in each non-defaulting Member's total Default Fund Contributions being in excess of the level applicable immediately prior to the commencement of the Default Period; and

(d) in the event that there is more than one Member Default during a Default Period:

(i) a separate Default-Specific Cap shall be applied in respect of each Member Default;

(ii) each Default-Specific Replenishment Notice must specify to which Member Default it relates; and

(iii) any amounts contributed by a non-defaulting Member pursuant to a Default-Specific Replenishment Notice may be applied by LME Clear only in respect of the Member Default to which it relates.

10.10.4A In any six (6) month period (commencing on the date of delivery of the first Default-Specific Replenishment Notice in connection with the first Default), the maximum amount that LME Clear may require any Member to contribute pursuant to Default-Specific Replenishment Notices shall be limited to the amount that would be recoverable under three (3) Default-Specific Replenishment Notices that were each issued for the amount of the Default-Specific Cap applicable to each such Default-Specific Replenishment Notice.

10.10.5 Each Member shall be required to provide additional Default Fund Contributions during the Default Period immediately upon receipt of Notice from LME Clear requiring it to replenish its Default Fund Contribution, where LME Clear requires such replenishment in order to ensure that the Default Fund does not fall below the Relevant DF Minimum Threshold (a "**Stabilisation Replenishment Notice**"). The amounts payable by a non-defaulting Member pursuant to one or more Stabilisation Replenishment Notices shall be as determined by LME Clear, subject that:

(a) the total amount payable by a non-defaulting Member pursuant to one or more Stabilisation Replenishment Notices issued in respect of a single Member Default shall be limited to an amount equal to the total value of the Default Fund Contribution of that non-defaulting Member immediately prior to the Default Period (the "**Per Default Stabilisation Replenishment Cap**") and, accordingly, in the event that there is more than one Member Default during a Default Period:

(i) a separate Per Default Stabilisation Replenishment Cap shall be applied in respect of each Member Default; and

(ii) each Stabilisation Replenishment Notice must specify to which Member Default it relates; and

(b) LME Clear may not apply any amounts contributed by a non-defaulting Member pursuant to a Stabilisation Replenishment Notice towards any Default Losses that relate to the Member Default pursuant to which the Stabilisation Replenishment Notice was issued; such amounts may only be applied by LME Clear, in accordance with Rule 10.10.1(d) or (e), towards the discharge of Default Losses that arise in respect of other Member Defaults that may arise during or after the Default Period.

10.10.5A In any six (6) month period (commencing on the date of delivery of the first Stabilisation Replenishment Notice in connection with the first Default), the maximum amount that LME Clear may require any Member to contribute pursuant to Stabilisation Replenishment Notices shall be limited to the amount that would be recoverable under three (3) Stabilisation Replenishment Notices that were each issued for the amount of the Per Default Stabilisation Replenishment Cap applicable to each such Stabilisation Replenishment Notice.

Duration of Default Period

10.10.6 For the purpose of this Rule 10.10, the expression "**Default Period**" means:

(a) the period commencing on the issue of a Default Notice in respect of a Defaulting Member and ending on:

(i) the date on which LME Clear issues a Circular to notify Members that the default management process in respect of that Defaulting Member has been substantially carried out; or

(ii) if a Default Notice is issued by LME Clear in respect of one or more other Members before such process has been substantially carried out in respect of the first Defaulting Member, the final date on which the default management process for all such Defaulting Members has been substantially carried out,

and LME Clear will not be obliged to give such notification until satisfied that all risk to LME Clear arising from such Defaulting Member's membership of the Clearing System has ceased to exist; or

(b) where the Defaulting Member participates in more than one Service, separate Default Periods shall come into effect in relation to each such Service, in each case commencing on the issue of the Default Notice and each ending on:

(i) the date on which LME Clear issues a Circular to notify Members that the default management process in respect of the Defaulting Member's participation in the specific Service has been substantially carried out; or

(ii) if a Default Notice is issued by LME Clear in respect of one or more other Members before such process has been substantially carried out in respect of the first Defaulting Member, the final date on which the default management process for all such Defaulting Members has been substantially carried out,

LME Clear shall not be obliged to give such notification until satisfied that all risk to LME Clear arising from such Defaulting Member's participation in the Service has ceased to exist.

After the Default Period

10.10.7 If, after the end of any Default Period, the amount of LME Clear's Dedicated Own Resources falls short of the amount required pursuant to Article 16 of the EMIR Level 1 Regulation, LME Clear will notify the Clearing House Regulator of that fact and shall:

(a) make good the shortfall within 30 days of the date on which it arose; or

(b) in the event that the Excess Loss was finally satisfied pursuant to Rule 10.10.2, LME Clear shall carry out an urgent business viability review (having regard to the principles set out in the Default Procedure C8) to determine whether to continue to operate the Clearing System as a central counterparty or to discontinue operation and will publish its decision by Circular, together with a Notice issued directly to each Member. LME Clear may make any such determination in respect of the Clearing System as a whole or in respect of any specific Service.

10.10.8 Upon receipt of Notice from LME Clear that a Default Period has ended, each Member shall immediately replenish in full its Default Fund Contribution applicable to the Service(s) to which the Default Period related, in order to restore it to the level applicable immediately prior to the commencement of the Default Period.

10.10.9 After the end of a Default Period:

(a) LME Clear shall, between the second (2nd) and sixth (6th) Business Day following the end of the Default Period, recalculate the size of the relevant Default Fund and notify each Member to inform them of their revised Default Fund Contribution (the time of provision of such notice being the "**Cut Off Time**");

(b) each Member may choose either:

(i) to continue its Membership;

(ii) terminate its Membership by lodging a Resignation Notice with LME Clear in accordance with Rule 3.5 and 3.6; or

(iii) terminate its participation in any specific Service by lodging a Service Termination Notice with LME Clear in accordance with Rule 3.7,

but shall be deemed to continue its Membership and participation in any Service unless it lodges a Resignation Notice or Service Termination Notice (as applicable) with LME Clear in accordance with the Rules prior to the Cut Off Time;

(c) a Member that does not lodge a Resignation Notice or Service Termination Notice with LME Clear under Rule 10.10.9(b) before the Cut Off Time shall, if the level of required Default Fund Contribution determined by LME Clear on the basis of its latest Default Fund calculation is higher than the level of Default Fund Contribution currently maintained by the Member with LME Clear, immediately pay to LME Clear such additional amount as is sufficient to meet its recalculated level of required Default Fund Contribution (and this provision shall be applied separately in respect of each Service to which the Member contributes a separate Default Fund Contribution); and

(d) each Member that lodges a Resignation Notice or Service Termination Notice with LME Clear under Rule 10.10.9(b) before the Cut Off Time shall immediately pay to LME Clear such amount of Collateral as LME Clear may require by way of additional margin on each Account of such Member in an amount equal to the difference between the then current Margin Requirement for such Account and the amount calculated by LME Clear to represent the worst case loss capable of being incurred on such Account by such Member as a result of it continuing to use the Clearing System during the period until the Termination Date or Service Termination Date (as applicable), and will maintain such additional margin during such resignation period.

Retiring Members

10.10.10 If a Member lodges a Resignation Notice or Service Termination Notice with LME Clear before the Cut Off Time, Rule 3.8 (Exposure Limiting Resignation) shall apply.

Closure of Clearing System

10.10.11 If LME Clear elects under Rule 10.10.7(b) to discontinue the operation of the Clearing System, then

(a) LME Clear will:

(i) permit Open Contracts with LME Clear to be withdrawn for bilateral settlement between two Members;

(ii) run a final settlement cycle at a time chosen by it;

(iii) terminate all Open Contracts on a Settlement Date determined by LME Clear (using the methodology set out in the Default Procedures) and the price for the cash settlement of such Open Contracts shall be determined at the latest Closing Price for the Underlying Assets for such Open Contracts or, if such Closing Price is not available, the price shall be such price as the Board determines is reasonably appropriate in the circumstances in consultation with the EMIR Risk Committee; and

(iv) notify each non-defaulting Member of any amounts payable as determined by the final settlement cycle (which will be immediately paid by each such Member to LME Clear in accordance with Rule 8 (*Margin Requirement and Collateral*)),

in each case on such terms and conditions as LME Clear may determine as appropriate in the circumstances then prevailing;

(b) manage the discontinuance of the operation of the Clearing System, and the withdrawal of its authorisation as an authorised central counterparty under EMIR, in accordance with the wind-down plan that it is required to maintain under EMIR, and in consultation with the Clearing House Regulator(s); and

(c) where LME Clear elects to discontinue operation of the Clearing System in respect only of a specific Service, but not in respect of any other Service, this Rule shall be applied only in respect of the Open Contracts relating to the discontinued Service and associated payments.

Each Member acknowledges and agrees that LME Clear may be required by a Clearing House Regulator to take, or refrain from taking action(s) in connection with the operation of the Clearing System during the period in which LME Clear is implementing its wind-down plan and that LME Clear shall not be liable to any Member or any other person for any act taken or omitted to be taken by LME Clear on the instructions of a Clearing House Regulator.

10.10.12 Any steps taken by LME Clear pursuant to Rule 10.10.11 (a) above shall be without prejudice to the application of Rule 10.13 (*LME Clear Default*) in respect of any Member (and its Contracts) that has exercised its rights thereunder prior to LME Clear making an election under Rule 10.10.7(b).

Failure to Co-operate with LME Clear

10.10.13 If a Member shall fail to perform its obligations under this Rule 10.10 or (where applicable) under Rule 3.8 (*Exposure Limiting Resignation*), then without prejudice to LME Clear's rights to declare a Default Event in respect of that Member, LME Clear may take disciplinary action against the Member pursuant to Rule 3.11 (*Membership*) and Membership Procedure D. Any disciplinary action which LME Clear takes pursuant to Rule 3.11 and/or Membership Procedure D, or the voluntary or involuntary cessation of participation by Member, shall not affect the obligations of the Member to LME Clear or any remedy to which LME Clear may be entitled under the Rules and Applicable Law.

10.11 REFUNDS

10.11.1 If the amount of an Excess Loss indemnified by non-defaulting Members under Rule 10.10.1(e) or 10.10.2 is subsequently recovered by LME Clear in whole or in part, LME Clear shall notify such non-defaulting Members that contributed towards the discharge of such Excess Loss (at their last known address, if they have since ceased to be Members) of the amount of the recovery and the amount refundable to them (a "**Refund**") out of the amount so recovered (which shall be shared between them in the same proportions in which the Excess Loss was borne by them), provided that no Member shall be entitled to recover a greater amount than that Member contributed towards the discharge of the Excess Loss. LME Clear shall be entitled to retain any surplus amount recovered, following the reimbursement of Members.

10.11.2 Any unclaimed Refund may be invested or otherwise used by LME Clear until claimed. No Refund shall bear interest as against LME Clear.

10.11.3 Any Refund which has remained unclaimed for a period of 12 months from the date of notification under Rule 10.10.1 shall, if LME Clear so determines, be applied:

(a) first, in making a further Refund under Rule 10.10.1 to those non-defaulting Members which have claimed their Refunds until they have received the full amount indemnified by them in respect of the Default Loss to which the Refund relates; and

(b) secondly, the balance shall cease to be refundable by LME Clear and shall thereafter belong to LME Clear absolutely and be available for use by LME Clear in its operation of the Clearing System.

10.12 INDIRECT CLIENT PORTING

Definitions

10.12.1 In this Rule 10.12:

(a) "**Client Porting Request**" means a request by a Member for LME Clear to take the steps set out in Rule 10.12.5 or Rule 10.12.7;

(b) "**Client Termination Event**" has the meaning set out in Rule 10.12.2(b);

(c) "**Defaulting Clearing Client**" means the Clearing Client in respect of which a Client Termination Event has occurred;

(d) "**Direct Client Transfer**" means a transfer of Transferring Indirect Clients to a direct Client relationship with the Member, and the allocation of such Transferring Indirect Clients to a Replacement Direct Client Account, in accordance with Rule 10.12.7;

(e) "**Original Indirect Client Account**" means the Indirect Individual Segregated Client Account or Indirect Gross Omnibus Segregated Client Account (as applicable) maintained by the Member for the Defaulting Clearing Client in respect of the Transferring Indirect Clients;

(f) "**Replacement Clearing Client**" means a Clearing Client that agrees to accept responsibility to the Member for the Underlying Client Trades of the Transferring Indirect Clients;

(g) "**Replacement Clearing Client Transfer**" means a transfer of Transferring Indirect Clients to a Replacement Clearing Client, and the allocation of such Transferring Indirect Clients to a Replacement Indirect Client Account, in accordance with Rule 10.12.5;

(h) "**Replacement Direct Client Account**" means an Indirect Individual Segregated Client Account or Indirect Gross Omnibus Segregated Client Account (as applicable) established by a Member in order to record the assets and positions relating to Transferring Indirect Clients, where such Account is established on the basis that such Transferring Indirect Clients shall be treated as direct Clients of the Member;

(i) "**Replacement Indirect Client Account**" means an Indirect Individual Segregated Client Account or Indirect Gross Omnibus Segregated Client Account (as applicable) established by a Member in respect of a Replacement Clearing Client in order to record the assets and positions relating to Transferring Indirect Clients; and

(j) "**Transferring Indirect Clients**" means the Indirect Clients that are the subject of a Client Porting Request.

Client Termination Events and Client Porting Requests

10.12.2 In the event that:

(a) a Member has established an Indirect Individual Segregated Client Account or an Indirect Gross Omnibus Segregated Client Account for a Clearing Client in respect of one or more Indirect Clients;

(b) any event occurs in relation to the Clearing Client that gives rise to a right for the Member or the Clearing Client to terminate, or results in the automatic termination, all of the Underlying Client Trades between the Member and the Clearing Client (including, for the avoidance of doubt, where the Clearing Client becomes insolvent or any Office-Holder is appointed in respect of the Clearing Client) and such Underlying Client Trades are, accordingly, terminated or either party provides notice to the other to terminate such Underlying Client Trades (the circumstances described in this paragraph (b) being a "**Client Termination Event**"); and

(c) such Underlying Client Trades correspond to Contracts allocated to the Indirect Individual Segregated Client Account or Indirect Omnibus Segregated Client Account (as applicable) maintained by the Member in respect of such Clearing Client, such that there are Open Contracts between LME Clear and the Member allocated to such Account,

then the Member may issue a Client Porting Request to LME Clear.

10.12.3 The Member shall specify in the Client Porting Request:

(a) whether the transfer of the Transferring Indirect Clients shall be to:

(i) a Replacement Indirect Client Account; or

(ii) a Replacement Direct Client Account; and

(b) whether the Collateral allocated to the relevant Original Indirect Client Account shall be transferred to the Replacement Indirect Client Account or the Replacement Direct Client Account (as applicable).

10.12.4 Within twelve (12) Business Hours of receipt of a Client Porting Request, LME Clear shall determine whether a Replacement Clearing Client Transfer or a Direct Client Transfer (as applicable) is possible and shall notify the Member:

(a) whether such a transfer may be made; and

(b) of any conditions that LME Clear considers, acting reasonably, must be satisfied in order to enable LME Clear to effect such transfer; and

(c) the time period within which all such conditions must be satisfied.

LME Clear may not refuse a transfer pursuant to a Client Porting Request where the conditions in Rule 10.12.5 or 10.12.7 (as applicable) and Rule 10.12.9 are satisfied.

Transfer to Replacement Clearing Client

10.12.5 In the event that the Member notifies LME Clear that all the Indirect Clients are to be transferred to a single Replacement Clearing Client then, subject to Rule 10.12.4, LME Clear will transfer to the Replacement Indirect Client Account all Open Contracts and the associated Positions and, where applicable, Collateral recorded to the Original Indirect Client Account, provided that:

(a) the Replacement Clearing Client is a Client of the Member;

(b) the Member has, in respect of such Replacement Clearing Client established Replacement Indirect Client Account that is of an equivalent type to the Original Indirect Client Account;

(c) the Member has satisfied all requirements applying to the establishment of such Replacement Indirect Client Account as a Client Account under these Rules;

(d) LME Clear receives written notification from the Replacement Clearing Client, in such form as LME Clear determines acceptable and within such period as LME Clear specifies following its receipt of the Client Porting Request, that it agrees to act as the Replacement Clearing Client in respect of all the Indirect Clients allocated to the Original Indirect Client Account; and

(e) the general conditions in Rule 10.12.9 are satisfied.

10.12.6 In the event that LME Clear determines, for whatever reason, that it is not possible to effect a Replacement Clearing Client Transfer pursuant to Rule 10.12.5, LME Clear may decline to act on the Client Porting Request.

Transfer to Direct Clearing Arrangement

10.12.7 In the event that the Member notifies LME Clear that it wishes to establish a Replacement Direct Client Account in respect of the Transferring Indirect Clients then, subject to Rule 10.12.4, LME Clear will transfer to the Replacement Direct Client Account all Open Contracts and the associated Positions and, where applicable, Collateral recorded to the Original Indirect Client Account (provided that the general conditions in Rule 10.12.9 are satisfied). LME Clear will permit such transfers only to a type of Replacement Direct Client Account that provides an equivalent level of segregation for the Transferring Indirect Client(s) as was provided under the Original Indirect Client Account.

Responsibilities of Member

10.12.8 LME Clear shall be entitled to treat any Client Porting Request as having been made by the Member with the full consent of all the Indirect Clients allocated to the relevant Account and shall not be under any obligation to the Member, any Client, any Indirect Client or any other person to make further enquiries regarding the wishes of the Indirect Clients. Accordingly, it shall be the responsibility of the Member to ensure that:

(a) the Transferring Indirect Clients allocated to the Account that is the subject of the Client Porting Request:

(i) are notified of:

(1) the fact that the Client Porting Request has been made by the Member in respect of the Account(s) allocated to the Clearing Client;

(2) the nature of the transfer requested by the Member;

(3) the conditions LME Clear requires to be satisfied in order to enable LME Clear to effect such transfer; and

(4) the time period within which the conditions to the transfer must be satisfied; and

(ii) do not object to the Client Porting Request; and

(b) the Member has made, prior to LME Clear giving effect to any Client Porting Request, such arrangements with the Transferring Indirect Clients and any Replacement Clearing Client as are necessary and appropriate to enable the Member and any Replacement Clearing Client to facilitate:

(i) the clearing of Transactions in respect of such Indirect Clients (including the transferring Underlying Client Trades) via the Clearing System; and

(ii) either:

(1) the transfer of Collateral from the relevant Account of the Member allocated to the Defaulting Clearing Client to the Replacement Indirect Client Account or the Replacement Direct Client Account; or

(2) the deposit of sufficient Collateral to the Replacement Indirect Client Account or the Replacement Direct Client Account to cover the risks associated with the Transactions to be transferred to such Account.

General Conditions to Transfer

10.12.9 LME Clear shall not be required to effect a Replacement Clearing Client Transfer or a Direct Client Transfer unless:

(a) the Member has established the appropriate type of Account to receive the assets and positions in respect of the Transferring Indirect Clients;

(b) the Member provides to LME Clear evidence or written representations, satisfactory to LME Clear (acting reasonably), that a Client Termination Event has occurred in relation to the relevant Underlying Client Trades, pursuant to a Notice which is copied to the Indirect Clients allocated to the Original Indirect Client Account;

(c) the Member provides to LME Clear a copy of the notice given by the Member to the Clearing Client in accordance with Rule 10.12.8(a), copied to the Indirect Clients allocated to the Original Indirect Client Account, notifying the Clearing Client of its intention to effect a Replacement Clearing Client Transfer or a Direct Client Transfer (as applicable) and specifying that, in the event that such transfer does not occur for any reason, LME Clear may decline to act on the Client Porting Request;

(d) where requested by LME Clear, the Member provides to LME Clear an indemnity, in such form as LME Clear determines acceptable; and

(e) any conditions notified by LME Clear pursuant to Rule 10.12.4 above have been satisfied.

General Discretion for LME Clear

10.12.10 LME Clear shall, upon becoming aware of any Client Termination Event, have a general discretion to effect a transfer of the Open Contracts and the associated Positions and Collateral recorded to the Original Indirect Client Account to:

(a) a Replacement Indirect Client Account, pursuant to a Replacement Clearing Client Transfer; or

(b) a Replacement Direct Client Account, pursuant to a Direct Client Transfer,

in each case notwithstanding that any requirement or condition specified in this Rule 10.12 may not have been satisfied, **provided that:**

(i) LME Clear considers, acting reasonably, that such transfer or re-designation is desirable in the interests of (i) protecting the integrity or stability of the Clearing System or any Approved Transaction Platform or (ii) protecting the interests of the Indirect Clients allocated to the Original Indirect Client Account;

(ii) the Member consents to such transfer or re-designation; and

(iii) in the case of a Replacement Clearing Client Transfer, LME Clear has written confirmation from the Member or from the Replacement Clearing Client that the Replacement Clearing Client consents to the transfer.

10.13 LME CLEAR DEFAULT

10.13.1 For the purpose of this Rule 10.13:

(a) an "**LME Clear Payment Default**" shall arise in the event that LME Clear fails to make a payment or delivery to a Member when it is due and payable or deliverable under the Rules and such failure is not remedied within thirty (30) days of LME Clear's receipt of notice of such failure from the affected Member, but shall not arise where:

(i) the Member has, prior to the date on which such payment or delivery became due, become a Defaulting Member;

(ii) LME Clear has satisfied or otherwise discharged its obligation to make payment or delivery pursuant to alternative means permitted by the Rules;

(iii) LME Clear's obligation to make the payment or delivery is not a payment or delivery obligation of LME Clear to the Member that is governed by the Rules;

(iv) LME Clear's failure to make the payment or delivery is the result of a Force Majeure Event;

(v) the obligation of LME Clear to make payment or delivery is the subject of action taken by LME Clear under Rule 2.4 (*Force Majeure*) in the event of a Force Majeure Event or circumstances falling within Rule 17 (*Emergencies*) of Part 3 of the LME Rules; or

(vi) in the circumstances prevailing, LME Clear is permitted under the Rules to have not made the payment or delivery to the Member, notwithstanding that it may have become due (such as, without limitation, where LME Clear does not deliver an Underlying Asset to a Member as a consequence of the application of the provisions applying to Invoicing Back pursuant to Rule 7.8);

(b) an "**LME Clear Insolvency Default**" shall arise in the event that LME Clear:

(i) makes an application to a court of competent jurisdiction, or an order is made by such court, for the purpose of: (i) declaring LME Clear to be bankrupt or insolvent; (ii) approving or granting a petition for a moratorium, reorganisation, arrangement (including pursuant to a scheme of arrangement), liquidation, dissolution, adjustment or composition of or in respect of LME Clear under any Applicable Law; (iii) appointing an administrator, assignee, custodian, examiner, liquidator, provisional liquidator, receiver, sequestrator, supervisor, nominee or trustee or other similar official in respect of LME Clear or any substantial part of its property, assets or undertaking; (iv) ordering the winding up, liquidation or bankruptcy of LME Clear; or (v) consenting to the institution by LME Clear or any person of proceedings for it to be adjudicated, bankrupt or insolvent or for it to be wound up or liquidated; provided that this paragraph (b)(i) shall not apply to any winding up petition which LME Clear reasonably considers to be frivolous or vexatious; or

(ii) LME Clear commences any proceedings, or consents to any application, for, or becomes subject to, the appointment of an administrator, assignee, custodian, examiner, liquidator, provisional liquidator, receiver, sequestrator, supervisor, nominee, trustee or other similar official in respect of the Member or any substantial part of its property, assets or undertaking;

but shall not arise:

(iii) where and to the extent that such circumstances arise solely as a consequence of any corporate restructuring of LME Clear or its Group (including any merger, consolidation or amalgamation of LME Clear or its business with that of any other party); or

(iv) where any member of LME Clear's Group, other than LME Clear, is the subject of the circumstances described in (i) or (ii) above,

and an LME Clear Payment Default and an LME Clear Insolvency Default shall, subject to Rule 10.13.2 below, each constitute an "**LME Clear Default**"; and

(c) "**Resolution Authority**" shall mean the Bank of England, acting in its capacities as the Regulator of LME Clear and as the authority with power to exercise powers with respect to LME Clear pursuant to, and for the purposes of, Part 1 (Special Resolution Regime) of the Banking Act 2009, as modified and supplemented by sections 89B to 89G of that Act.

10.13.2 The exercise of stabilisation powers under the Banking Act 2009 by the Resolution Authority in respect of LME Clear or any entity in the same Group as LME Clear and the occurrence of any event directly linked to the exercise of such powers shall not constitute the basis for an LME Clear Default (whether as an LME Clear Payment Default or an LME Clear Insolvency Default) provided that the substantive obligations of LME Clear

under the Rules, including payment and delivery obligations and the provision of collateral, continue to be performed.

10.13.3 In the event that an LME Clear Payment Default occurs and provided that the circumstances giving rise to the LME Clear Payment Default are continuing, the Member to which the relevant payment is due may issue a Close Out Netting Notice to LME Clear.

10.13.4 In the event that an LME Clear Insolvency Default occurs and provided that the circumstances giving rise to the LME Clear Insolvency Default are continuing, any Member other than a Defaulting Member may issue a Close Out Netting Notice to LME Clear.

10.13.5 Any Close Out Netting Notice issued by a Member must be in writing and must specify the date from which all Contracts to which the Member is a party shall be liquidated and terminated (the "**Close Out Date**"). The Close Out Date specified by the Member may not be later than the fifth (5th) Business Day following the date of receipt by LME Clear of the Close Out Netting Notice.

10.13.6 In the event that a Member issues to LME Clear a valid Close Out Netting Notice in respect of an LME Clear Default, then:

(a) the Close Out Netting Notice shall be deemed to have been received by LME Clear no earlier than the time determined in accordance with Rule 2.9 (Notices) for the method by which the Notice was sent;

(b) all Open Contracts between the Member and LME Clear shall automatically terminate on the Close Out Date, such that on and from the Close Out Date neither LME Clear nor the Member shall be obliged to perform any further Payment Obligations or Delivery Obligations in respect of such Open Contracts, save for the settlement of the Close Out Amounts calculated in accordance with this Rule 10.13; and

(c) the Member shall, on or as soon as reasonably practicable following the Close Out Date (and in any event within five (5) Business Days of the Close Out Date):

(i) calculate the respective rights and liabilities of LME Clear and the Member in relation to the Contracts allocated to each Account of the Member that would (save for (b) above) be Open Contracts, in order to determine, in respect of each Account, a net amount due to the Member or LME Clear (the "**Close Out Amount**"); and

(ii) notify LME Clear of the Close Out Amounts calculated in respect of each Account, and by which party each Close Out Amount is payable, with a written statement containing a detailed explanation of the calculations applied by the Member to determine the Close Out Amounts.

10.13.7 In order to determine the Close Out Amount for an Account:

(a) the Member shall calculate, in respect of that Account:

(i) the aggregate rights of the Member to receive payments from LME Clear, whether current, contingent or future (an "**Aggregate Member Entitlement**"); and

(ii) the aggregate obligations of the Member to make payments to LME Clear, whether current contingent or future (an "**Aggregate Member Obligation**"),

in each case on the basis that:

(1) all costs necessarily or reasonably incurred by the Member in calculating any amounts payable and all costs necessarily or reasonably incurred by the Member in liquidating and terminating any Open Contract or re-establishing any associated hedge, in accordance with this Rule 10.13 shall be added to the Aggregate Member Entitlement;

(2) all payments that would be made in settlement or performance of any Contract shall be determined on the basis that such Contracts shall be assumed to have been required to be settled or performed on the Close Out Date in accordance with the Closing Prices for the Eligible Products under such Contracts published on the Business Day immediately preceding the Close Out Date. In the event that no Closing Prices are available the Member shall use such market prices, or official settlement prices, published by a relevant exchange or clearing house, as may be available on the Business Day immediately preceding the Close Out Date, provided that in selecting any such prices, the Member shall act in good faith and with a view to selecting a price that does not unfairly disadvantage LME Clear;

(3) the Aggregate Member Entitlements shall be expressed as a single sum in the Base Currency, as a positive figure;

(4) the Aggregate Member Obligations shall be expressed as a single sum in the Base Currency, as a negative figure; and

(5) in the event that, in order to make such calculation, the Member needs to convert any amounts denominated in any other currency into the Base Currency in order to calculate the Aggregate Member Entitlements and Aggregate Member Obligations, such conversion shall be effected at such rate prevailing on the date of calculation as the Member may reasonably select, provided that in selecting such rate, the Member shall act in good faith and with a view to selecting a rate that does not unfairly disadvantage LME Clear; and

(b) the Aggregate Member Obligation on each Account shall be set off against the Aggregate Member Entitlement on that Account in order to produce a single net sum for that Account, such net sum being the Close Out Amount in respect of that Account.

10.13.8 In the event that the Close Out Amount in respect of an Account is:

(a) a positive amount, LME Clear shall pay such Close Out Amount to the Member;

(b) a negative amount, the Member shall pay such Close Out Amount to LME Clear,

in each case as soon as reasonably practicable, and in any event no later than five (5) Business Days following the Business Day on which the Member notified LME Clear of such Close Out Amount in accordance with Rule 10.13.6 above. The Close Out Amount shall be paid in the Base Currency.

10.13.9 Any Close Out Amount that is not paid when due in accordance with Rule 10.13.8 above shall accrue interest, at the Relevant Rate for each day that such Close Out Amount remains unpaid.

10.13.10 For the avoidance of doubt, the Member's rights under this Rule 10.13 are additional to, and shall not be construed to limit or exclude any other rights that the Member may have under these Rules or Applicable Law.

10.14 ALLOCATION OF NON-DEFAULT LOSSES

10.14.1 In this Rule 10.14:

(a) "**Maximum Potential Non-Default Losses**" means, at any time, the total exposure of LME Clear to Non-Default Losses being the value at that time of LME Clear's investment portfolio (being all investments excluding Securities Collateral provided by Members) and all credit balances of cash accounts held by LME Clear;

(b) "**NDL Payment**" means, in relation to a Non-Default Loss, a payment made or (as the case may be) to be made by a Member to LME Clear equal to:

(i) the Non-Default Loss, less the amount of LME Clear's own funds applied by LME Clear pursuant to Rule 10.14.2,

(ii) multiplied by the Member's NDL Percentage;

(c) "**NDL Payment Period**" means, in relation to a demand by LME Clear for NDL Payments from the Members, the period of thirty (30) days ending on the third (3rd) day before the date of the demand;

(d) "**NDL Percentage**" means, in relation to a Member, the proportion (expressed as a percentage) that (1) the daily average of the Member's Initial Margin Requirement over the NDL Payment Period bears to (2) the daily average of all Members' Initial Margin Requirement over the NDL Payment Period;

(e) "**Net Recoveries**" means, in relation to a Non-Default Loss, any recovery or receipt of any kind (including by way of set-off) made by LME Clear relating to or arising from the circumstances giving rise to the Non-Default Loss;

(f) "**Non-Default Loss**" means a Loss incurred by LME Clear, including any loss of any asset or cash, pursuant to a default by any Treasury Counterparty;

(g) "**Reporting NDL Percentage**" means a version of the NDL Percentage that is calculated with reference to a single day, rather than an average over the NDL Payment Period, in order to estimate the Member's Maximum Potential Non-Default Losses for the purposes of LME Clear's monthly report to Members;

(h) "**Treasury Counterparty**" means:

(i) any counterparty to any transaction undertaken by LME Clear in connection with LME Clear's treasury and/or investment management activities;

(ii) any issuer of any securities (including Investment Securities) that is the subject of LME Clear's treasury and/or investment management activities;

(iii) any issuer of any securities (including Investment Securities) held by LME Clear as Asset Cover or as an asset of LME Clear;

(iv) any counterparty to a transaction in connection with LME Clear's treasury and/or investment management activities (including deposit-taking institutions) appointed by LME Clear to hold cash, including Cash Cover;

(v) any investment agent or investment manager providing any service to LME Clear in connection with LME Clear's treasury management or investment management activities, that involves the holding of, or dealing with, any Investment Securities, Asset Cover or other assets belonging to LME Clear; and/or

(vi) any LMEsword Depository or Warehouse,

but excluding any Settlement Bank, Custodian or Securities System Operator (that in any such case does not fall within (v) or (vi) above) providing a service to LME Clear that involves the holding of any Asset Cover or any assets belonging to LME Clear.

10.14.2 If a Non-Default Loss occurs, LME Clear shall meet that loss in the following order:

(a) first, from LME Clear's own funds (subject to Rule 10.14.3); and

(b) then, by making demand on every Member for an NDL Payment (subject to Rule 10.14.4).

This Rule 10.14.2 is subject to Rule 10.14.10.

10.14.3 The total amount that LME Clear is obliged under Rule 10.14.2(a) to deduct from its own funds shall not exceed the amount of regulatory capital maintained by LME Clear from time to time for the purpose of meeting its obligations pursuant to Article 4 (*CCP capital requirements for credit, counterparty and market risks*) of the EMIR Level 2 Capital Requirements.

10.14.4 Upon receiving a demand for an NDL Payment from LME Clear pursuant to Rule 10.14.2(b), each Member shall immediately pay to LME Clear such sum in full in the currency demanded without set-off, withholding, counterclaim or deduction of any kind and, without prejudice to Rule 2.18 (*Set-Off*), LME Clear may, without further notice to or consent from each such Member, immediately debit all or part of any such demanded NDL Payment from the Collateral maintained on the House Account of the Member.

10.14.5 In the event that, subsequent to the exercise of its powers under this Rule 10.14, LME Clear makes any Net Recoveries relating to the underlying circumstances which gave rise to any Non-Default Loss, LME Clear shall distribute such Net Recoveries on the following basis:

(a) first, to all Members in proportion to the NDL Payments made by each such Member in relation to such Non-Default Loss, and limited to the amount of NDL Payments made by each such Member; and

(b) then, to LME Clear for its own account.

10.14.6 Any determination made by LME Clear pursuant to this Rule 10.14 shall be final and binding on each Member and shall not be capable of challenge or subject to dispute.

10.14.7 The procedure set out in this Rule 10.14 shall apply each time there is a Non-Default Loss.

10.14.8 Following a Non-Default Loss, LME Clear shall use reasonable efforts to make Net Recoveries.

10.14.9 LME Clear will provide a monthly report to each Member for use by such Member in calculating its maximum liability at that time for Non-Default Losses.

10.14.10 Where and to the extent that any Non-Default Loss is also a Counterparty Loss, LME Clear may take such steps to meet that loss as may be permitted in accordance with its rights under Rule 10.6.4 (*Counterparty Loss*). In such circumstances, such loss shall be treated as a Non-Default Loss under this Rule 10.14 only where and to the extent that such Counterparty Loss is not fully discharged by the application of LME Clear's other rights under these Rules.

10.14.11 This Rule 10.14 is subject, in respect of any Member that resigns in accordance with Rule 10.10.9(b), to Rule 10.10.9(d).

RULE 11 - SETTLEMENT FINALITY

11.1 IRREVOCABILITY OF TRANSFER ORDERS

11.1.1 For the purposes of the Settlement Finality Regulations, LME Clear shall specify the time at which Transfer Orders:

(a) take effect and are entered into the Clearing System; and

(b) become irrevocable.

11.1.2 A Transfer Order shall not be revoked at any time after it becomes irrevocable as in accordance with Rule 11.1.1(b).

11.1.3 The specification of the matters described in Rule 11.1.1 shall be as set out in the Settlement Finality Procedure.

RULE 12 - COMPRESSION

12.1 AVAILABILITY

Election for Compression

12.1.1 A Member may elect for Contracts allocated to any Account of that Member to be Compressed with other Contracts allocated to that Account, subject to and in accordance with the provisions of this Rule 12.

12.1.2 A Member may elect for an Account to be subject to either:

(a) Manual or File Based Compression; or

(b) Automatic Compression.

12.1.3 In order for a Member to elect for Compression to be applied to Contracts in an Account of that Member, the Member must submit an updated reference data form to LME Clear (a "**Compression Request**"), detailing:

(a) the Account(s) to which Compression should apply;

(b) whether the Account should be subject to:

(i) Manual or File Based Compression; or

(ii) Automatic Compression; and

(c) the frequency at which Compression shall be applied (which will be either daily, weekly or monthly and will determine the Business Day on which a Compression Run will be applied in accordance with the methodology set out in the DSS),

together with such other information, representations and confirmations as may be required in connection with such Compression Request. The Member must also submit an updated reference data form to LME Clear to cancel an election for Compression or to change the frequency of Compression.

12.1.4 Automatic Compression shall only be available in respect of:

(a) House Accounts;

(b) Direct Individual Segregated Client Accounts; and

(c) Indirect Individual Segregated Client Accounts.

Compressible Accounts

12.1.5 Compression may be applied in respect of an Account where:

(a) the requirements of Rule 12.1.3 have been satisfied; and

(b) there are Eligible Compressible Contracts that are capable of being Compressed,

(such Account being a "**Compressible Account**"). Notwithstanding the foregoing, Gross Omnibus Segregated Client Accounts shall not be Compressible Accounts.

Eligible Compressible Contracts

12.1.6 Compression may be applied only in respect of Contracts for Eligible Products that are Eligible Compressible Contracts.

12.1.7 Contracts with the following features will be "**Eligible Compressible Contracts**":

(a) the Contracts must be in respect of an Eligible Product that is denoted in Annex 1 (*Eligible Products*) as being "capable of compression" ;

(b) the Contracts must have the same Core Economic Terms;

(c) the Contracts must not have been allocated to the relevant Account on the same Business Day as that on which Compression is to be applied; and

(d) where the Transactions that resulted in the formation of the Contracts also resulted in the formation of Underlying Client Trades, the same Client or Indirect Client, as applicable, is a party to each such Underlying Client Trade.

12.1.8 The effect of Rule 12.1.7(d) is that:

(a) where a Direct Net Omnibus Segregated Client Account is a Compressible Account, Compression may be applied only to Contracts that correspond to Underlying Client Trades relating to the same Client; and

(b) where an Indirect Net Omnibus Segregated Client Account is a Compressible Account, Compression may be applied only to Contracts that correspond to Underlying Client Trades relating to the same Indirect Client.

12.1.9 Compression may only be applied on a per-Account basis. This means that Contracts allocated to different Accounts cannot be Compressed together.

12.2 COMPRESSION PROCESS

Manual or File Based Compression

12.2.1 Where a Compressible Account is subject to Manual or File Based Compression, a Compression Run may be applied at such frequencies as are specified by the Member in the Compression Request relating to that Account and in accordance with the following process.

(a) On the Business Day on which a Compression Run is due to be applied to a Member's Compressible Account, a Member may submit a request to LME Clear for Compression to be applied to an Account:

(i) by selecting the Eligible Compressible Contracts that are to be subject to Compression via the LMEmercury GUI (such request being a request for Manual Compression); or

(ii) by submitting to LME Clear a file, in a format specified by LME Clear, identifying the Eligible Compressible Contracts that are to be subject to Compression (such request being a request for File Based Compression).

(b) Such request must be made not later than the cut-off time specified in the DSS as the latest time by which a request for Compression may be submitted on the Business Day on which the Compression Run is to be applied. Any request received later than the cut-off time will not be implemented.

(c) Following its receipt of such request, and not later than the relevant time specified in the DSS, LME Clear will prepare a Compression Proposal which the Member can access in the LMEmercury GUI.

(d) Once the Compression Proposal becomes available, the Member must promptly, and in any event not later than the cut-off time specified in the DSS:

(i) review the Compression Proposal; and either

(ii) cancel the proposed Compression Run via the LMEmercury GUI if there are any errors in the Compression Proposal or the Member does not wish Compression to take effect for any reason, including for the avoidance of doubt, where the Compression Proposal applies Compression to Contracts that cannot be Compressed due to the requirement in Rule 12.1.7(d) not being satisfied; or

(iii) notify LME Clear via the LMEmercury GUI if it agrees that the Eligible Compressible Contracts in the Compressible Account shall be Compressed in the manner described in the Compression Proposal.

(e) In the event that LME Clear receives a notification pursuant to Rule 12.2.1(d)(ii) that the Compression Proposal is erroneous in any way, the Compression Run shall not be applied to the Account, unless the Member submits another request to LME Clear for Compression to be applied to an Account and completes the process set out in this Rule 12.2.1 prior to the cut-off time specified in the DSS. In the event that a Member does submit another request to LME Clear for Compression to be applied to an Account, this Rule 12.2.1 shall apply to such request on the basis that it has been made in accordance with Rule 12.2.1(a).

(f) In the event that LME Clear does not receive a notification pursuant to Rule 12.2.1(d)(iii) that the Member agrees to the Compression Proposal by the relevant cut-off time, then LME Clear shall not apply the Compression Run.

(g) In the event that LME Clear receives a notification pursuant to Rule 12.2.1(d)(iii) that the Member agrees to the Compression Proposal, by the relevant cut-off time, then LME Clear shall apply the Compression Run.

(h) In the event that a Member's Compressible Account is subject to Automatic Compression and the Member wishes to request Manual or File Based Compression in accordance with Rule 12.2.1(a) on the same day as Automatic Compression is due to be applied to contracts in that Compressible Account, the Member must first cancel the proposed Compression Run in accordance with Rule 12.2.2(c)(ii).

Automatic Compression

12.2.2 Where a Compressible Account is subject to Automatic Compression, Compression will be applied in accordance with the following process.

(a) A Compression Run may be applied to a Compressible Account at such frequencies as are specified by the Member in the Compression Request relating to that Account.

(b) On the Business Day on which the Compression Run is due to be applied to a Member's Compressible Account, LME Clear will prepare a Compression Proposal which the Member can access in the LMEmercury GUI.

(c) Once the Compression Proposal becomes available, the Member must promptly, and in any event not later than the cut-off time specified in the DSS:

(i) review the Compression Proposal; and

(ii) cancel the proposed Compression Run via the LMEmercury GUI if there are any errors in the Compression Proposal or the Member does not wish Compression to take effect for any reason, including for the avoidance of doubt, where the Compression Proposal applies Compression to Contracts that cannot be Compressed due to the requirement in Rule 12.1.7(d) not being satisfied.

(d) In the event that LME Clear receives a cancellation pursuant to Rule 12.2.2(c)(ii) that the Compression Proposal is erroneous in any way, the Compression Run shall not be applied to the Account, unless the Member submits a request in accordance with 12.2.1(a) and completes the process set out in 12.2.1.

(e) In the event that LME Clear does not receive a notification pursuant to Rule 12.2.2(c)(ii) that the Compression Proposal is erroneous in any way or that it does not want the Compression to take effect, by the relevant cut-off time, then LME Clear shall apply the Compression Run.

Compression Proposals

12.2.3 LME Clear shall develop each Compression Proposal in accordance with the methodology set out in the DSS.

12.2.4 A Compression Proposal shall specify the Post-Compression Contracts that would be in the Compressible Account following the implementation of the Compression Run.

12.2.5 The Post-Compression Contracts identified in a Compression Proposal will represent the application of the following process:

(a) first, Eligible Compressible Contracts with the same direction will be aggregated (the effect of which will be that any Post-Compression Contract resulting from aggregation will have a notional value that is the sum of the notional values of the Eligible Compressible Contracts that were so aggregated); and

(b) second, Eligible Compressible Contracts with opposite directions will be netted (the effect of which will be that any such Post Compression Contract resulting from netting shall have a notional value that is the net of the notional values of the Eligible Compressible Contracts that were so netted),

subject in each case to:

(i) such modifications as may be specified in the methodology set out in the DSS; and

(ii) the qualifications set out in Rule 12.2.7 below.

12.2.6 For the purposes of Rule 12.2.5:

(a) Contracts have the "same direction" where under each Contract the same parties are Buyer and Seller respectively; and

(b) Contracts have the "opposite direction" where the Buyer under one Contract is the Seller under the other Contract.

12.2.7 Compression must be effected so as to ensure that:

(a) for Eligible Products for which the Variation Margin Requirement is calculated on the basis of the Discounted Contingent Variation Margin (or DCVM) approach, the DCVM attributable to the Post-Compression Contracts upon Compression shall be the same as the sum of the DCVM attributable to the Eligible Compressible Contracts immediately prior to Compression;

(b) the Post-Compression Contracts are allocated a notional Market Value, that is within a maximum tolerance (set out in the DSS) of the previous day's Closing Price relating to any Eligible Compressible Contract that was included in the Compression Run;

(c) Compression may not be permitted to result in Post-Compression Contracts having a zero or negative notional Market Value; and

(d) Compression shall not, solely by itself, result in any increase in a Member's Margin Requirement.

Time and Effect of Compression

12.2.8 Compression shall take effect at the Compression Time. Following the implementation of a Compression Run, LME Clear will issue a report to the Member confirming the implementation of the Compression Run and the Compression Time.

12.2.9 Upon Compression:

(a) the Member and LME Clear (each acting as principal) shall be released from further obligations towards one another under the Eligible Compressible Contracts specified in the Compression Proposal and their respective rights against one another under such Contracts shall be cancelled; and

(b) the Post-Compression Contracts specified in the Compression Proposal shall, by operation of this Rule, come into full force and effect between the Member and LME Clear, such that the Member and LME Clear (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another under the Post Compression Contracts.

12.2.10 For the avoidance of doubt, where, prior to a Compression Run, the clearing of a Transaction had been represented by one or more Eligible Compressible Contracts, following the Compression Run, the clearing of such Transaction shall be represented by the Post-Compression Contracts that resulted from the Compression of such Eligible Compressible Contracts.

12.2.11 For the avoidance of doubt, a Post-Compression Contract may have a notional Market Value that is different from the previous day's Closing Price relating to the Eligible Compressible Contracts that were Compressed in order to produce such Post-Compression Contract. The basis on which such notional Market Value shall be established is explained in further detail in the DSS.

12.2.12 For the avoidance of doubt, the termination of any Eligible Compressible Contract specified in a Compression Proposal, pursuant to Rule 12.2.9(a), shall be conditional

upon the creation and coming into force of the Post-Compression Contracts specified in the Compression Proposal, pursuant to Rule 12.2.9(b).

12.3 DISCRETION OF LME CLEAR

12.3.1 The application of any Compression Run shall be at the discretion of LME Clear and LME Clear shall be under no obligation to implement any Compression Run, notwithstanding:

(a) any request by a Member to do so; or

(b) any other provision of this Rule 12.

12.3.2 In the event that LME Clear declines to implement a Compression Run, LME Clear shall notify the Member.

12.4 OBLIGATIONS OF THE MEMBER

12.4.1 Each Member that requests the application of Compression to any of its Accounts must:

(a) submit a Compression Request in accordance with Rule 12.1.3;

(b) ensure that LME Clear is promptly notified of any change of circumstances that would cause the information provided in any previously submitted Compression Request to no longer be correct;

(c) promptly review each Compression Proposal produced by LME Clear;

(d) make any notifications required by this Rule 12 in a timely manner;

(e) ensure that the Member is at all times able to reconcile each Contract allocable to an Account with the Transaction that is cleared by such Contract;

(f) ensure that under no circumstances shall the Member:

(i) submit a request for Compression;

(ii) approve a Compression Proposal; or

(iii) in relation to Automatic Compression, fail to cancel a proposed Compression Run,

that would result in the Compression of two Contracts that do not satisfy the condition in Rule 12.1.7(d);

(g) ensure that the Member makes any notifications to any trade repository or Regulator regarding the effect of such Compression on any Transaction or Contract to which the Member is a party as may be required of such Member pursuant to Applicable Law;

(h) ensure that any Client is promptly notified of the implementation of any Compression Run in relation to any Contract that relates to any Underlying Client Trade to which that Client is a party; and

(i) take all necessary and appropriate steps to ensure that, upon the Compression of any Contracts, a corresponding netting or aggregation takes effect in respect of any Transactions that remain in force between the Member and any other party,

or between any Client and any other party, and that are cleared by such Contracts. Without limitation to the foregoing, the Member shall ensure that the terms governing any such Transaction shall specify that such netting or aggregation shall take effect automatically upon Compression, in order to avoid the creation of a mis-match between the positions between the counterparties to the relevant Transaction and the Positions represented by the corresponding Post-Compression Contracts.

12.4.2 Without prejudice to the generality of Rule 2.3.5, each Member shall indemnify and hold harmless each LME Clear Party against any and all losses, damages, claims, liabilities, costs or expenses (whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or any other legal theory) incurred by the LME Clear Party arising directly out of or in connection with such Member's breach of any of its obligations pursuant to Rule 12.4.1 above, save to the extent that the losses, damages, claims, liabilities, costs or expenses arise as a result of the fraud, fraudulent misrepresentation, negligence, wilful default or bad faith of the LME Clear Party. The Member shall not be liable to an LME Clear Party under this indemnity for loss of goodwill, loss of business opportunity or loss of anticipated savings or profits.

LME CLEAR LIMITED

PROCEDURES

MEMBERSHIP PROCEDURE

PART A – INTRODUCTION AND GENERAL MATTERS

1. INTRODUCTION

1.1 These Membership Procedures form part of, and shall be read in conjunction with, the Rules and are legally binding on Members in their entirety and only to Posting Affiliates and Posting Clients to the extent such is relevant for the purposes of an Affiliate Posting Structure or Client Direct Posting Structure, respectively. Terms defined in the Rules have the same meaning in these Membership Procedures. In the event of any conflict or inconsistency between the Rules and these Membership Procedures, the Rules shall prevail.

1.2 These Membership Procedures are arranged in to the following Parts:

(a) Part A: introduction and general matters;

(b) Part B: applications for Membership and on-going administration of Membership;

(c) Part C: procedures for the handling of complaints;

(d) Part D: disciplinary procedures; and

(e) Part E: appeals procedures.

2. DEFINITIONS

2.1 In these procedures, the following words and expressions shall bear the means set opposite them:

"**Act of Misconduct**" means:

(a) any breach of the Rules by a Member;

(b) a failure to pay any fine or order for costs imposed by a Disciplinary Committee that has not been overturned by an Appeal Committee;

(c) providing information (including information for the purpose of obtaining Membership) which is false, misleading or inaccurate in a material particular;

(d) ceasing to meet the Membership Criteria without notifying LME Clear;

(e) any other act or omission by a Member that is specifically identified as an Act of Misconduct under the Rules;

(f) any breach of the Rules by a Posting Affiliate (such breach being deemed a breach of the Rules by the related Member);

(g) any breach of any Affiliate Documentation by a Member or Posting Affiliate (in the case of a Posting Affiliate, such breach being deemed a breach of the Affiliate Documentation by the related Member);

(h) any breach of the Rules by a Posting Client (such breach being deemed a breach of the Rules by the related Member); or

(i) any breach of any Client Direct Posting Documentation by a Member or Posting Client (in the case of a Posting Client, such breach being deemed a breach of the Client Direct Posting Documentation by the related Member);

"**Additional Capital**" means: (a) equity reserves which do not constitute Permanent Capital (distributable or otherwise); (b) profit and loss reserves; (c) redeemable shares; and (d) subordinated loans (subject to the conditions in Membership Procedure B5.6 to 5.8;

"**Appeal Committee**" means a committee appointed pursuant to Membership Procedure E1.1;

"**Application Documentation**" means the standard form application documentation, including the application questionnaire, required by LME Clear to be submitted by each Applicant for Membership, in such revised or updated form that LME Clear may maintain from time to time;

"**Defence**" has the meaning given in Membership Procedure D3.1;

"**Disciplinary Committee**" means a committee appointed pursuant to Membership Procedure D4.1;

"**Enforcement Notice**" has the meaning given in Membership Procedure D2.2;

"**LME Clear Membership Application Form**" means the application form that LME Clear provides to potential applicants seeking to obtain Membership of LME Clear;

"I**ndependent Complaints Commissioner**" means the independent person appointed in accordance with Membership Procedure C4.2;

"**Intangible Fixed Assets**" means non–financial fixed assets that do not have physical substance but are identifiable and controlled by the entity through custody or legal rights (e.g. goodwill; intellectual property);

"**LME Clear Compliance Department**" means the department within LME Clear that is responsible for ensuring that LME Clear adheres to all relevant laws and regulatory requirements;

"**Net Capital**" means Permanent Capital plus Additional Capital, less Intangible Fixed Assets;

"**NoI**" has the meaning given in Membership Procedure D1.3 of these Procedures;

"**Permanent Capital**" means: (a) issued and fully-paid ordinary share capital; (b) issued and fully-paid preference share capital; and (c) funds in a share premium account and reserves not available for distribution (for the avoidance of doubt, if the relevant reserves are in deficit, the negative amount will be deducted from items (a) and (b) to calculate Permanent Capital); and

"**Relevant Parties**" means:

(a) the person or Member found to have committed the Act of Misconduct;

(b) all Members; and

(c) in all cases, the appropriate regulatory or other authorities, as LME Clear deems appropriate.

2.2 Any capitalised terms which are not defined in Membership Procedure A2.1 shall have the meaning given to them in Rule 1 (*Definitions and Interpretation*).

PART B – MEMBERSHIP

1. MEMBERSHIP CATEGORIES

1.1 The categories of Membership are as set out in Rule 3.1.

2. APPLICATIONS FOR MEMBERSHIP

2.1 Applications for Membership of LME Clear shall be made by providing LME Clear with:

(a) two original copies of the signed and undated Membership Agreement with evidence of authorised signatories;

(b) two original, signed and undated, copies of each Security Document specified by LME Clear, with evidence of authorised signatories;

(c) the information and documents specified in the Application Documentation; and

(d) the application fee specified by LME Clear in the Application Documentation or on the Website.

2.2 The Applicant shall specify in its application which category of Membership it is seeking to obtain and the Services in which it wishes to participate.

2.3 The Applicant shall specify in its application for Membership which types of business and Eligible Products it is seeking to clear through the Clearing System.

2.4 In relation to any application for Membership, LME Clear may:

(a) make all such enquiries about the Applicant and the Applicant's connected persons as LME Clear considers appropriate;

(b) request that the Applicant provides such information as LME Clear considers relevant;

(c) take all necessary steps to verify any information provided by the Applicant; and

(d) carry out a due diligence visit to the Applicant's premises in order to establish whether the Membership Criteria and/or any conditions imposed in accordance with Membership Procedure B:3.3 on a Member which is a Bridge Institution are satisfied.

2.5 The Applicant shall provide LME Clear with such additional information and respond to such enquiries as LME Clear may require under Membership Procedure B:2.4.

2.6 The information provided by an Applicant to LME Clear shall be subject to the confidentiality provisions and rights of disclosure set out in Rule 2.6 (*Confidentiality*).

2.7 LME Clear is under no obligation to process or make a decision in relation to an application within a specific time frame. However, LME Clear will ordinarily aim to make a decision on an application within eight (8) weeks of receipt from the Applicant of an application that LME Clear considers to be complete in all respects.

2.8 An application for Membership shall be dependent on the Applicant demonstrating that it meets the eligibility criteria set out in Membership Procedures B:3 and 4.

2.9 LME Clear may approve an application for Membership on a conditional basis, subject to the Applicant fulfilling certain conditions within a specified time frame. LME Clear may specify any of the Membership Criteria as a condition that can be satisfied between the time of conditional approval and the activation of the Member's ability to commence the submission of Transactions to LME Clear. For the avoidance of doubt, LME Clear will not permit a Member to commence the submission of Transactions to LME Clear until the Member has deposited the required Default Fund Contribution to LME Clear.

2.10 If the Applicant does not fulfil the relevant conditions within the specified time frame, LME Clear may elect to deem the relevant application for Membership to have been withdrawn. Where LME Clear makes such an election, the Applicant shall be required to re-apply for Membership if it still wishes to become a Member.

2.11 When an Applicant is granted Membership, it will receive:

(a) notification that its Membership application has been accepted;

(b) a copy of the Membership Agreement that is signed and dated by LME Clear; and

(c) details of any specific conditions (beyond those contained in the Membership Agreement) relating to the Applicant's Membership.

2.12 LME Clear may place restrictions on an Applicant's Membership, so that the Applicant would only be permitted to clear certain types of Transaction through LME Clear.

2.13 In the event that LME Clear determines that it will reject an Applicant's application for Membership:

(a) LME Clear shall notify the Applicant in writing and shall specify the reasons for such rejection; and

(b) the Applicant shall have a right to appeal the decision by submitting a written request to LME Clear for a hearing by the Appeal Committee to determine whether the application should have been rejected in accordance with Membership Procedure E.

2.14 In the event that LME Clear determines that it is necessary to apply different, or additional, criteria to any category of Applicant, in order to enable LME Clear to control the risks to the Clearing System posed by such Applicants, such criteria shall be set out in the Membership Procedures and shall be applied on a consistent basis to all Applicants to which such criteria relate.

3. MEMBERSHIP CRITERIA

3.1 An application for Membership shall be subject to the Applicant meeting the Membership Criteria set out in Membership Procedure B 3.1A below.

3.1A The Membership Criteria to be met by an Applicant, and by any Member at all times following admission to Membership, shall include:

(a) meeting the conditions (if any) in the Membership Agreement;

(b) satisfying the criteria set out in the Application Documentation;

(c) satisfying the relevant criteria for the type of business the Applicant wishes to clear, as set out in Membership Procedure B4;

(d) satisfying the minimum Net Capital requirements, as set out in Membership Procedure B5 or such greater capital requirements as may be set by LME Clear;

(e) maintaining appropriate banking arrangements satisfying any specific requirements published by LME Clear from time to time or specifically notified to the Applicant;

(f) maintaining appropriate arrangements with the Approved Delivery Facilities specified in the Clearing Procedures for those Eligible Products that the Applicant wishes to clear;

(g) having executed all relevant documentation required by the Approved Transaction Platforms for the Eligible Products that the Applicant wishes to clear and maintaining such arrangements in place at all times;

(h) complying with all Applicable Law (including maintaining all required regulatory authorisations in all jurisdictions in which it is required to maintain such authorisations);

(i) maintaining an administrative support function that:

(i) is appropriately separated from the Applicant's trading desks;

(ii) has robust systems and records; and

(iii) includes staff, adequate in number and experience, who understand the business of LME Clear and the Member;

(j) meeting the technical equipment requirements as specified by LME Clear from time to time;

(k) having adequate personnel, facilities, systems and procedures to enable the Applicant to satisfactorily handle transactions and communications with LME Clear, fulfil anticipated commitments to, and meet the operational requirements of, LME Clear with necessary promptness and accuracy;

(l) successfully completing a default management 'fire-drill' in accordance with such requirements as LME Clear may have notified to the Applicant;

(m) completing any other testing and training requirements as specified by LME Clear from time to time;

(n) having received confirmation from LME Clear that the Applicant has satisfied LME Clear’s internal credit rating requirements;

(o) following admission to Membership, continuing at all times to satisfy LME Clear’s internal credit rating requirements;

(p) being approved as a Member by the Clearing Risk Committee; and

(q) satisfying the requirements specified in paragraph 3.1B below.

3.1B In addition to the requirements in paragraph 3.1A above, an application for Membership, and the continuation of a Member’s Membership, shall be subject to the Applicant or Member (as applicable):

(a) not being subject to any form of Sanctions, and the directors, officers, employees or agents of it or any of its Affiliates must not be subject to any form of Sanctions;

(b) not exposing LME Clear or any other Member to any risk of infringement of any applicable law, including relevant Sanctions;

(c) ensuring that any business conducted by it, or by or through any of its staff, shall not cause the Member or LME Clear or any of their staff to be in breach of any applicable laws and/or regulations, including without limitation any relevant Sanctions (except to the extent that any obligation or undertaking contemplated by this subsection would be in conflict with any applicable laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts);

(d) providing details of any order or transaction in metals derivatives, which if cleared through or reported to LME Clear, would take place in circumstances where the Member would be in breach of subsection (3.1(c)).

(e) having, implementing and maintaining policies and procedures which are adequate to ensure compliance with applicable Sanctions, and, at the request of LME Clear, promptly provide satisfactory evidence of such policies and procedures (including, without limitation, copies thereof) and of the adequate implementation and maintenance of such policies and procedures (except to the extent that any obligation or undertaking contemplated by this subsection would be in conflict with any applicable Laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts); and

(f) notifying LME Clear as soon as reasonably practicable upon becoming aware of any of the following:

(i) any Sanctions of which it has become the target;

(ii) any change to the Member such that it is or becomes incorporated, registered, located, organised, domiciled or resident in any jurisdiction subject to Sanctions;

(iii) any of its Affiliates, Clients, directors, officers, employees or agents or any of its Affiliates' directors, officers, employees, or agents, to its knowledge:

(1) being the target of any Sanction;

(2) being or becoming incorporated, registered, located, organised, domiciled or resident in any jurisdiction subject to Sanctions,

unless, in any case, the same is permitted pursuant to an exemption or exception in the applicable laws establishing the Sanctions or any regulations thereunder or subject to an applicable licence granted by all relevant governmental authorities under that applicable law.

3.2 It shall be a condition of Membership that each Member must at all times comply with the Membership Criteria.

3.3 Notwithstanding paragraphs 3.1, 3.1A, 3.1B and 3.2 above, where the Applicant is a Bridge Institution, LME Clear shall have the discretion to impose conditions on the Applicant in lieu of meeting the Membership Criteria. Such conditions shall be regularly reviewed to ensure that the Member has sufficient financial resources and operational capacity to meet its obligations under the Rules on an ongoing basis.

4. REQUIREMENTS FOR SPECIFIC TYPES OF BUSINESS

4.1 For the purpose of this Procedure, On-Exchange Business and OTC Business shall each be a "**type of business**".

On-Exchange Business: LME Base Products

4.2 Where the Applicant intends to clear On-Exchange Business in respect of LME Base Products:

(a) the Applicant shall apply to participate in the LME Base Service; and

(b) the Applicant shall be (or have applied to become):

(i) a Category 1 or 2 Member of LME where the application is to become a General Clearing Member; or

(ii) a Category 3 Member of LME where the application is to become an Individual Clearing Member.

On-Exchange Business: LMEprecious Products

4.3 Where the Applicant intends to clear On-Exchange Business in respect of LMEprecious Products,

(a) the Applicant shall apply to participate in the LMEprecious Service; and

(b) the Applicant shall be (or have applied to become):

(i) an "LMEprecious General Clearing Member" of the LME, where the application is to become a General Clearing Member; or

(ii) an "LMEprecious Individual Clearing Member" of the LME, where the application is to become an Individual Clearing Member.

On-Exchange Business: Common minimum Net Capital requirements

4.4 The minimum Net Capital requirements applicable to any given Member to clear On-Exchange Business may vary depending on the Member's Membership category. (The requirements may be satisfied in foreign currency equivalents). As of the date of this current issue of the Rules Members shall hold a minimum Net Capital of US$30 million.

OTC Business *[Service not currently available]*

4.5 Where the Applicant intends to clear OTC Business in respect of Bullion, the Applicant shall have executed all relevant membership documentation issued by LME in order to access the services of LME Smart.

4.6 The minimum Net Capital requirements applicable to any given Member to clear OTC Business may vary depending on the Member's Membership category. (The requirements may be satisfied in foreign currency equivalents). As of the date of this current issue of the Rules, all Members shall hold a minimum Net Capital of US$30 million.

Regulatory Status for General Clearing Members

4.7 Subject to paragraphs 4.8 and 4.9 below, any Applicant or Individual Clearing Member that intends to become a General Clearing Member shall:

(a) unless LME Clear agrees otherwise, be:

(i) an authorised person or exempt person within the meaning of Part III of FSMA that is permitted under Applicable Law to arrange, or otherwise clear transactions with or for third parties;

(ii) a credit institution as defined in Article 4.1.1 of Regulation (EU) No 575/2013 of the European Parliament and of the Council[3];

(iii) an investment firm as defined in Article 4.1 of Directive 2014/65/EU of the European Parliament and of the Council other than a person to whom Article 2 applies[4]; or

(iv) any undertaking whose head office is outside the European Community and whose functions correspond to those of a credit institution or investment firm as defined in (ii) and (iii) above; and

(b) be regulated in the conduct of its business under the securities and/or banking legislation of an EEA State or of any other country or countries acceptable to LME Clear, and shall not be prohibited by such legislation or its Regulator from becoming a General Clearing Member or from performing the obligations of a Member under the Rules.

Regulatory Limitations

4.8 In the event that: (i) the UK ceases to be a member of the EEA and (ii) LME Clear is not permitted under Applicable Law to provide clearing services to clearing members in the EEA, paragraphs 4.7(a)(ii) and (iii) shall be dis-applied.

4.9 For the avoidance of doubt, LME Clear shall be under no obligation to provide clearing services to, or accept or maintain as a Member, any person where to do so would cause LME Clear to be in breach of any Applicable Law.

5. NET CAPITAL REQUIREMENTS AND CALCULATION

Minimum Net Capital Requirements

5.1 Members shall at all times hold sufficient capital to meet their minimum Net Capital requirements.

5.2 Where a Member clears for multiple types of business, the minimum Net Capital requirement shall be the higher of the minimum Net Capital requirements applicable to the Member for each of those types of business.

Additional Net Capital Requirements

5.3 LME Clear may require a Member to hold additional Net Capital where, in the opinion of LME Clear, the Member's minimum Net Capital is insufficient having regard to the amount and type of business that the Member carries out.

[3] That is, the Capital Requirements Regulation, for the purposes of the application of Rule 1.2.4
[4] That is, MiFID II, for the purposes of the application of Rule 1.2.4

Permanent Capital and Additional Capital

5.4 LME Clear may vary the definition of Permanent Capital or Additional Capital as it thinks appropriate.

5.5 Members should contact LME Clear if they are uncertain as to whether certain instruments fall within the definition of Permanent Capital or Additional Capital.

Acceptability of Subordinated Loans

5.6 A Member may include subordinated loans as part of its Additional Capital provided that:

(a) the debt under such loan constitutes no more than fifty per cent (50%) of its minimum Net Capital requirement, unless LME Clear has provided its prior written consent to such debt constituting a greater percentage; and

(b) the Member undertakes that the loans will not be repaid without the prior consent of LME Clear.

5.7 In the event that a Member intends:

(a) for the debt under a subordinated loan to constitute more than fifty per cent (50%) of its minimum Net Capital requirement; or

(b) to repay a subordinated loan that is included as part of its Additional Capital,

the Member shall provide LME Clear with not less than ten (10) Business Days' prior notice of its intention to do so, specifying the date on which it intends such arrangement to take effect, and requesting LME Clear's consent to implement such arrangement. LME Clear may, acting reasonably, specify such conditions as LME Clear considers appropriate to the granting of any such consent.

5.8 For the avoidance of doubt, a Member may include subordinated loans from a parent company as part of its Additional Capital.

Acceptability of other long-term loans

5.9 LME Clear may recognise long-term loans other than subordinated loans in the calculation of Additional Capital.

Loan terms

5.10 Where loans (whether subordinated or otherwise) are included in a Member's Net Capital, LME Clear may require the relevant Member to provide LME Clear with details of the terms governing the relevant loans.

6. ON-GOING REPORTING REQUIREMENTS

General requirements

6.1 Each Member shall provide the following information to LME Clear when reasonably requested by LME Clear:

(a) such information in relation to the Member, its Posting Affiliate, its Clients or its Transactions as LME Clear may request (which may, for the avoidance of doubt, include information on commercial, regulatory or compliance matters and any information requested pursuant to Rule 5.3.1 or 5.3.3);

(b) such information as LME Clear may specify regarding the Member's ability to continue to comply with the Membership Criteria or any conditions imposed pursuant to paragraph 3.3 above;

(c) up-to-date information relating to the documentation or information provided by the Member as part of its application for Membership (including without limitation the categories of information specified in Membership Procedures B3 and B4);

(d) such information as LME Clear may request regarding the owners and controllers of the Member;

(e) such information as LME Clear may request regarding the directors and senior managers of the Member and any personnel who are responsible for the day-to-day management or operation of any function related to (i) the Transactions and Contracts that are subject to clearing by LME Clear or (ii) the Member's interaction with any aspect of the Clearing System; and

(f) any other information that LME Clear is permitted to request from the Member in accordance with any provision of the Rules.

For the avoidance of doubt, it shall always be reasonable for LME Clear to request information from a Member in the event that LME Clear considers that such information is necessary in order to enable LME Clear to assess the risk posed by a Member to the Clearing System or the Member's compliance with the Rules.

Financial accounts

6.2 Members shall provide LME Clear with a copy (in the English language) of each version of their annual financial accounts, together with a statement that their auditors have reviewed and approved the relevant financial accounts, within four (4) months of the Member's financial year-end.

6.3 LME Clear may also require any Member to provide the financial accounts of the Member's ultimate or immediate Parent Undertaking.

Regulatory returns

6.4 Unless LME Clear agrees otherwise, where a Member is regulated by the Prudential Regulation Authority or the Financial Conduct Authority, Members shall provide LME Clear with copies of all their regulatory returns (e.g. regulatory returns made to the Prudential Regulation Authority or the Financial Conduct Authority).

6.5 Members shall provide LME Clear with copies of any reports or notifications to a Regulator by the Member in relation to the Member's financial status, exposure to risk and compliance with any regulatory capital requirement or other financial requirement imposed on the Member by the Regulator where such reports or notifications or the information contained therein would be materially relevant to LME Clear's assessment of the Member's financial condition, credit worthiness, or fitness to remain a Member.

7. NOTIFICATION REQUIREMENTS

General requirements

7.1 A Member shall promptly notify LME Clear, both orally and in writing:

(a) if the Member at any time ceases to satisfy, or reasonably considers that it may imminently cease to satisfy, any of the Membership Criteria or any conditions imposed pursuant to paragraph 3.3 above;

(b) if the Member becomes the subject of any investigation, inquiry or disciplinary process by its Regulator or by any other governmental or regulatory body;

(c) if any development occurs which would materially change the information provided to LME Clear by the Member in its application for Membership;

(d) if any event occurs that would entitle LME Clear to exercise its rights under Rule 10 (*Default*);

(e) if any matter arises that could affect the Member's ability to perform its obligations under the Rules;

(f) if there is a change in the Authorised Representatives designated by the Member pursuant to Membership Procedure B8;

(g) if there is a change in any Service Agent designated by the Member pursuant to Rule 2.13.3;

(h) if any circumstances arise that could result in the Member being unable to perform its obligations in respect of any Contract; or

(i) if the Member invokes a recovery plan, or consides a similar process,

and for the avoidance of doubt, a Member shall provide to LME Clear such information as the Member may be required to provide to LME Clear in accordance with the terms of any other provision of the Rules.

Changes of Ownership

7.2 A Member which is a body corporate shall notify LME Clear in writing of the name of any person for the time being holding, or having a beneficial interest in, ten per cent (10%) or more of any class of the equity share capital of the Member or of any Parent Undertaking of the Member, and of any change in such a holding or interest, within seven (7) days of the holding or interest, or a change therein, coming to the Member's notice.

7.3 The members of a partnership or an unincorporated association who are joint Members shall notify LME Clear in writing of the name of any person who becomes or ceases to be a partner of that partnership or member of that unincorporated association (as the case may be) within seven (7) days of that event coming to that joint Member's notice.

7.4 Upon receipt by LME Clear of any notice from a Member under Membership Procedure B7.2 or 7.3, LME Clear may review the suitability of the Member for Membership of LME Clear. LME Clear may require the Member to provide such additional information as LME Clear may from time to time consider material in the course of such review. If upon completion of the review LME Clear is not satisfied that the Member continues to satisfy the criteria for Membership of the relevant types of business to be cleared by the Member LME Clear shall consider whether to suspend the rights of the Member or to terminate its Membership.

7.5 **Fall in Net Capital or shareholder funds**

7.6 A Member shall immediately notify LME Clear if its Net Capital or shareholder funds fall to below:

(a) the Member's Net Capital requirement;

(b) any threshold prescribed by a Regulator in accordance with Applicable Law; or

(c) 85% of the amount detailed in its last annual financial accounts.

8. AUTHORISED REPRESENTATIVES

8.1 Each Member shall at all times have appointed at least one individual to act as its Authorised Representative. The Authorised Representatives appointed by a Member shall be the primary points of contact and liaison between LME Clear and the Member in relation to matters arising in connection with the operation of the Clearing System and the discharge of the parties' obligations under the Rules and Procedures.

8.2 The Member shall ensure that its Authorised Representatives are:

(a) appropriately knowledgeable and trained in relation to those aspects of the Clearing System for which they are appointed to liaise with LME Clear;

(b) appropriately empowered by the Member to take decisions on behalf of, and represent the interests of, the Member in relation to those aspects of the Clearing System for which they are appointed to liaise with LME Clear; and

(c) in their interactions with LME Clear, act in an open and co-operative manner, and be honest and truthful and not mislead or conceal any material matter.

8.3 The Member shall ensure that LME Clear is at all times in receipt of up-to-date contact details (including direct telephone number, office address and email address) of each Authorised Representative currently appointed by the Member.

8.4 In the event that LME Clear notifies the Member of any concerns regarding, or objection to, any Authorised Representative appointed by the Member, the Member shall take all reasonable steps to address LME Clear's concerns. In the event that the Member is unable to adequately address LME Clear's reasonable concerns, the Member shall replace the Authorised Representative.

9. OTHER CONDITIONS

9.1 It shall be a condition of Membership for a General Clearing Member that it complies at all times with any and all reporting and information requirements applicable to the maintenance of Client Accounts, as such requirements may be specified in Rules 4 (*Accounts*) and 5 (*Client Business and Portability Arrangements*), as amended from time to time.

9.2 LME Clear may, at any time, add to, vary or reduce the conditions that a Member shall continue to satisfy in order to retain its Membership of LME Clear where LME Clear has reasonable grounds to consider that such revised conditions are necessary in order to control the risks posed by the Member to the Clearing System. For the avoidance of doubt, LME Clear may modify the Membership Criteria applicable to a Member in order to impose additional disclosure and reporting obligations in relation to the financial affairs of the

Member or its Affiliates where LME Clear has reasonable grounds for concern regarding the Member's solvency or its continuing ability to satisfy the Membership Criteria.

10. CHANGES TO SERVICES AND MEMBERSHIP STATUS

10.1 A Member that participates in any Service may notify LME Clear that it wishes to participate in additional Service(s).

10.2 LME Clear may require a Member that wishes to participate in any additional Service or to otherwise change its Membership status to:

(a) provide any additional information that LME Clear may require in order to allow the Member to participate in the Service and/or change its Membership status, or

(b) demonstrate its compliance with any requirements specific to the Service or Membership status that LME Clear requires Members to satisfy in order to participate in the Service or to maintain such Membership status.

10.3 For the avoidance of doubt, any Member wishing to participate in a Service must:

(a) have obtained the relevant category of membership at the Approved Transaction Platform that corresponds to the nature of the clearing activity to be conducted by the Member in respect of the Service;

(b) have established appropriate arrangements, acceptable to LME Clear, to enable the Member to settle Contracts in connection with the Service; and

(c) comply with any requirements to provide Default Fund Contributions in respect of the specific Service.

10.4 A Member that participates in more than one Service may terminate its participation in a specific Service in accordance with process and requirements specified in Rule 3 (*Membership*).

11. CLIENT DIRECT POSTING STRUCTURE

Any Member that wishes to enter into Client Direct Posting Documentation with a Client in relation to a Designated Client Account must be (or have applied to become) a Category 1 or 2 Member of LME.

PART C – COMPLAINTS

1. SCOPE OF COMPLAINTS

1.1 LME Clear shall investigate Complaints made against LME Clear or its personnel.

1.2 Complaints may relate to:

(a) breaches of Applicable Clearing Regulations by LME Clear;

(b) breaches of the Rules by LME Clear; or

(c) acts or omissions affecting:

(i) the proper operation of LME Clear; or

(ii) the functions of LME Clear.

1.3 For the avoidance of doubt, any Complaint by a Member about another Member shall be made to LME Clear and shall be dealt with by LME Clear in accordance with the disciplinary proceedings set out in Membership Procedure D.

2. REGISTERING A COMPLAINT

2.1 Complaints shall be made in writing and signed by an Authorised Representative.

2.2 A Complaint should:

(a) include sufficient information to allow LME Clear to:

(i) properly identify the matter that is subject to the Complaint; and

(ii) establish the basis for any alleged loss by the Complainant;

(b) include a representation by the Complainant as to the date on which it became aware of the event that has given rise to the Complaint; and

(c) set out the remedy sought by the Complainant.

2.3 If insufficient information is provided, LME Clear may request further information.

2.4 Any information regarding the Complaint or obtained from the Complainant in the course of a subsequent investigation may be disclosed to third parties (for example, the Regulator) as LME Clear considers appropriate, subject to any other provision of the Rules.

2.5 Any Complaints shall be sent to the address set out below in an envelope marked "Complaint":

General Counsel
LME Clear Limited
10 Finsbury Square
London EC2A 1AJ
United Kingdom

2.6 Complaints shall be made within six (6) months of the date on which the Complainant became aware of the event to which the Complaint relates, provided that no Complaint may be made at any time after the third (3rd) anniversary of the date of the event to which the

Complaint relates. Any Complaint made after this deadline shall not be investigated by LME Clear.

2.7 There is no fee to make a Complaint.

3. PROCESSING A COMPLAINT

3.1 Complaints will be investigated by the LME Clear Compliance Department who may involve other staff at LME Clear or outside professional assistance as appropriate.

3.2 The inquiry will be conducted independently of any LME Clear personnel who may be involved in the subject matter of the Complaint.

3.3 LME Clear will aim to complete its investigation within three (3) months, or within such further period as the scope of the Complaint reasonably demands.

3.4 LME Clear will, insofar as it is consistent with its duties in operating LME Clear and its duties of confidentiality to Members, advise the Complainant and any other relevant parties of the outcome of the investigation, and in particular whether it considers that there are good grounds for Complaint against LME Clear or its personnel. LME Clear will also advise the Complainant of recommended action arising from the investigation of the Complaint.

4. REFERRING COMPLAINTS TO LME CLEAR'S INDEPENDENT COMPLAINTS COMMISSIONER

4.1 If the Complainant is dissatisfied with the investigation of the Complaint or with the reported outcome of the investigation, he may request that the Complaint is referred to an Independent Complaints Commissioner. Such request shall be made within fifteen (15) Business Days of the Complainant being notified of the outcome of the investigation.

4.2 The Independent Complaints Commissioner shall be appointed for the purposes of a Complaint by the Centre for Effective Dispute Resolution (CEDR). The individual appointed as the Independent Complaints Commissioner shall:

(a) be independent of LME Clear and the Complainant (meaning that the individual is not, and has not been, an officer, director or employee of LME Clear, the Complainant or their Affiliates);

(b) have appropriate knowledge and experience of how clearing is carried out by LME Clear, including the Rules and any Applicable Law relevant to the Complaint; and

(c) have appropriate experience of the market to which the Complaint relates.

4.3 LME Clear shall be responsible for co-ordinating the appointment of the Independent Complaints Commissioner. Unless there are reasons for a delay which are beyond the reasonable control of LME Clear, the Independent Complaints Commissioner shall be appointed within fifteen (15) Business Days of the request under Membership Procedure C4.1 being received by LME Clear.

4.4 The Independent Complaints Commissioner may:

(a) call on all appropriate documentation from all relevant parties to enable him to form a view on the Complaint;

(b) permit and/or request the Complainant and LME Clear to provide written submissions in relation to any specific matter;

(c) interview representatives of the Complainant and LME Clear;

(d) take whatever appropriate action he considers might assist in considering the Complaint; and

(e) conduct the consideration of the issues as he sees fit.

4.5 The Independent Complaints Commissioner shall produce a written report on its findings in relation to the Complaint. The written report may make a recommendation, if appropriate, that LME Clear make a compensatory payment to the Complainant and/or remedies the matter to which the Complaint relates.

4.6 The written report shall be provided to LME Clear and the Complainant. In addition, the Independent Complaints Commissioner may publish the report (or any part of it) if the Independent Complaints Commissioner considers that it ought to be brought to the attention of the public.

4.7 The Independent Complaints Commissioner may:

(a) require LME Clear to inform the Independent Complaints Commissioner and the Complainant of the steps which it proposes to take in response to the report; and

(b) require LME Clear to publish the whole or a specified part of its response to the Independent Complaints Commissioner.

4.8 LME Clear shall be liable for any costs relating to the appointment of the Independent Complaints Commissioner.

4.9 The decision of the Independent Complaints Commissioner shall be final and binding and there shall be no further appeal.

PART D – DISCIPLINE

1. INVESTIGATIONS

1.1 LME Clear may investigate any alleged Acts of Misconduct by a Member.

1.2 In the course of conducting an investigation, LME Clear may appoint professional, legal or accounting advisers to assist, or enlist the assistance of any other external adviser as it thinks fit. Any external adviser appointed by LME Clear shall be required to treat all information obtained in the course of the investigation as confidential and to disclose it only to LME Clear.

1.3 LME Clear shall issue a Notice of Investigation ("**NoI**") notifying the Member concerned that an investigation has been commenced. The NoI shall be in writing to the Member's Compliance Officer, and shall contain a brief description of the matter under investigation.

1.4 Members shall co-operate fully with all investigations (whether or not they are the Member under investigation). In particular, Members shall:

(a) make available for interview such of their officers, employees or agents as may be reasonably requested in order that they may answer questions and explain any matter that LME Clear considers relevant to the investigation;

(b) comply fully with their obligation to provide information in accordance with Rule 3 (*Membership*); and

(c) permit an authorised representative of LME Clear to visit their offices at any time, for the purpose of the investigation.

2. INITIATING PROCEEDINGS

2.1 LME Clear may bring disciplinary proceedings against any Member where LME Clear considers the Member (or an employee or other person for whom LME Clear deems the Member to be responsible) to have committed an Act of Misconduct.

2.2 Where LME Clear decides to bring disciplinary proceedings, it shall serve a notice setting out the alleged Act of Misconduct together with a summary of the facts relied upon (the "**Enforcement Notice**") on the Member concerned.

2.3 The disciplinary proceedings under Part D of these Membership Procedures are without prejudice to LME Clear's rights under Rule 10 (*Default*).

3. DEFENCE

3.1 The Member has sixty (60) days from service of a Enforcement Notice to serve a statement of defence (a "**Defence**") that:

(a) responds to all or any of the allegations;

(b) states whether or not the Member admits all or any of the allegations; and

(c) states what admissions of fact, if any, the Member makes.

3.2 After reviewing the Defence, LME Clear may, if it deems it appropriate, choose to discontinue disciplinary proceedings.

3.3 After reviewing the Defence, LME Clear may, if it deems it appropriate, amend its Enforcement Notice. In these circumstances, the Member has ten (10) Business Days from service of the amended Enforcement Notice to serve an amended Defence. If the Member fails to serve an amended Defence, the Member will be deemed to be relying on his original Defence.

3.4 Where no Defence has been served pursuant to Membership Procedure D3.1, and no settlement has been reached within twenty (20) Business Days from service of an Enforcement Notice, the Member will be deemed to have accepted the facts and matters alleged in the Enforcement Notice and will therefore be deemed to have committed an Act of Misconduct. For the avoidance of doubt, a disciplinary hearing will not be held and the Disciplinary Committee shall make a determination in accordance with Membership Procedure D6.

4. COMPOSITION OF DISCIPLINARY COMMITTEE

4.1 The Disciplinary Committee shall consist of three directors of LME Clear.

4.2 Details of the precise composition of the Disciplinary Committee shall be provided to the Member prior to the disciplinary hearing.

5. THE DISCIPLINARY HEARING

5.1 The disciplinary hearing shall take place:

(a) where LME Clear does not amend its Enforcement Notice under Membership Procedure D3.3, no later than twenty (20) Business Days after service of the Defence;

(b) where LME Clear amends its Enforcement Notice under Membership Procedure D3.3, no later than twenty (20) Business Days after the last date on which an amended Defence could have been filed; or

(c) on such other date as the Disciplinary Committee shall require.

5.2 The Disciplinary Committee shall determine the procedure to be followed at the disciplinary hearing. Without limitation, the Disciplinary Committee may:

(a) hold a pre-hearing review to hear procedural applications by LME Clear or the Member;

(b) direct LME Clear and a Member to disclose copies of any document;

(c) direct LME Clear and a Member to provide further submissions or information as may be necessary to clarify the relevant facts and issues;

(d) allow LME Clear and a Member to call witnesses to give evidence and be questioned (and this may include relevant experts and advisers); and/or

(e) allow LME Clear and a Member to be represented by any person.

5.3 Disciplinary hearings will normally be held in private, unless both LME Clear and the Member agree that the hearing should be in public.

5.4 The Disciplinary Committee may appoint its own legal advisers.

5.5 If either party fails to attend a disciplinary hearing, the hearing may proceed in that party's absence.

5.6 A record shall be made of a disciplinary hearing, electronically or otherwise. The Member shall be entitled to a transcription or copy of the record on payment of any applicable costs.

5.7 The Disciplinary Committee may admit any evidence whether oral or written, and whether or not the same would be admissible in a court of law.

5.8 The burden of proof shall be on LME Clear. The Disciplinary Committee shall not find an allegation proved unless it is satisfied on the balance of probability.

6. THE DETERMINATION

6.1 The Disciplinary Committee shall announce its findings to the parties as soon as practicable.

6.2 Where the Disciplinary Committee is satisfied that the Member has committed an Act of Misconduct it shall provide the parties with an opportunity to make representations before determining the penalty to be imposed.

6.3 The Disciplinary Committee shall announce the penalty to be imposed as soon as possible.

6.4 Within twenty (20) Business Days of announcing its findings, the Disciplinary Committee shall serve on the parties a written decision comprising:

(a) its findings of fact;

(b) its findings as to whether any charges not admitted are proved;

(c) the reasons for its decision; and

(d) any penalties to be imposed on the Member, together with an indication as to:

(i) whether any part of the penalty is compensatory for the benefit of the Members generally or for specified individuals; and

(ii) what part of the penalty is punitive.

6.5 Subject to appeal, and unless the Disciplinary Committee determines otherwise, any penalty imposed shall take effect ten (10) Business Days after service of the written decision.

7. PENALTIES

7.1 The Disciplinary Committee may impose one or more of the following penalties:

(a) a public or private reprimand;

(b) a fine of any amount;

(c) an order that the Member make restitution to any person where the Member has profited from its misconduct at that person's expense;

(d) an order that the Member pay to LME Clear any gains resulting from a proven breach of the Rules;

(e) a requirement to comply with such conditions as the Disciplinary Committee deems appropriate;

(f) suspension or termination from Membership subject to ratification by the Board of LME Clear or its nominated delegate(s). Any suspension or termination shall be in accordance with Rules 3.6 to 3.9 or Rule 10 (*Default*) (for the avoidance of doubt, a determination that a Member has committed an Act of Misconduct shall constitute a Default Event under Rule 10 (*Default*)).

7.2 The sanction imposed by the Disciplinary Committee shall be proportionate and commensurate with the seriousness of the Act of Misconduct, taking into account factors including the consequences of the act and whether the act was deliberate or negligent.

7.3 In the event that a Member fails to comply with a penalty imposed, or direction made under this Membership Procedure 7, such failure shall constitute a breach of the Rules.

8. COSTS

The Disciplinary Committee may make costs orders at its discretion. It may order any party to pay such costs as it reasonably considers to be appropriate in the circumstances, including, but not limited to, administration costs and costs incurred in the investigation, preparation and presentation of the case.

9. SETTLEMENTS

9.1 LME Clear and the Member may agree to settle disciplinary proceedings at any time up to the commencement of the disciplinary hearing.

9.2 Settlement negotiations shall be undertaken on a without prejudice basis.

10. CONVICTIONS AND FINDINGS BY OTHER AUTHORITIES

10.1 The findings of fact of any court in the United Kingdom or the Upper Tribunal (Tax and Chancery Chamber), which have not been set aside on appeal or otherwise, shall be conclusive evidence of the facts so found.

10.2 A criminal conviction by any court in the United Kingdom which has not been set aside on appeal or otherwise shall be conclusive evidence of the commission of that offence.

10.3 The findings of fact of the following bodies, which have not been set aside on appeal or otherwise, shall be *prima facie* evidence of the facts so found:

(a) any court of competent jurisdiction outside the United Kingdom;

(b) any committee or tribunal of the Financial Services Authority, the Bank of England, the Prudential Regulatory Authority, the Financial Conduct Authority, ESMA, a self-regulating organisation, a recognised professional body, a recognised investment exchange, a recognised clearinghouse or any "overseas regulator" under section 195(3)-(4) of the Financial Services and Markets Act 2000 or any financial services legislation replacing the Financial Services and Markets Act, exercising regulatory or disciplinary functions;

(c) the Competition Commission; and

(d) any other body exercising a regulatory or disciplinary jurisdiction over any persons engaged in financial services business whether in the United Kingdom or elsewhere.

11. FINES FOR SETTLEMENT FAILURES (LMEPRECIOUS)

In the event that a Member conducts an Act of Misconduct pursuant to Rule 7.9.1 (*Postponed Delivery: LMEprecious*):

(a) such Act of Misconduct may also constitute a breach of the LME Rules;

(b) LME Clear shall co-ordinate with the LME with respect to the investigation, and any disciplinary action, to be taken against the Member pursuant to this Membership Procedure D and the disciplinary procedures under the LME Rules; and

(c) for the avoidance of doubt, nothing shall prevent LME Clear from applying the procedures in this Membership Procedure D in respect of such Act of Misconduct in the event that the LME does not apply its own disciplinary procedures against, or take any disciplinary action against, the Member.

PART E – APPEAL

1. INITIATING AN APPEAL

1.1 Within ten (10) Business Days of:

(a) notice that LME Clear has determined to reject an Applicant's application for Membership; or

(b) service of a decision by the Disciplinary Committee under Membership Procedure D6.4,

the Applicant or Member may appeal to the Appeal Committee by serving a notice of appeal to LME Clear.

1.2 A notice of appeal shall set out the grounds of the appeal and contain a brief statement of all matters relied upon by the person making the appeal.

1.3 The grounds of the appeal may be any one or more of the following:

(a) LME Clear or the Disciplinary Committee (as appropriate) misdirected itself;

(b) LME Clear or the Disciplinary Committee's (as appropriate) decision was:

(i) one that could not have reasonably been reached;

(ii) unsupported by the evidence or was against the weight of the evidence; or

(iii) based on an error of law or misinterpretation of the Rules;

(c) in the case of an Act of Misconduct, the penalty imposed by the Disciplinary Committee was either excessive or insufficient; or

(d) in the case of an Act of Misconduct, new evidence is available, which, if it had been brought forward before the Disciplinary Committee's findings were made, the Disciplinary Committee could reasonably have come to a different decision (this ground will not apply if the evidence could, by the exercise of reasonable diligence, have been brought forward before the Disciplinary Committee's findings were made).

2. COMPOSITION OF THE APPEAL COMMITTEE

2.1 The Appeal Committee shall comprise two persons who shall be nominated by the Centre for Effective Dispute Resolution (CEDR). The individuals appointed shall:

(a) be independent of LME Clear and the Applicant or Member (meaning that the individual is not, and has not been, an officer, director or employee of LME Clear, the Applicant or Member or their Affiliates);

(b) have appropriate knowledge and experience of how clearing is carried out by LME Clear, including the Rules and any Applicable Law relevant to the appeal; and

(c) have appropriate experience of the market to which the appeal relates.

2.2 Details of the precise composition of the Appeal Committee shall be provided to the Applicant or Member prior to the appeal hearing.

3. THE APPEAL HEARING

3.1 The Appeal Committee shall determine the procedure at the appeal having regard to the following:

(a) the person making the appeal is to open the appeal;

(b) any witnesses called may be:

(i) examined, cross-examined and re-examined by the parties; and

(ii) questioned by the Appeal Committee;

(c) the other party may make submissions in response to those made by the person making the appeal; and

(d) the person making the appeal may make closing submissions.

3.2 The Appeal Committee may appoint its own legal advisers. In the case of an Act of Misconduct, the legal advisers appointed may not be the same legal advisers appointed by the Disciplinary Committee.

3.3 If any party fails to attend an appeal hearing, the hearing may proceed in its absence.

3.4 A record shall be made of an appeal hearing, electronically or otherwise. The Applicant or Member shall be entitled to a transcription or copy of the record on payment of the applicable costs.

3.5 The burden of proof shall be on LME Clear. The Appeal Committee shall not find an allegation proved unless it is satisfied on the balance of probability.

3.6 The Appeal Committee may admit any evidence whether oral or written, whether direct or hearsay and whether or not the same would be admissible in a court of law.

4. THE DETERMINATION

4.1 The Appeal Committee shall announce its decision to the parties as soon as practicable.

4.2 The Appeal Committee may dismiss or allow the appeal and may change the penalty imposed as it considers appropriate.

4.3 Within twenty (20) Business Days of the conclusion of the appeal hearing, the Appeal Committee shall serve on the parties a written decision setting out its reasons.

4.4 The decision of the Appeals Committee shall be final and binding and there shall be no further appeal.

5. COSTS

The Appeal Committee may make costs orders at its discretion. It may order any party to pay such costs as it reasonably considers to be appropriate in the circumstances, including, but not limited to, administration costs and costs incurred in the investigation, preparation and presentation of the case.

CLEARING PROCEDURES

PART A – INTRODUCTION AND GENERAL MATTERS

1. INTERPRETATION AND INTRODUCTION

1.1 These Clearing Procedures form part of, and shall be read in conjunction with, the Rules and are legally binding on Members. Terms defined in the Rules have the same meaning in these Clearing Procedures. In the event of any conflict or inconsistency between the Rules and these Clearing Procedures, the Rules shall prevail.

1.2 These Clearing Procedures are arranged into the following Parts:

(a) Part A: Introduction and General Matters;

(b) Part B: Transaction and Position Management;

(c) Part C: Valuation, Margining and Risk Management;

(d) Part D: Treasury and Collateral Management;

(e) Part E: the Secure Payment System and Cash Settlements;

(f) Part F: Physical Delivery; and

(g) Part G: Interest, Fees and Charges.

1.3 The Clearing Procedures should be read in conjunction with the following Annexes, which support and supplement the Clearing Procedures:

(a) Annex 1 (*Eligible Products)*;

(b) Annex 2 (*Eligible Currencies, Collateral and Haircuts*);

(c) Annex 3 (*Fees and Charges*);

(d) Annex 4 (*List of Available Reports*);

(e) Annex 5 (*Margin Parameters*); and

(f) Annex 7 (*Delivery Timetables).*

2. INTRODUCTION TO PART A OF THE CLEARING PROCEDURES

2.1 This Part A of the Clearing Procedures specifies the Clearing Procedures applicable to:

(a) the time zone applicable to these Clearing Procedures (**Clearing Procedure A3**);

(b) the specification of the products that are eligible to be cleared via the Clearing System (**Clearing Procedure A4**), which shall be read in conjunction with Annex 1 (*Eligible Products*);

(c) the definition of an Instrument (**Clearing Procedure A5**);

(d) the basis on which LME Clear will determine prices applicable to the processes set out in these Clearing Procedures (**Clearing Procedure A6**);

(e) the basis on which LME Clear will issue various Reports to Members (**Clearing Procedure A7**), which shall be read in conjunction with Annex 4 (*List of Available Reports*);

(f) certain interpretative provisions regarding payment-related terminology (**Clearing Procedure A8**).

3. LONDON TIME

All times specified in these Procedures shall be construed as local London time unless explicitly stated otherwise.

4. ELIGIBLE PRODUCTS

4.1 Annex 1 (*Eligible Products*) specifies the list of financial instruments that constitute Eligible Products and the Product Specifications in respect of each such Eligible Product. The only contracts that are eligible at any given time to be submitted to be cleared via the Clearing System are those meeting the requirements specified in Annex 1 (*Eligible Products*).

4.2 Annex 1 (*Eligible Products*) describes the attributes of each Eligible Product and, where relevant, provides a cross reference to the relevant Clearing Procedure that describes the processes of the Clearing System that relate to that attribute.

4.3 Annex 1 (*Eligible Products*) may be updated from time to time by LME Clear in accordance with Rule 2 (*General Provisions*).

Where any individual Eligible Product is referred to in these Clearing Procedures, it shall be defined in accordance with Annex 1. Such individual Eligible Products shall not be specifically defined in Rule 1 (*Definitions and Interpretation*).

5. INSTRUMENTS

5.1 For the purposes of the Rules, an "**Instrument**" shall be defined, by reference to one or more Open Contracts in respect of the same Eligible Product and having the same Product Specifications, as the maximum number of common parameters for which it is possible to identify a market price, and which shall in each case exclude the following parameters:

(a) the Execution Price;

(b) the volume of Underlying Assets to be delivered; and

(c) the direction (that is, buy or sell) held by LME Clear.

For the avoidance of doubt, the Open Contracts relating to any single Instrument may each contain characteristics that are not reflected in the Instrument. However such characteristics will be those that are not capable of assisting the identification of a market price.

5.2 LME Clear identifies Instruments in order to identify a market price for the Open Contracts relating to each such Instrument. The market price will always be determined as the mid-market price for the Open Contracts relating to that Instrument. This is intended to facilitate the application of netting and settlement to market processes in respect of those Eligible Products that settle on a daily basis.

5.3 The following are set out as examples of Instruments:

(a) In respect of an LME Exchange Traded Forward, the Instrument will comprise the following characteristics of the Open Contracts for such Eligible Product where such characteristics are identical:

(i) type of Eligible Product (i.e. LME Exchange Traded Forward);

(ii) Underlying Asset (e.g. copper);

(iii) Settlement Currency (e.g. USD); and

(iv) Prompt Date.

(b) In respect of an LME Exchange Traded European Option, the Instrument will comprise the following characteristics of the Open Contracts for such Eligible Product where such characteristics are identical:

(i) type of Eligible Product (i.e. LME Exchange Traded European Option);

(ii) Underlying Asset (e.g. copper);

(iii) nature of option (e.g. either a call or a put);

(iv) the Strike Price Currency (e.g. USD);

(v) the Strike Price;

(vi) the Premium Currency (e.g. USD); and

(vii) the Expiry Date.

For the avoidance of doubt, the capitalised terms specified in the examples above refer to components of the Product Specifications of the relevant Eligible Products, and are to be interpreted in accordance with Annex 1 (*Eligible Products*).

6. CLOSING PRICES, SETTLEMENT PRICES, MARKET DATA AND PRICE SETS

Price-related terms defined

6.1 This Clearing Procedure A6 defines:

(a) the LME Closing Prices and the LBMA Closing Prices (each a sub-category of Closing Price);

(b) the LME Settlement Prices, the Gold Settlement Price and the Silver Settlement Price (each a sub-category of Settlement Price);

(c) the Price Sources for such prices; and

(d) the Price Sets.

LME Clear Prices

6.2 LME Clear will use such pricing data provided by third parties in order to:

(a) create intra-day Price Sets;

(b) create End of Day Price Sets (or Closing Prices); and

(c) create Settlement Prices.

6.3 LME Clear will, wherever reasonably practicable, use published prices for such purposes, typically at the End of Day on each Business Day (with the exception of the creation of intra-day Price Sets).

Closing Prices

6.4 The following shall constitute "**Closing Prices**":

(a) **Closing Prices for LME Exchange Traded Products**

(i) The Closing Prices for LME Exchange Traded Products other than Cash-Settled Futures or LMEprecious Products shall be the "Closing Prices" in the "Major Currency", as each such term is defined under the LME Rules.

(ii) The Closing Prices for LME Exchange Traded Products that are "Cash-Settled Futures" (as defined in the LME Rules) shall be the relevant "Cash-Settled Future Daily Settlement Price" for the specific Product, as such term is defined under the LME Rules.

(iii) The Closing Prices for LMEprecious Futures shall be the "LMEprecious Daily Settlement Price", as such term is defined in the LME Rules.

(each of (i), (ii) and (iii) being the "**LME Closing Prices**")

(b) **[Closing Prices for OTC Bullion Products**

[*left intentionally blank*].]

Settlement Prices

6.5 The following shall constitute "**Settlement Prices**":

(a) **Settlement Prices for LME Exchange Traded Products**

The Settlement Prices for LME Exchange Traded Products ("**LME Settlement Prices**") shall be the "Settlement Prices", as defined under the LME Rules.

(b) **Settlement Prices for OTC Bullion Products**

The Settlement Prices for OTC Bullion Products shall be as follows:

(i) [*left intentionally blank*] (the "**Gold Settlement Price**"); and

(ii) [*left intentionally blank*] (the "**Silver Settlement Price**").

Price Sources

6.6 The LME shall therefore be a "**Price Source**" for the purpose of these Procedures.

6.7 In the event that any Price Source fails to publish any Closing Price or Settlement Price that LME Clear needs to use in order to perform any process, LME Clear may determine the relevant price to be used for such process. Such determination will be at LME Clear's discretion and shall be conclusive. This Clearing Procedure A6.7 is subject to, and without prejudice to, any Rule that provides for an alternative means of determining a Closing Price or Settlement Price in the specific circumstances contemplated by such Rule.

Price Sets

6.8 In these Clearing Procedures a "**Price Set**" means a complete array of Market Prices and Volatility Metrics that includes:

(a) a Market Price for every Instrument; and

(b) all foreign exchange rates, interest rates and Collateral Valuation rates that shall be used by LME Clear in order to perform its calculations of the risks relating to any Member, Position, Account or Instrument.

LME Clear shall, on a continuous basis, during each Business Day, determine the Price Sets that it shall use for the purposes of its operation of the Clearing System.

6.9 For the avoidance of doubt, LME Clear shall use:

(a) an **"End of Day Price Set"** for the purpose of its End of Day risk management and Margin Requirement calculations and processes. This Price Set shall include the LME's "Closing Prices" (as defined in the LME Rules unless the LME fails to determine such Closing Prices, in which case LME Clear shall use such prices as it considers to be appropriate); and

(b) the Price Set most recently defined and adopted by LME Clear shall be used for the purpose of LME Clear's Intra-Day Margin Requirement calculations.

6.10 LME Clear reserves the right to amend any prices that it considers do not accurately reflect the current market price.

6.11 LME Clear shall make available to the Members the Price Set that it uses for End of Day calculations of Margin Requirements.

7. REPORTING

7.1 LME Clear will make available to Members the Reports specified in Annex 4 (*List of Available Reports*) in such formats and at such frequencies as are specified in Annex 4 (*List of Available Reports*).

7.2 The Reports will be made available to Members through the Member-specific section of the Website.

7.3 In addition to the Reports, LME Clear will make available to Members via the Website certain data relating to the Member's use of the Clearing System, including information regarding:

(a) the Transactions submitted to LME Clear by Approved Transaction Platforms; and

(b) the Member's current Positions in respect of Open Contracts.

7.4 Members will also be able to access margin calculation files and market data files from the Website.

7.5 All Reports, transmissions and other documents (other than Notices issued by LME Clear pursuant to Rule 2.9) in electronic format shall be deemed delivered to and received by each Member when made available for retrieval by LME Clear. Each Member shall be obligated to retrieve and review all Reports, transmissions and documents, and to notify LME Clear promptly of any error or discrepancies contained therein. To the extent necessary or appropriate, LME Clear may cause an adjustment to be made to the data within such time as LME Clear determines to be necessary.

7.6 The contents of all Reports, transmissions and other documents delivered or deemed to be delivered to a Participant shall be conclusive and binding on the Member if the Member does not notify LME Clear of any error or discrepancy with thirty (30) days of such delivery or deemed delivery.

7.7 It is the responsibility of each Member to access and preserve a copy of any Reports or data that such Member may require for any purpose or reason (whether operational, audit-related, legal, regulatory or otherwise).

8. INTERPRETATION OF "POSTING" AND "FOR VALUE" (CASH SETTLEMENT TERMS)

8.1 In these Clearing Procedures, reference to any cash payment being "posted" or "for value" on any particular Business Day shall be interpreted as follows:

(a) "**posted**" shall mean notified to the relevant Approved Settlement Bank and recorded on the Accounts maintained by LME Clear in the Clearing System, in relation to a Member, as a payment due from, or to, the Member; and

(b) reference to a payment being "**for value**" on a particular Business Day shall mean that the relevant payment shall be received into the receiving person's Settlement Account at the relevant Approved Settlement Bank on that particular Business Day.

PART B – TRANSACTION AND POSITION MANAGEMENT

1. INTRODUCTION

This Part B of the Clearing Procedures specifies the Clearing Procedures applicable to:

(a) the arrangements by which Transactions shall be submitted to LME Clear (**Clearing Procedure B2**);

(b) the arrangements that LME Clear will apply to determine whether and when Transactions will be Accepted (**Clearing Procedure B3**);

(c) the basis on which LME Clear will establish and monitor Positions in Open Contracts, including a specification of the Eligible Products that will be subject to netting of Positions and those that will be subject to a maintenance of Positions on a gross basis (**Clearing Procedure B4**);

(d) the basis on which certain Eligible Products will settle to market (**Clearing Procedure B5**)

(e) the arrangements for the exercise and assignment of options under Option Contracts of different types (**Clearing Procedure B6**); and

(f) the specification of which Eligible Products are Physically Settling Products and the identification of the provisions relevant to the determination of the Delivery Positions under Contracts for such Physically Settling Products (**Clearing Procedure B7**).

2. SUBMISSION OF TRANSACTIONS TO LME CLEAR

2.1 Transaction Capture and Matching

2.2 Transactions may only be submitted to LME Clear by or through an Approved Transaction Platform.

2.3 The Approved Transaction Platform shall be responsible for all trade capture and matching functions and will submit to LME Clear matched trade pairs as a single Transaction for clearing via the Clearing System.

2.4 Each Member shall ensure that it has executed all relevant documentation and contracts specified by the Approved Transaction Platforms that it will use to submit Transactions to LME Clear and comply with all eligibility requirements, rules and operating procedures of such Approved Transaction Platforms.

2.5 The platforms are currently approved as Approved Transaction Platforms by LME Clear for Transactions in specific Eligible Products are specified in the Product Specification set out in Annex 1 (*Eligible Products*).

2.6 Transaction Submission Deadlines

2.7 The operating times during which the Clearing System is open to receive Transaction Data shall be as specified in Circulars issued by LME Clear from time to time (each being an "**Opening Hours Circular**").

2.8 Any Transaction Data received following the relevant deadline specified for the Transaction by LME Clear in the relevant Opening Hours Circular will, unless LME Clear determines otherwise, be rejected by LME Clear.

3. TRANSACTION ACCEPTANCE

3.1 Acceptance Criteria

All Transactions submitted to LME Clear must satisfy the following "**Acceptance Criteria**" in order to be Accepted:

(a) the Transaction must:

(i) relate to an Eligible Product;

(ii) be executed in accordance with the rules of an Approved Transaction Platform that is approved by LME Clear for such Eligible Product;

(iii) be executed pursuant to an Approved Execution Arrangement;

(iv) have as each party to the Transaction either:

(1) a Member; or

(2) a Client or Indirect Client authorised by a General Clearing Member to enter into a Transaction that will be subject to clearing by LME Clear in accordance with the Rules;

(v) satisfy the transaction data checks identified in Clearing Procedure B3.8, where and to the extent that such checks are required to be performed prior to the Acceptance Time pursuant to Clearing Procedure B 3.9;

(b) each Member that is to accept responsibility for the Transaction shall:

(i) have been admitted to participate in the Service to which the Eligible Product relates;

(ii) have executed such other agreements or documents as may be required by LME Clear from time to time in connection with the relevant Service to which the Transaction relates;

(iii) have a Settlement Account at an Approved Settlement Bank in the relevant Eligible Currency for the Transaction; and

(iv) (where the Transaction will give rise to a Physical Delivery Contract) have in place appropriate arrangements with an Approved Delivery Facility in accordance with Clearing Procedure F (*Physical Delivery*);

(c) LME Clear has not, prior to Acceptance, notified the Approved Transaction Platform that it will not accept trades:

(i) from a Member or Non-Clearing Firm that is a party to, or responsible for, the Transaction; and/or

(ii) in relation to the Eligible Product that is the subject of the Transaction; and

(d) a Default Event must not have arisen in respect of any Member that is responsible for the Transaction at any time prior to, Acceptance, subject that LME Clear shall have the discretion to waive this requirement in respect of any Transaction and, notwithstanding Rule 2.11.1, such waiver may be applied and effective without any requirement for LME Clear to issue a written notification of such waiver.

3.2 **Execution by an Approved Execution Arrangement**

The following paragraphs define the "**Approved Execution Arrangements**" and their respective requirements for execution.

(a) **LME Ring**

(i) The Ring shall be an Approved Execution Arrangement for Transactions in LME Base Products.

(ii) Subject to the satisfaction of all other Acceptance Criteria, Acceptance shall be deemed to have occurred at the time at which the Transaction is agreed between the Members in the Ring.

(iii) Promptly following Acceptance, and in accordance with such timescales and requirements as are specified in the LME Rules, each Member responsible for a Transaction agreed in the Ring shall submit to LMEsmart the relevant information regarding the details of the Transaction in order to enable LMEsmart to perform such checks as LME Clear shall specify and agree with the Approved Transaction Platform. Any failure by a Member to comply with such requirements shall be dealt with under the LME Rules.

(b) **LMEselect**

(i) LMEselect shall be an Approved Execution Arrangement for Transactions in:

(1) LME Base Products; and

(2) LMEprecious Products.

(ii) Transactions agreed via LMEselect shall be subject to the application of such pre-execution checks as LME Clear shall specify and agree with the Approved Transaction Platform. The Approved Transaction Platform will not permit a Transaction to be executed via LMEselect unless such pre-execution checks are satisfied.

(iii) Subject to the satisfaction of all other Acceptance Criteria, Transactions agreed via LMEselect shall be deemed to be Accepted at the time at which the Transaction is confirmed in the LMEselect system as being matched, in accordance with the LME Rules.

(c) **LME Inter-Office Market**

(i) The LME Inter-Office Market, in conjunction with a Contingent Agreement to Trade and LMEsmart, shall be an Approved Execution Arrangement for Transactions in:

(1) LME Base Products; and

(2) LMEprecious Products.

(ii) The LME Inter-Office Market, in conjunction with LMEsmart, shall be an Approved Execution Arrangement for Transactions arranged by a RIB in:

(1) LME Base Products; and

(2) LMEprecious Products.

(iv) Transactions agreed via the LME Inter-Office Market shall, except where the Transaction is arranged by a RIB, give rise to a Contingent Agreement to Trade between the counterparties to the Transaction, in accordance with the LME Rules.

(iv) The Contingent Agreement to Trade has no effect or status under these Rules, and shall be governed solely by the LME Rules.

(v) The counterparties to a Contingent Agreement to Trade are responsible, under the LME Rules for the submission of the relevant Transaction Data to LMEsmart.

(vi) The counterparties to a Transaction arranged by a RIB are responsible, together with such RIB, under the LME Rules, for the submission of the relevant Transaction Data to LMEsmart.

(vii) LMEsmart shall apply such pre-execution checks as LME Clear shall specify and agree with the Approved Transaction Platform. The Approved Transaction Platform shall not permit a Transaction in respect of a Contingent Agreement to Trade, or any Transaction arranged by a RIB, to be executed via LMEsmart unless such pre-execution checks are satisfied.

(viii) When the pre-execution checks are satisfied, LMEsmart shall confirm that the Transaction may be executed.

(ix) Subject to the satisfaction of all other Acceptance Criteria, Transactions agreed via the LME Inter-Office Market, and which have been subject to the process set out in (iii) to (viii) above shall be deemed to be Accepted at the time at which the Transaction is confirmed in LMEsmart as being capable of execution, in accordance with the LME Rules.

(x) For the avoidance of doubt, neither the LME nor LME Clear regards a Contingent Agreement to Trade as constituting any form of derivative contract.

3.3 Contracts formed under Give-Ups

In the event that, in accordance with the relevant LME Rules governing Give-Ups:

(a) a Member agrees a Transaction via LMEselect or the LME Inter-Office Market, and (as a Give-Up Executor) submits a Give-Up Executor Instruction into the Approved Transaction Platform; and

(b) a Contract is allocated to the Give-Up Executor's House Account upon Acceptance of the original Transaction (such Contract being the "**Original House Contract**"); and

(c) at the Acceptance Time for the Give-Up Executor Instruction, the Accepting Member has not been identified, and a valid and complete Give-Up Acceptance has not been accepted and confirmed within LMEsmart,

then the following Contracts shall automatically and immediately come into effect between LME Clear and the Give-Up Executor:

(i) a Contract allocated to the Give-Up Executor's House Account, having the opposite direction to that of the Original House Contract (the "**Offsetting House Contract**"); and

(ii) a Contract allocated to an Administrative Account of the Give-Up Executor, having the same direction as that of the Original House Contract (the "**Give-Up Contract**").

3.4 In the event that, in accordance with the relevant LME Rules governing Give-Ups:

(a) the Give-Up Executor submits to the Approved Transaction Platform the appropriate information (in accordance with the LME Rules) identifying the Accepting Member that is to clear for the Client that initiated the Transaction; and

(b) LMEsmart confirms:

(i) the acceptance by such Accepting Member of the Give-Up arrangement pursuant to a Give-Up Acceptance; and

(ii) the satisfaction of the Acceptance Criteria in respect of the Transaction represented by the Give-Up Acceptance,

then

(c) upon Acceptance of such Give-Up Acceptance, LME Clear shall cancel the Give-Up Contract, which shall from the time of such cancellation cease to have effect between LME Clear and the Give-Up Executor.

3.5 In the event that the steps in Clearing Procedure B 3.4(a) or (b) are not completed, the step in (c) shall not take effect and the Give-Up Contract shall continue to be cleared in accordance with these Rules, unless and until LME and LME Clear agree with the Give-Up Executor to take any further action in respect of such Give-Up Contract.

3.6 **Transaction Data Capture**

For the avoidance of doubt, LMEselect (in respect of Transactions agreed via LMEselect) and LMEsmart (in respect of Transactions agreed via the LME Inter-Office Market) shall capture the Transaction Data in respect of each Transaction to:

(a) enable such systems to verify that the Transaction and the Member(s) responsible for such Transaction satisfy the static data, risk and credit checks applied by LME Clear to the Transaction;

(b) identify the Member or Members responsible for clearing the Transaction, and whether such Member or Members are acting in a proprietary capacity or on behalf of a Client;

(c) specify all relevant details required by LME Clear in order to identify the rights and obligations of each party under the Transaction; and

(d) specify, in respect of each Member that is to accept responsibility for the Transaction, the Account designated by the Member to which the Contracts, Positions, Collateral and other the rights and obligations relating to such Transaction should be allocated.

3.7 **Transaction Data Checks**

3.8 The Approved Transaction Platform will perform checks in respect of Transactions agreed pursuant to the LME Rules, on behalf of LME Clear. Such checks shall include:

(a) a check that the Transaction Data is complete and readable (the "**syntax validation**"); and

(b) a check that the Transaction Data content is valid, including whether the relevant Acceptance Criteria are satisfied (the "**static data validation**");

(c) a risk review (the "**Credit Check**") in order to determine whether:

(i) the Acceptance of the Transaction would cause the Member's Risk Threshold to be reached or exceeded; or

(ii) the Member has deposited with LME Clear insufficient Collateral to enable LME Clear to accept the risk of the new Transaction; and

(d) such other checks as LME Clear may require the Approved Transaction Platform to perform on its behalf in order to confirm that the Transaction Data is operationally capable of being processed within LME Clear's systems, and the Transaction is not inconsistent with any requirements specified in these Rules.

3.9 Such checks will be performed:

(a) prior to Acceptance Time where the Transaction is agreed via the LME Inter-Office Market; and

(b) following the Acceptance Time where the Transaction is agreed in LMEselect or the Ring.

3.10 The LME Rules shall set out and govern:

(a) the obligations of each Member with respect to the submission of appropriate information to ensure that such checks can be performed;

(b) the consequences of any check not being satisfied, and the obligations of the relevant Members in such circumstances; and

(c) the basis on which such checks will be confirmed as satisfied.

3.11 **Notification**

3.12 On each Business Day, LME Clear shall notify the Member of all Transactions in respect of such Member that have been Accepted or rejected by the Approved Transaction Platform or LME Clear on that Business Day, by the issue of a Report.

3.13 During each Business Day, Members may access information regarding:

(a) the status of Transactions submitted to the Clearing System; and

(b) the status of Open Contracts via the LMEmercury GUI or the Member Interface.

3.14 **OTC Backloading**

3.15 LME Clear may offer services to enable Members to identify the relevant Transaction Data to be input into LMEsmart pursuant to a Contingent Agreement to Trade, in order to clear through the Clearing System Contracts representing previously executed over-the-counter

contracts in Eligible Products (such services being "**OTC Backloading Services**"). Such OTC Backloading Services may include the provision of netting or compression data.

3.16 LME Clear may offer OTC Backloading Services in respect of one or more Services.

3.17 Where LME Clear makes OTC Backloading Services available:

(a) LME Clear shall specify a form of agreement to be executed between LME Clear and each Member that participates in such the OTC Backloading Service;

(b) the terms on which the OTC Backloading Service shall be provided, and the respective rights and obligations of LME Clear and a Member participating in the service, shall be as set out in such agreement; and

(c) the operational processes relating to the provision of, and use of, the OTC Backloading Service shall be as specified in the DSS.

4. POSITION UPDATE AND MAINTENANCE AND SETTLEMENT TO MARKET

4.1 Upon registration of a Transaction within the Clearing System, LME Clear shall determine the Member's Positions in the Eligible Products to which the Transaction relates. Such Positions shall be reflected in the relevant Account to which the Contracts relating to such Transaction have been designated (the "**Designated Account**"). (Rule 4 (*Accounts*) specifies the Rules applicable to the establishment and operation of Accounts opened by the Member).

4.2 Positions in Designated Accounts shall be created and updated following Acceptance in accordance with the following criteria:

(a) where the Designated Account does not currently record any other Open Contract for that Instrument a new Position shall be created within the Designated Account to reflect the Member's rights and obligations in respect of the Open Contract; and

(b) where the Designated Account contains existing Positions in respect of multiple Open Contracts for that Instrument, then each additional Open Contract in such Instrument shall be added to the volume of such existing Positions in that Designated Account.

4.3 Positions in an Account therefore represent the consolidated rights and obligations arising from all Open Contracts within the same Instrument that have been allocated to that Account.

4.4 All new Open Contracts in each Business Day are maintained on a gross basis intra-day, such that LME Clear records to each Account the total Open Contracts with Purchase Positions and total Open Contracts with Sale Positions allocated to that Account on that Business Day.

4.5 Following the completion of LME Clear's netting and reconciliation processes at End of Day:

(a) Positions in Gross Position Products allocated to an Account shall be maintained on a gross basis; and

(b) Positions in Net Position Products allocated to an Account shall be maintained in accordance with Clearing Procedure B5, either:

(i) on a net basis, such that the Purchase Positions and the Sale Positions in respect of each Open Contract for the same Instrument are netted to the smallest number of obligations; or

(ii) on an aggregated basis, such that the Purchase Positions and the Sale Positions in respect of each Open Contract for the same Instrument are added together to result in a single aggregated Purchase Position and a single aggregated Sale Position; and

(c) the application of Clearing Procedure B:4.4 and B4.5 (a) and (b) above to Positions allocated to a Gross Omnibus Segregated Client Account shall be applied separately to each Allocation ID in such Account, such that each gross calculation, net calculation or aggregation calculation shall be applied separately in respect of each Allocation ID and their corresponding Positions as if such Allocation IDs represented separate Accounts.

4.6 The following table identifies those Eligible Products that are Gross Position Products and Net Position Products respectively, and the basis on which position keeping may be applied to such Eligible Products.

Type of Product	**Eligible Products**	**Basis of Netting**
Gross Position Products	Exchange Traded Forwards	Gross
	Exchange Traded Monthly Average Futures	Gross
	OTC Bullion Forwards	Gross
Net Position Products	Exchange Traded Futures	Net or Aggregate
	LMEprecious Futures	Net or Aggregate
	All Option Contracts	Net or Aggregate

4.7 **Responsibilities of Members in respect of mis-allocated Contracts**

4.8 In the event that a Contract is allocated to an Administrative Account due to any determination by LME Clear that the Transaction Data in respect of a Transaction has incorrectly identified the Account to which such Contract should be allocated, the Member must submit corrected instructions to LME Clear, specifying the correct Account to which the Contract should be allocated, in accordance with the requirements of the LME Rules and in any event prior to the Close of Business on the next following Business Day after the Acceptance of the Contract.

4.9 In the event that a Default Event arises prior to the receipt by LME Clear of the instructions specifying the correct Account, the Contract shall remain within the Administrative Account, and shall be subject to the application of the Default Rules to that Account.

4.10 Notwithstanding paragraph 4.9 above, LME Clear may transfer a Contract from an Administrative Account to another Account of the Member where LME Clear considers it appropriate to do so.

4.11 **Aggregated Contracts Close Out Netting Process**

(a) Where a Member holds Aggregated Contracts in an Omnibus Segregated Client Account, the Member may utilise LME Clear's close-out process in order to:

(i) identify the open interest recorded in an Aggregated Contract which represents the open interest of a single Client; and

(ii) net any such open interest in an Aggregated Contract with a Purchase Position against any open interest in an Aggregated Contract with a Sale Position which is identical except in respect of its direction,

so that, following the application of such process:

(1) the relevant Aggregated Contracts shall remain in the Account and in force between LME Clear and the Member but with an amended Purchase Position or Sale Position, as the case may be; or

(2) where the netting reduces a Purchase Position or Sale Position to zero, the Aggregated Contract represented by that zero Position is automatically terminated.

(b) The time at which such netting shall take effect shall be the time at which the same is recorded in the Clearing System.

(c) The DSS sets out the requirements to be applied in order to carry out the close-out process set out in this paragraph 4.11 (including the cancellation of such close-out process).

(d) LME Clear may require a Member to close-out open interest in certain circumstances. Any such circumstances shall be set out in the DSS.

4.12 **Operational Requirements in support of gross Accounts**

4.13 Where a Member maintains Contracts allocated to a Gross Omnibus Segregated Client Account, the Member must provide to LME Clear a file, in such format and at such times each Business Day as shall be specified in the DSS, identifying the Allocation IDs for each such Contract.

4.14 Any Contracts allocated to a Gross Omnibus Segregated Client Account shall be subject to the following requirements:

(a) during the Business Day on which such Contracts are Accepted:

(i) Positions in respect of such Contracts shall be maintained by LME Clear on a gross basis in accordance with Clearing Procedure B:4.4; and

(ii) such Positions shall be subject to Margin Requirements calculated in accordance with Clearing Procedure C,

in each case until LME Clear has received the Allocation IDs in respect of such Contracts and the subsequent completion of LME Clear's netting and reconciliation

processes at End of Day for such Business Day in accordance with Clearing Procedure B:4.5(c) above; and

(b) in the event that a Member fails to provide an Allocation ID in respect of any such Contracts, LME Clear shall:

(i) apply its End of Day netting and reconciliation process to the Positions in respect of such Contracts, in accordance with Clearing Procedure B:4.5(c) on the basis of the table set out below; and

(ii) such Positions shall be subject to Margin Requirements calculated in accordance with Clearing Procedure C,

in each case until the End of Day on the Business Day on which LME Clear has received the Allocation IDs in respect of such Contracts and the subsequent completion of LME Clear's netting and reconciliation processes at End of Day for such Business Day in accordance with Clearing Procedure B:4.5(c) above.

Table referable to Clearing Procedure B:4.14(b)(i):

Type of Product	**Eligible Products**	**Basis of Netting for Unallocated Contracts**
Gross Position Products	Exchange Traded Forwards	Gross
	Exchange Traded Monthly Average Futures	Gross
	OTC Bullion Forwards	Gross
Net Position Products	Exchange Traded Futures	Aggregate
	LMEprecious Futures	Aggregate
	All Option Contracts	Aggregate

4.15 In the event that a Member identifies that any Allocation ID notified to LME Clear in respect of any Contract is incorrect, the Member must promptly submit to LME Clear an updated file specifying the correct Allocation ID, in accordance with the requirements specified in the DSS. For the avoidance of doubt, the Member must not submit to LME Clear any file or any additional Transactions, in order to correct any such mis-allocated Contract that would, or which would purport to, have the effect of creating a new Contract that has not been executed pursuant to an Approved Execution Arrangement.

4.16 LME Clear reserves the right not to allocate any Contract to an Allocation ID, either intra-day or in accordance with its End of Day netting and reconciliation process, where LME Clear so determines on the grounds of prudent risk management, including in the event that the Member has become a Defaulting Member.

5. SETTLEMENT TO MARKET PROCESS

5.1 Application of Netting or Aggregation

5.2 The netting processes set out in this Clearing Procedure B5 shall be applied as follows:

(a) for any House Account (including any Administrative Account treated as a House Account), LME Clear shall maintain the Positions in Net Position Products in the Account on a net basis, and shall be subject to daily settlement to market in accordance with Clearing Procedure B 5.8 and 5.9 below;

(b) for any Direct Individual Segregated Client Account or Indirect Individual Segregated Client Account LME Clear shall maintain the Positions in Net Position Products in the Account on a net basis, and shall be subject to daily settlement to market in accordance with Clearing Procedure B 5.8 and 5.9 below;

(c) for any Direct Net Omnibus Segregated Client Account or Indirect Net Omnibus Segregated Client Account, LME Clear shall maintain Positions in Net Position Products in the Account either:

(i) (in relation to certain designated Administrative Accounts), on a net basis; or

(ii) (in relation to all other Net Position Products in a Direct Net Omnibus Segregated Client Account or an Indirect Net Omnibus Segregated Client Account) on an aggregated basis (except where LME Clear agrees with the Member that they may be held on a net basis);

(d) for any Gross Omnibus Segregated Client Account, LME Clear shall maintain Positions in Net Position Products in the Account on a net basis per Allocation ID, except in the case of Contracts that have not been allocated to an Allocation ID, which shall be held on an aggregated basis with other unallocated Contracts,

subject that (in the case of (c) and (d) above:

(1) the Member may not maintain Positions on a net or aggregate basis where such Positions are allocable to more than one Client (or, in respect of any Indirect Net Omnibus Segregated Client Account or Indirect Gross Omnibus Segregated Client Account, to more than one Indirect Client) unless and except to the extent that the Member has the legal authority and power to do so, in accordance with Applicable Law and the Member's contractual terms with such Clients;

(2) Rule 6.11.4 shall apply;

(3) the Positions to be netted shall be subject to settlement to market in accordance with Clearing Procedure B 5.8 and 5.9 below; and

(4) the Positions to be aggregated shall be subject to settlement to market in accordance with Clearing Procedure B 5.11 and 5.12 below.

5.3 **Calculations**

5.4 LME Clear shall, at the End of Day, determine:

(a) in respect of each Instrument in a Net Position Product for each Account: the Position for all Open Contracts as at the End of Day, comprising the Brought Forward Position, as adjusted by any New Contract Positions (the "**End of Day**

Position") (subject that, in respect of a Gross Omnibus Segregated Client Account, references to "each Account" in this provision shall instead be construed as references to "each Allocation ID allocated to each Account"); and

(b) in respect of each Instrument in a Net Position Product to which Realised Variation Margin applies pursuant to the Product Specifications (a "**relevant Net Position Product**"), for each Account: the Realised Variation Margin in respect of the Instrument for that Business Day.

5.5 The determination made pursuant to Clearing Procedure B 5.4 above shall be applied:

(a) where (b) does not apply:

(i) to those Positions in an Account that are to be netted, in accordance with Clearing Procedure B 5.8, 5.9 and 5.14 below; and

(ii) to those Positions in an Account that are to be aggregated, in accordance with Clearing Procedure B 5.11, 5.12 and 5.14 below;

(b) in respect of a Gross Omnibus Segregated Client Account:

(i) to those Positions in an Allocation ID allocated to the Account that are to be netted, in accordance with Clearing Procedure B 5.8 and 5.9; and

(ii) to those Positions in an Allocation ID allocated to an Account that are to be aggregated, in accordance with Clearing Procedure B 5.11 and 5.12; and

(iii) Realised Variation Margin shall be calculated, in accordance with Clearing Procedure B 5.14, on a per-Account basis and not on a per-Allocation ID basis.

5.6 LME Clear's calculations of the respective Positions and Realised Variation Margin for the purpose of this Settlement to Market Process shall be definitive.

5.7 **Establishment of End of Day Positions per Instrument and Account (or Allocation ID allocated to an Account): Netted Positions**

5.8 For Positions that are to be netted, the End of Day Position shall represent a single net Position in respect of the Instrument at the relevant Closing Price for that Business Day, identifying:

(a) a single Purchase Position for the Buyer under the Instrument; and

(b) a single Sale Position for the Seller under the Instrument.

5.9 Upon the establishment by LME Clear of the End of Day Position, all Open Contracts represented by:

(a) the Brought Forward Position; and

(b) each New Contract Position,

shall be treated as being discharged and replaced by a single Open Contract at that Business Day's Closing Price. Such Open Contract shall be deemed to come into effect pursuant to the Rules.

5.10 **Establishment of End of Day Positions per Instrument and Account (or Allocation ID allocated to an Account): Aggregated Positions**

5.11 For Positions that are to be aggregated, separate End of Day Positions for Purchase Positions and Sale Positions shall be identified in respect of the Instrument at the relevant Closing Price for that Business Day, identifying:

(a) a single Purchase Position for the Buyer under the Instrument; and

(b) a single Sale Position for the Seller under the Instrument.

5.12 Upon the establishment by LME Clear of the End of Day Position:

(a) all Open Contracts represented by:

(i) the Brought Forward Position in respect of Purchase Positions; and

(ii) each New Contract Position comprising Purchase Positions,

shall be treated as being discharged and replaced by a single Open Contract comprising the aggregated Purchase Positions identified in (i) and (ii) at that Business Day's Closing Price;

(b) all Open Contracts represented by:

(i) the Brought Forward Position in respect of Sale Positions; and

(ii) each New Contract Position comprising Sale Positions,

shall be treated as being discharged and replaced by a single Open Contract comprising the aggregated Sale Positions identified in (i) and (ii) at that Business Day's Closing Price,

and such Open Contracts shall be deemed to come into effect pursuant to the Rules.

5.13 **Calculation of Realised Variation Margin**

5.14 For each Account, LME Clear shall determine, in respect of each Instrument in a relevant Net Position Product for which End of Day Positions have been calculated in accordance with Clearing Procedure B5.8 and 5.9 or B5.11 and 5.12 above, the Realised Variation Margin resulting as a consequence of such calculations. In order to do so, LME Clear shall calculate, separately in respect of Purchase Positions and Sale Positions for each Instrument:

(a) the difference between:

(i) the value of the Brought Forward Position at the previous Business Day's Closing Price; and

(ii) the value of the Brought Forward Position at that Business Day's Closing Price;

(b) in respect of each New Contract Position, the difference between:

(i) the value of such New Contract Position at the Execution Price of the Contract; and

(ii) the value of the Contract at that Business Day's Closing Price,

(and for the avoidance of doubt, this calculation in (b) shall be performed in respect of each New Contract Position arising in that Business Day); and

(c) the sum of the calculations in (a) and (b), which shall represent the Realised Variation Margin.

For the avoidance of doubt, the Realised Variation Margin may be a positive or a negative figure, representing a profit or a loss to either LME Clear or the Member.

5.15 The Realised Variation Margin calculated in respect of an Account pursuant to Clearing Procedure B 5.14 above shall represent a Payment Obligation to be made by the party that is at loss (whether this is LME Clear or the Member) to the party that is in profit. Such Payment Obligation shall be discharged as a Cash Settlement in accordance with Clearing Procedure E.

6. OPTION EXERCISE AND ASSIGNMENT

6.1 The rules applying to the exercise and assignment of rights under Option Contracts (the "**Option Exercise Rules**") are specific to each Eligible Product. The types of exercise and the basis on which such exercise is settled, for each type of Eligible Product that comprises an Option Contract, is summarised in the table below.

Option Contracts	**Exercise Type**
Exchange Traded Average Price Options (TAPOS)	Automatic Exercise
LMEprecious Options	Automatic Exercise
Exchange Traded European Options	Automatic Exercise

6.2 The Option Exercise Rules comprise the relevant "Option Regulations" set out in the LME Rules from time to time, together with the provisions of this Clearing Procedure B6. The Option Regulations determine the processes and timings to be applied in relation to the automatic exercise of rights under Options Contracts.

6.3 LME Clear and each Member will therefore comply with the Option Regulations and this Clearing Procedure B6 in the exercise and discharge of their respective rights and obligations under Option Contracts.

6.4 The remaining provisions of this Clearing Procedure B6 define, for each type of Eligible Product that may result in a cleared Option Contract:

(a) the last time on a Business Day on which a Transaction in such Eligible Product may be effected on the Exchange (the "**Last Traded Time**");

(b) the time on the Expiry Date on which the option on an Option Contract will be exercised (the "**Expiry Time**");

(c) the basis on which the option under the Option Contract shall be exercised (the "**Exercise Type**", that is, automatically);

(d) the "**Option Exercise Reference Price**", which shall be interpreted in accordance with the relevant Closing Price determined under the LME Rules specified in the table;

(e) how the exercise of the option shall take effect (the "**Exercise Result**"); and

(f) the manner in which the Option Holder will be notified by LME Clear of the exercise of the option.

6.5 Exchange Traded Average Price Options (TAPOs)

The table below summarises the Option Exercise Rules for Option Contracts in Exchange Traded Average Price Options (TAPOs):

Product	**Exchange Traded Average Price Options (TAPOs)**
Last Traded Time	18:00hrs on the Business Day prior to the Expiry Date.
Expiry Time	15:00hrs on the Expiry Date.
Exercise Type	Automatic. All positions that are USD0.01 or greater in the money when compared to the Option Exercise Reference Price will be exercised automatically by LME Clear at the Expiry Time.
Option Exercise Reference Price	Monthly Average Settlement Price, ("**MASP**"), as specified by the Exchange on the date and time of exercise.
Exercise Result	Exercise creates between the Member and LME Clear two Contracts representing open LME Exchange Traded Forwards for Prompt Date the second Business Day of the month following the month of the Expiry Date. These LME Exchange Traded Forwards are equal and opposite in all respects except that: • one is created at the MASP; and • the other is created at the Strike Price of the original Transaction.
Notification via	LMEmercury GUI.

6.6 Exchange Traded European Options

The table below summarises the Option Exercise Rules for Option Contracts in Exchange Traded European Options:

Product	**Exchange Traded European Options**
Last Traded Time	18:00hrs on the Business Day prior to the Expiry Date.
Expiry Time	The Expiry Time, as defined in the LME Rules.
Exercise Type	Automatic.

	An Exchange Traded European Option shall be automatically exercised by LME Clear at the Expiry Time if at that time it is: (a) "In the Money", as defined in the LME Rules (in summary, such that the strike price is, in the case of a put option, above or, in the case of a call option, below the Option Exercise Reference Price); or (b) a call option that is "At the Money", as defined in the LME Rules (in summary, such that the Option Exercise Reference Price is equal to the strike price).
Option Exercise Reference Price	The Settlement Price for the Exchange Traded European Option identified as the “Exercise Reference Price”, in accordance with the LME Rules.
Exercise Result	Exercise creates between the Member and LME Clear an Open Contract representing an LME Exchange Traded Forward at the Strike Price for Prompt Date on the third Wednesday of the month of the Expiry Date of the original Option Contract. The direction of LME Exchange Traded Forward (the "**Underlying Forward**") shall be determined as follows: • Buyer of exercised call – Buys Underlying Forward • Seller of exercised call – Sells Underlying Forward • Buyer of exercised put – Sells Underlying Forward • Seller of exercised put – Buys Underlying Forward.
Notification via	LMEmercury GUI.

6.7 [left intentionally blank]

6.8 [left intentionally blank]

6.9 [left intentionally blank]

6.10 [left intentionally blank]

6.11 **LMEprecious Options**

The table below summarises the Option Exercise Rules for LMEprecious Options:

Product	**LMEprecious Option**
Last Traded Time	20:00hrs on the Business Day prior to the Expiry Date.
Expiry Time	15:02hrs on the Expiry Date or, in the case of a postponement by the LME in accordance with the LME Rules, such other time specified by the LME.

Exercise Type	Automatic. An LMEprecious Option shall be automatically exercised by LME Clear at the Expiry Time if at that time it is: (a) "In the Money", as defined in the LME Rules (in summary, such that the strike price is, in the case of a put option, above or, in the case of a call option, below the Option Exercise Reference Price); or (b) a call option that is "At the Money", as defined in the LME Rules (in summary, such that the Option Exercise Reference Price is equal to the strike price).
Option Exercise Reference Price	The Settlement Price for the LMEprecious Option identified as the "Exercise Reference Price", in accordance with the LME Rules.
Exercise Result	Exercise creates between the Member and LME Clear an Open Contract representing an LMEprecious Future at the Strike Price for Prompt Date on the third Wednesday of the month of the Expiry Date of the original Option Contract. The direction of LMEprecious Future (the "**Underlying Future**") shall be determined as follows: • Buyer of exercised call – Buys Underlying Future • Seller of exercised call – Sells Underlying Future • Buyer of exercised put – Sells Underlying Future • Seller of exercised put – Buys Underlying Future.
Notification via	LMEmercury GUI.

7. DELIVERY POSITIONS

7.1 The following table specifies:

(a) those Eligible Products that are Physically Settling Products; and

(b) the Underlying Asset that is to be delivered on settlement of Contracts for each such Physically Settling Product.

Physically Settling Product	**Delivery Commodity – the Underlying Asset**
LME Exchange Traded Forwards	LME Warrants
LMEprecious Futures	Unallocated Precious Metal
OTC Bullion Forwards	Unallocated [Bullion]

7.2 Contracts for Physically Settling Products are defined as Physical Delivery Contracts pursuant to Rule 1 (*Definitions and Interpretations*).

7.3 LME Clear shall determine, in respect of each Account maintained by the Member, a net Delivery Position in respect of all Positions under Instruments comprised of Physical Delivery Contracts remaining open at the time of their expiry. Such net Delivery Position shall be determined by reference to the Settlement Price for the Underlying Asset on the Prompt Date, and shall comprise:

(a) a single Payment Obligation in respect of each Settlement Currency under which the Instruments are to be settled;

(b) (where applicable) a single Payment Obligation comprised by the LME Premium Warrant Payment Obligations in respect of the LME Aluminium Premium Contracts under which the Member is a Buyer;

(c) a single Delivery Obligation in respect of all obligations to deliver LME Warrants that are not LME Premium Warrants;

(d) (where applicable) a single Delivery Obligation in respect of each Premium Warrant Jurisdiction relating to LME Aluminium Premium Contracts under which the Member is a Seller; and

(e) a single Delivery Obligation in respect of all obligations to deliver unallocated Precious Metal in respect of LMEprecious Futures,

and such Payment Obligations and Delivery Obligations shall represent a "**Final Delivery Position**" at the Account level.

7.4 For the discharge of Delivery Obligations in respect of Contracts for which the Underlying Asset is LME Warrants, LME Clear shall determine in respect of each Member, the Warrant Movements required to settle the Final Delivery Positions between LME Clear and the Member, on the following basis:

(a) separate net and total Warrant Movements shall be established under (b) and (c) below in respect of:

(i) Delivery Obligations in respect of LME Premium Warrants for each Premium Warrant Jurisdiction; and

(ii) Delivery Obligations in respect of LME Warrants other than LME Premium Warrants;

(b) in respect of the Member's House Account(s), the Final Delivery Positions of each account shall be netted together to produce a single net Warrant Movement;

(c) in respect of the Member's Client Accounts:

(i) the Final Delivery Positions for all Client Accounts where the member is the Buyer under the relevant Contracts will be summed to produce a single total "buying" Warrant Movement;

(ii) the Final Delivery Positions for all Client Accounts where the Member is the Seller under the relevant Contracts will be summed to produce a single total "selling" Warrant Movement.

Consequently, a Member may have a maximum of three (3) Warrant Movements (in respect of LME Warrants other than LME Premium Warrants) with LME Clear in a single Underlying Asset on a single Business Day.

7.5 For the discharge of Delivery Obligations in respect of Contracts for which the Underlying Asset is unallocated Precious Metal, LME Clear shall determine, separately in respect of Gold and Silver, in respect of each Account of each Member:

(a) the Delivery Obligations of LME Clear as the Seller; and

(b) the Delivery Obligations of the Member as the Seller,

in order to determine a net movement of Precious Metal between LME Clear and the Member that is required to settle the Final Delivery Positions between LME Clear and the Member for that Account.

7.6 Delivery Positions (including Warrant Movements) are settled through:

(a) physical delivery of Underlying Assets by the Seller in discharge of the Delivery Obligation;

(b) against the discharge of the Payment Obligation by:

(i) payment of cash by the Buyer; and

(ii) (in respect of LME Aluminium Premium Contracts) the physical delivery by the Buyer of LME Warrants.

7.7 The Settlement Price for Underlying Assets applicable to each relevant Eligible Product is set out in the Product Specifications for the Eligible Product in Annex 1 (*Eligible Products*).

7.8 The delivery process for Underlying Assets under Contracts in respect of:

(a) LME Exchange Traded Forwards is defined by the LME Rules (including the Rules and procedures applicable to the operation of LMEsword) and is summarised in Clearing Procedure F2 (*LME Warrant Delivery Procedures*); and

(b) LMEprecious Futures is defined by the LME Rules and is summarised in Clearing Procedure F3 (*LMEprecious Future Delivery Procedures*); and

(c) OTC Bullion Forwards is set out in Clearing Procedure F4 (*OTC Bullion Delivery Procedures*).

PART C – VALUATION, MARGINING AND RISK MANAGEMENT

1. INTRODUCTION

This Part C specifies the Clearing Procedures applicable to:

(a) the composition of Margin Requirements (**Clearing Procedure C2**);

(b) the calculation of Initial Margin Requirement (**Clearing Procedure C3**);

(c) the calculation of the Variation Margin Requirement (**Clearing Procedure C4**);

(d) the calculation of additional margin (**Clearing Procedure C5**); and

(e) the calculation of Margin Requirements (**Clearing Procedure C6**).

2. COMPOSITION OF MARGIN REQUIREMENTS

2.1 When determining its End of Day Margin Requirement and its Intra-Day Margin Requirement(s) for a Member under Rule 8 (*Margin Requirements and Collateral*), LME Clear may have taken into account the Initial Margin Requirement and/or the Variation Margin Requirement then applicable to such Member (as calculated in accordance with this Clearing Procedure C).

2.2 Members shall maintain sufficient Collateral with LME Clear (including Collateral provided by Posting Affiliates and Posting Clients of the Member) at all times to cover their Margin Requirement as calculated by LME Clear.

2.3 LME Clear shall calculate Margin Requirements:

(a) on a per-Account basis;

(b) subject that in relation to Gross Omnibus Segregated Client Accounts, Margin Requirements shall be calculated:

(i) separately in respect of Positions having Allocation IDs, on per-Allocation ID basis; and

(ii) in respect of all Positions without Allocation IDs in each Account,

(such that each Margin Requirement for the Account shall be the aggregated sum of the corresponding Margin Requirements determined pursuant to (i) and (ii) above for such Account and any other margin requirements imposed in respect of the Account and/or Allocation IDs by LME Clear pursuant to the Rules and Procedures).

3. INITIAL MARGIN REQUIREMENT

3.1 "**Initial Margin Requirement**" is the amount of Collateral required by LME Clear in order to protect itself against potential fluctuations in the market value of a Defaulting Member's open Positions until those Positions are discharged or are closed out, fully hedged, or transferred by LME Clear under Rule 10 (*Default*) following the occurrence of a Default Event.

3.2 The calculation of the Initial Margin Requirements will be based on assumed close-out periods, confidence levels and historical look-back periods in line with the LME Clear margin policy from time to time in force.

3.3 The calculation of the Initial Margin Requirement will be made by reference to the most up-to-date novated Positions and LME Clear Price Sets.

Account-Level Initial Margin Requirement

3.4 The Initial Margin Requirement will be calculated for each Member in respect of the net Positions on each Account both intra-day and at the end of every Business Day for the following types of Account:

(a) House Account;

(b) Direct Individual Segregated Client Account;

(c) Indirect Individual Segregated Client Account;

(d) Direct Net Omnibus Segregated Client Account; and

(e) Indirect Net Omnibus Segregated Client Account.

3.5 For the types of Accounts identified in Clearing Procedure C:3.4, margin limits will be set by LME Clear for all Members on all Accounts and payment of margin will be called from a Member in respect of its net Positions on its Accounts on an intra-day basis in the event that margin limits or any applicable Risk Thresholds have been exceeded. For the avoidance of doubt, a reduction in value of the Collateral provided by the Member (or its Posting Affiliate or Posting Client) to LME Clear may cause such limits or Risk Thresholds to be exceeded, resulting in a requirement for payment of additional margin by the Member.

Initial Margin Requirement for Accounts with Allocation IDs

3.6 For Gross Omnibus Segregated Client Accounts:

(a) the Initial Margin Requirement will be calculated for each Member in respect of the net Positions for each Allocation ID allocated to each Account intra-day and at the end of every Business Day;

(b) in respect of Positions that have not been allocated to an Allocation ID, the Initial Margin Requirement will be calculated for each Member in respect of:

(i) the net Positions on each Account intra-day; and

(ii) the gross Positions on each Account at the end of every Business Day; and

(c) the Initial Margin Requirement for each Account, both intra-day and at the end of every Business Day, shall be the respective aggregates of the Initial Margin Requirements calculated pursuant to (a) (in respect of all Allocation IDs in the Account) and (b).

3.7 For the types of Accounts identified in Clearing Procedure C:3.6, margin limits will be set by LME Clear for all Members on all Accounts (at an Account-level) and, in the event that any applicable margin limits or Risk Thresholds are exceeded, payment of margin will be called from a Member. For the avoidance of doubt, a reduction in value of the Collateral provided by the Member (or its Posting Affiliate or Posting Client) to LME Clear may cause such limits or Risk Thresholds to be exceeded, resulting in a requirement for payment of additional margin by the Member.

Initial Margin Methodology

3.8 The Initial Margin Requirement will be calculated using the SPAN methodology. Details of the SPAN methodology are available on the Website.

3.9 The SPAN parameters are set by LME Clear in accordance with LME Clear's "Risk Policy", as amended by LME Clear from time to time. The level of the parameters is actively monitored and subject to regular review by LME Clear. Members will be informed of any changes to SPAN parameters by a Member circular published by LME Clear on its Website and through an email to each Member's designated email address.

4. VARIATION MARGIN REQUIREMENT

4.1 "**Variation Margin Requirement**" is the amount of Collateral required by LME Clear in order to protect itself against losses that have accumulated on any open Positions of a Member prior to a Default Notice being issued by LME Clear in relation to such Member.

4.2 The Variation Margin Requirement will be calculated by reference to each type of Contract as follows:

(a) Exchange Traded Futures and LMEprecious Futures will be margined as realised profits and losses using the "**Realised Variation Margin**" ("**RVM**") approach, which is calculated as the difference between:

(i) the contract value of today's trades and the value of any carried forward Positions; and

(ii) the Position value as at the time of calculation of the Variation Margin Requirement,

in accordance with the more detailed Settlement to Market Process set out in Clearing Procedure B4.

(b) Exchange Traded Forwards and Exchange Traded Monthly Average Futures are margined as liabilities or contingent credits using the "**Discounted Contingent Variation Margin**" ("**DCVM**") approach, which is calculated as the difference between:

(i) the contract value of the original transaction; and

(ii) the contract value as at the time of calculation of the Variation Margin Requirement.

(c) OTC derivatives are margined as a cash amount using the "**Cash Contingent Variation Margin**" ("**CCVM**") approach, which is calculated as the daily change in the difference between:

(i) the contract value of the original transaction; and

(ii) the contract value as at the time of calculation of the Variation Margin Requirement,

inclusive of an adjustment for Price Alignment Interest.

(d) options are margined as liabilities or contingent credits using the "**Net Liquidation Value**" ("**NLV**") approach, which is calculated as the current value of the option Position.

4.3 The calculation of the Variation Margin Requirement will be based on the most up-to-date Accepted Positions and LME Clear Price Sets.

4.4 Variation Margin Requirements will be calculated and payment shall be called at least once every Business Day as:

(a) part of the End of Day Margin Requirement (in respect of the DCVM and NLV); or

(b) a Payment Obligation (in respect of the RVM or CCVM),

the Cash Settlements in respect of which shall be determined in accordance with the Cover Distribution Process set out in Clearing Procedure D5.

4.5 LME Clear reserves the right to call for payment of an Intra-Day Margin Requirement at any point during the Business Day.

4.6 All contingent variation margin credits may be used to offset all Margin Requirements and other contingent variation margin debits, but contingent credits may not be realised as cash. Notwithstanding the foregoing, in a Gross Omnibus Segregated Client Account, such offset shall be applied on a per-Allocation ID basis, such that no offset shall be applied between Allocation IDs.

4.7 All payment balances due to or from a Member pursuant to the calculation of the Member's Variation Margin Requirement shall be discharged by Cash Settlements that are determined pursuant to the Cover Distribution Process set out in Clearing Procedure D5.

5. ADDITIONAL MARGIN

5.1 LME Clear may, in accordance with Rule 8 (*Margin Requirement and Collateral*), require a Member to provide additional Collateral if it determines that further amounts of Collateral are necessary to satisfy the Member's Margin Requirement. For example (but without limitation), LME Clear may request additional Collateral where it believes that the risk of a Position is not sufficiently covered by the existing Collateral provided by the Member in respect of the Initial Margin Requirement and the Variation Margin Requirement (as included in the then current Margin Requirement for the Member). Risks that may be covered by additional Collateral include (but are not limited to):

(a) delivery risk (that is, the risk that the Member will not fulfil a Delivery Obligation in respect of one or more Contracts);

(b) concentration risk (the risk that the Member's Account(s) cannot be liquidated within the close out period assumed by the Initial Margin Requirement);

(c) wrong-way risk (the risk that the Member or the Member's Positions has excessive negatively correlated exposure to collateral assets provided as Collateral);

(d) credit risk (the increased risk of a Member defaulting in the performance of its obligations to LME Clear as determined by the LME Clear internal credit ratings).

5.2 Any amounts to cover delivery risk will be payable in Cash.

6. CALCULATION OF MARGIN REQUIREMENTS

6.1 End of Day Margin Requirement

End of Day Margin Requirements are calculated net of cash settlements. Calculated risk is compared with any remaining Cash Collateral balance and non-cash Collateral, after the appropriate Haircut and any other applicable parameters or limits set by the Rules (including the applicable Collateral Limits), have been applied, and any shortfall requested in cash.

6.2 Intra-day Exposures

LME Clear reserves the right to apply an additional amount to the End of Day Margin Requirement where a Member regularly takes on proportionately larger intra-day exposure than remain at End of Day. The additional Margin Requirement shall be as determined by LME Clear, in accordance with such principles as may be specified in the "Collateral Management Framework" available on the Website.

6.3 Intra-Day Margin Requirement

(a) Intra-day risk is continuously compared with the post-Haircut valuation applicable to Collateral and the applicable Collateral Limits to ensure that sufficient Collateral is available to LME Clear. LME Clear will set risk thresholds ("**Risk Thresholds**") to determine:

(i) when additional Collateral will be required; and/or

(ii) whether a Transaction may become Accepted, where such Transaction is agreed via the LME Inter-Office Market.

and LME Clear shall determine any additional amount of Collateral that may be required to cover such intra-day risk and such calculation shall comprise the Intra-Day Margin Requirement.

(b) Additional Collateral will be requested from a Member whenever its Risk Threshold has been exceeded or where LME Clear believes that the value of available Collateral has been significantly eroded or otherwise as maybe required under Clearing Procedure C7 below. Members shall provide additional Collateral which is requested intra-day in the form of Eligible Cash unless LME Clear instructs otherwise. Members shall provide such additional Collateral promptly, and in any event not later than sixty (60) minutes after receipt from LME Clear of its request for such Additional Collateral.

6.4 Regular Intra-day Margin Call

Without prejudice to LME Clear's right under Rule 8 (*Margin Requirement and Collateral*) to require Members to satisfy Margin Requirements at any time during a Business Day, LME Clear may specify a regular margin call to meet an Intra-Day Margin Requirement at 14:00 hours (or at such other time as it may specify) on each Business Day.

7. MEMBER'S OBLIGATION TO ENSURE TRANSACTIONS ARE COLLATERALISED

7.1 It is the responsibility of each Member to monitor the Transactions it enters into, is likely to enter into, or is otherwise responsible for clearing, and to post additional Collateral if the Member anticipates that such Collateral may be required.

7.2 In the event that any Member fails, on multiple occasions, to post sufficient Collateral to cover the additional risk arising from Transactions entered into on LMEselect outside the opening hours of LME Clear (as specified in the Opening Hours Circular), LME Clear may require such Member to provide additional Collateral (including in advance of the Member entering into, or permitting any Client to enter into, any such Transactions).

7.3 All obligations of a Member to provide Collateral in respect of the Member's House Account may be met by that Member's Posting Affiliate providing Eligible Collateral in respect of that obligation. All obligations of a Member to provide Collateral in respect of a Designated Client Account may be met by the relevant Posting Client providing Eligible Collateral in respect of that obligation.

PART D – TREASURY AND COLLATERAL MANAGEMENT

1. INTRODUCTION

This Part D of the Clearing Procedures specifies the Clearing Procedures applicable to:

(a) the treasury management arrangements to be applied by LME Clear (**Clearing Procedure D2**);

(b) approved forms of Collateral to be provided to LME Clear (**Clearing Procedure D3**);

(c) LME Clear's arrangements for the management of Collateral (**Clearing Procedure D4**); and

(d) LME Clear's process for cover distribution (**Clearing Procedure D5**).

2. LME CLEAR TREASURY ARRANGEMENTS

2.1 At any time, relevant details of LME Clear's investment policy in force at that time will be published on its Website.

2.2 LME Clear's Treasury function will on a daily basis re-invest Cash Cover, in accordance with its investment policy. For the avoidance of doubt, LME Clear shall not be required to re-invest Collateral Cash Cover that is held within a Triparty Collateral Custody Account. Investment decisions will be taken within the context of LME Clear's Risk Appetite and any proceeds of such investment activity will be solely for the account of LME Clear.

2.3 LME Clear may pay interest on (or, if the rate of interest is negative, deduct interest from) Cash Cover deposited by Members with LME Clear, pursuant to Rule 8.3.3 and 9.1.4. The amount of interest paid is at the discretion of LME Clear and is not required to be linked to, or dependent upon, the earnings made by LME Clear from the investments.

3. ACCEPTABLE FORMS OF COLLATERAL

3.1 Approved types of Collateral

3.2 The following assets and instruments may be provided by a Member to satisfy its Margin Requirement:

(a) Eligible Cash;

(b) Eligible Securities;

(c) Eligible Gold;

(d) LME Warrant Collateral; and

(e) such other assets, rights, interests and instruments with such eligibility criteria as LME Clear may from time to time specify,

provided that in each case it is made available in such manner and on such terms as LME Clear considers necessary to comply with the applicable requirements of EMIR. In particular, LME Warrant Collateral shall only constitute Eligible Collateral in relation to any liabilities under one or more Open Contracts between LME Clear and the Member relating to the same metal as the Underlying Metal for such LME Warrant Collateral.

3.3 To manage its concentration risk, LME Clear requires that each Member maintains a minimum proportion and/or minimum amount of its Collateral in Eligible Cash. This minimum proportion and/or minimum amount is set out in the Collateral Specifications. LME Clear may alter this minimum proportion and/or minimum amount at any time. LME Clear may specify in the Collateral Specifications the Eligible Currency in which this minimum proportion and/or minimum amount must be paid to LME Clear.

3.4 Any Collateral or Default Fund Contributions which is not, or ceases to be, immediately accessible or otherwise available to LME Clear to use or liquidate (whether pursuant to enforcement, set-off or otherwise) shall not be eligible including the following: (a) Collateral or Default Fund Contribution which ceases to be immediately accessible by LME Clear due to the insolvency or default of any Custodian, Securities Systems Operator, central securities depository, bank (including any Approved Settlement Bank), Warehouse, the LMEsword Depository or other person holding or processing Collateral or Default Fund Contributions or any sanctions or embargo impacting any of the foregoing parties shall not be eligible for the duration of the period during which it is not immediately accessible by LME Clear; (b) the currency in which any Cash Cover is held is not, or ceases to be, fully liquid, exchangeable and transferable or is otherwise the subject to currency controls, as a result of which LME Clear determines that Cash Cover in such currency is not appropriate; and (c) in the case of LME Warrant Collateral, the relevant LME Warrants are cancelled, or the Warehouse or the relevant Member fails to perform its obligations under the related Warehouse Agreement and/or contract of storage (including, without limitation, in relation to the maintenance of insurance and the payment of rent and weight adjustments). In the event that any Collateral or Default Fund Contributions provided by a Member (or by a Posting Affiliate or Posting Client) ceases to be eligible, the Member shall immediately provide such additional Collateral or Default Fund Contributions as may be required to ensure that the Member is in compliance with the Rules (including in the case of Collateral Rule 8.1).

3.5 Any Collateral that does not conform to the requirements of this Clearing Procedure D will be ineligible at LME Clear. If any is received, it will be subject to a one hundred per cent (100%) Haircut and returned as soon as is practicable but subject to the provisos in Rule 8.7.2.

3.6 Collateral (other than LME Warrant Collateral) may be denominated in any Eligible Currency in accordance with the criteria specified in the Rules, including the Procedures and Annexes. Haircuts will be applied to Eligible Collateral on the basis determined by LME Clear from time to time (and as set out in Annex 2). In the event that Collateral (other than LME Warrant Collateral) is denominated in an Eligible Currency other than that of the liability which it collateralises a further Haircut will be applied in order to address the additional foreign exchange exposure.

3.6A Notwithstanding Clearing Procedure D3.6 and D3.7, where LME Clear determines it is necessary or appropriate, LME Clear may specify to a Member, to multiple Members, or to Members generally, that Collateral shall be paid in a specific Eligible Currency. In such circumstances, such Member(s) shall provide Collateral in such specified Eligible Currency.

3.7 **Cash Collateral**

3.8 The part of a Member's Cash Collateral held in a particular Eligible Currency may not at any time exceed the Collateral Limits, if any, set out in Annex 2 (*Eligible Currencies, Collateral and Haircuts*).

3.9 Subject to 3.12C below, Cash Collateral will be collected through the Secure Payment System.

3.10 Members will be requested to satisfy all margin calls in cash in the currency required by LME Clear. Only an Eligible Currency set out in the Collateral Specifications may be used as Collateral for this purpose. Where LME Clear requires all Cash Collateral to be provided in a single Eligible Currency, it will specify the relevant currency in the Collateral Specifications.

3.11 LME Clear reserves the right to add or remove a currency as an Eligible Currency at any time and otherwise to amend or replace the Collateral Specifications at any time.

3.12 The exchange of Cash Collateral from one Eligible Currency to another Eligible Currency or from cash to non-cash Collateral (or vice versa) may be carried out only in accordance with the substitution procedure set out in Clearing Procedure D4.5 to 4.13 below.

Cash Collateral under a Triparty Custody Arrangement

3.12A Where a Member uses Securities Collateral held within its Member Triparty Collateral Custody Account to meet its Margin Requirement (whether in whole or in part), in the event that there is insufficient Securities Collateral in the Member's Triparty Collateral Custody Account to meet the relevant Triparty Transaction Amount, the Member shall be permitted to post Cash Collateral from its Member Triparty Collateral Custody Account to meet such Triparty Transaction Amount.

3.12B Subject to LME Clear's consent and Clearing Procedure D3.12A, a Member may appoint a Triparty Collateral Custodian to deliver Cash Collateral to LME Clear, and to receive returns of Cash Collateral from LME Clear by way of a transfer of such Cash Collateral between the Member's Triparty Collateral Custody Account and LME Clear's Triparty Collateral Custody Account, as described above, provided that the Member has entered into any and all required Triparty Custody Documentation. Any Member that uses a Triparty Custody Arrangement shall, at all times, remain responsible for discharging its Margin Requirements and for all other obligations regarding the delivery and receipt of Collateral under the Rules and the Security Documents.

3.12C For the avoidance of doubt, Cash Collateral that is transferred pursuant to a Triparty Custody Arrangement shall be transferred directly within the system operated by the Triparty Collateral Custodian, and shall not be collected through the Secure Payment System.

3.13 **Securities Collateral**

3.14 All a Member's right, title and interest in and to any Securities Collateral (together with any accrued interest) provided by that Member shall be charged to LME Clear under the Security Documents.

3.15 Securities Collateral will be delivered by the Member either to LME Clear or to a depository institution approved by LME Clear (as listed in Annex 2 (*Eligible Currencies, Collateral and Haircuts*)) which will hold such Securities Collateral to the order of LME Clear. If such Securities Collateral consist of securities, the title to which is evidenced by entries in a register or account maintained by or on behalf of an intermediary, the Member will cause those securities to be credited to a securities account in the name of LME Clear (or the Custodian, Securities System Operator or nominee acting for LME Clear) at such intermediary and on such terms as LME Clear may require (consistent with the procedures applicable to securities accounts held with the relevant intermediary).

3.15A Subject to LME Clear's consent, a Member may appoint a Triparty Collateral Custodian to deliver Securities Collateral to LME Clear, and to receive returns of Securities Collateral from LME Clear by way of a transfer of such Securities Collateral between the Member's Triparty Collateral Custody Account and LME Clear's Triparty Collateral Custody Account, provided that the Member has entered into any and all required Triparty Custody Documentation. Any Member that uses a Triparty Custody Arrangement shall, at all times, remain responsible for discharging its Margin Requirements and for all other obligations regarding the delivery and receipt of Collateral under the Rules and the Security Documents.

3.16 Securities Collateral will be valued, for collateral valuation purposes, on such basis and subject to such Haircuts or other adjustments, as may be determined by LME Clear from time to time. Securities Collateral may be denominated in an Eligible Currency other than that of the liability which it collateralises (in which case an appropriate Haircut will be applied).

3.17 Any dividend, interest or other income earned or paid on Securities Collateral which is received by LME Clear will be added to the Member's Collateral once received (and, where the Member maintains multiple accounts with LME Clear, will be allocated by LME Clear amongst the Account or Accounts in respect of which the relevant securities were delivered), unless the Member has defaulted in payment of any of its obligations to LME Clear, in which case LME Clear may first liquidate such securities and apply all or part of them, including any interest earned on them, as provided for in Rule 10 (*Default*).

3.18 **Gold Collateral**

3.19 Gold Collateral may be provided by a Member only by means of credit to an Unallocated Gold Account in the name of LME Clear with the Gold Custodian in accordance with Annex 2 (*Eligible Currencies, Collateral and Haircuts*). LME Clear may convert all or part of the credit balance on such account into allocated Gold to be held on such terms and for such period as it may direct. Only allocated Gold shall be Eligible Collateral and so unless and until LME Clear has converted such unallocated Gold into allocated Gold, and only for so long as LME Clear holds allocated Gold, shall such Gold count against the Member's Margin Requirement. The Member shall have no proprietary interest in any Gold Collateral and any such allocated Gold, which LME Clear shall hold as sole legal and beneficial owner (free from any right, title or interest of the Member or any third party).

3.20 If and when Gold Collateral becomes returnable in whole or part to the Member, the relevant amount will be credited to the Member's Unallocated Gold Account with such member of LPMCL as the Member shall direct. The crediting of the relevant amount to such account will be a good discharge of LME Clear's obligations for the return of such amount.

3.21 **LME Warrant Collateral**

3.22 A Member shall create security over all LME Warrant Collateral in favour of LME Clear in accordance with the terms of the Security Documents. In the case of the Affiliate Posting Structure, the Posting Affiliate shall collateralise the performance by a Member of certain of its present and future obligations to LME Clear in respect of the Member's House Account in accordance with the terms of the relevant Affiliate Security Documents. In the case of the Client Direct Posting Structure, the Posting Client shall collateralise the performance by a Member of certain of its present and future obligations to LME Clear in respect of the

relevant Designated Client Account in accordance with the terms of the relevant Posting Client Security Documents.

3.23 Eligible LME Warrants comprising LME Warrant Collateral will be transferred by the Member to the LME Clear Pledged Account in LMEsword notified to it by LME Clear from time to time.

3.24 LME Warrant Collateral will be valued, for collateral valuation purposes, on such basis and subject to such Haircuts or other adjustments as may be determined by LME Clear from time to time. LME Warrants (and, therefore, any corresponding rights or interests that would constitute LME Warrant Collateral if such LME Warrants were Eligible Warrants) may only be accepted by LME Clear as Eligible Collateral if there are no outstanding rent payments at the time of the eligibility assessment and no Rent Date will occur in relation to such LME Warrants within five (5) Business Days of the eligibility assessment.

3.25 In order to provide LME Warrant Collateral in connection with the Client Direct Posting Structure, the Posting Client shall instruct its Member to make an Ex-cleared Transfer Instruction in LMEsword to the LME Clear Pledged Account in respect of the relevant LME Warrants held by it in the relevant sub-account in LMEsword held by the Member on behalf of such Posting Client. Where any LME Warrants provided by a Posting Client are to be returned to the Posting Client, LME Clear shall make an Ex-cleared Transfer Instruction in LMEsword to the relevant sub-account in LMEsword held by the Member on behalf of such Posting Client from the LME Clear Pledged Account.

3.26 **Security Documents**

3.27 In order to collateralise all its obligations, liabilities and debt of any kind (present or future, actual or contingent) to LME Clear under the Rules or in relation to the operation of the Clearing System, each Applicant will, prior to its admission as a Member and where required by LME Clear, deliver to LME Clear (or as it may otherwise direct) one or more duly executed Security Documents, for each Posting Affiliate, one or more duly executed Affiliate Security Documents and for each Posting Client and one or more duly executed Posting Client Security Documents, in such terms as LME Clear may require. The Security Document(s) will, and the Affiliate Security Document(s) and the Posting Client Security Document(s) that create security will, include a perfected, first-ranking, fixed security interest (or the equivalent under the law of any jurisdiction outside England and Wales) over all Asset Cover (other than cash) provided by it to LME Clear (or its agents, Custodians or Securities System Operator) pursuant to the Rules.

3.28 The Security Documents and the Affiliate Security Document(s) (where required by LME Clear) will collateralise all obligations, liabilities and debt of the Member to LME Clear whether (in LME Clear's books of account) such transactions are recorded in a Client Account or House Account of the Member or otherwise. The Posting Client Security Document(s) (where required by LME Clear) will collateralise all obligations, liabilities and debt of the Member to LME Clear in respect of transactions that are recorded in the relevant Designated Client Account.

3.29 Money received or realised by LME Clear on any enforcement of the Security Documents, the Affiliate Security Document(s) or the Posting Client Security Document(s) will, where LME Clear maintains in its books of account one or more Client Accounts and House Accounts for the relevant Member, be applied in the proportions and subject to the restrictions on the use of Client Collateral applicable under the Rules.

3.30 LME Clear may require a Member to grant a subordinated or other Security Interest (pursuant to documentation in a form specified by LME Clear) to its Clients over any rights

of the Member in, and/or any rights of the Member to the return of, any Collateral provided by the Member which is recorded on a Client Account to facilitate LME Clear's observance of (i) Article 48(5) or (6) of the EMIR Level 1 Regulation and Rule 10.7 and (ii) Article 48(7) of the EMIR Level 1 Regulation and Rule 10.5.1(c).

4. COLLATERAL MANAGEMENT

4.1 General Information

Without prejudice to LME Clear's rights under Clearing Procedure C (*Valuation, Margining and Risk Management*):

(a) LME Clear may determine what will be acceptable to it as Eligible Collateral and will also determine when any form of collateral will cease to be acceptable as Eligible Collateral;

(b) LME Clear may determine the Haircuts to be applied to the valuations of Eligible Collateral and will also determine when such Haircuts will be subject to change (the list of Eligible Collateral and Haircuts is set out in Annex 2 (*Eligible Currencies, Collateral and Haircuts*));

(c) LME Clear will only accept delivery of non-cash Collateral in accordance with these Clearing Procedures;

(d) LME Clear reserves the right to change the information required on instructions received via the LMEmercury GUI whenever LME Clear considers that it would be appropriate to do so; and

(e) LME Clear may declare that LME Warrant Collateral posted by a Posting Affiliate or Posting Client is no longer Eligible Collateral in respect of a Member's Margin Requirement at any time, in LME Clear's sole discretion, including but not limited to where there has been a material decrease in the creditworthiness of such Posting Affiliate or Posting Client. In such case, the Member shall immediately on request by LME Clear deliver additional Collateral in order that the Member's Margin Requirement is met.

4.2 Collateral Settlement

(a) All non-cash Collateral deposited with LME Clear will be subject to the application of fees and charges levied at the discretion of LME Clear.

(b) It will only be possible for a Member to deposit with LME Clear non-cash Collateral after its acceptability has been agreed or verified through the LMEmercury GUI or, in relation to non-cash Collateral to be deposited by a Member into LME Clear's Triparty Collateral Custody Account, once its acceptability has been agreed or verified by the Triparty Collateral Custodian.

(c) Non-cash Collateral transfers initiated through the LMEmercury GUI generate the appropriate straight-through processing ("**STP**") messages for the relevant LME Clear collateral agents. Members will need to instruct their own agents directly to avoid unmatched transactions; alternatively, Members may provide LME Clear with a Power of Attorney to address this requirement.

(d) All transactions to lodge or withdraw securities from LME Clear will be executed as "free of payment".

(e) All transactions to transfer LME Warrants in LMEsword to or from the LME Clear Pledged Account will be executed via an Ex-cleared Transfer Instruction.

4.3 **Additional Collateral Management Charge**

(a) Where a Member has deposited Eligible Collateral with LME Clear that exceeds the required Margin Requirement, or Excess Collateral has otherwise arisen as a consequence of changes to the Market Value of the deposited Eligible Collateral, LME Clear may request a Member to withdraw the Excess Collateral. (By way of example, but without limitation, this may occur where LME Clear may incur financial exposure or charges as a consequence of holding such Excess Collateral). If the Member is unable to comply with the request to remove the Excess Collateral, LME Clear may either:

(i) in the case of cash, return an appropriate amount to the Member; or

(ii) where it is able to do so, return the securities, Gold or LME Warrant Collateral to the Member, its Posting Affiliate or its Posting Client; or

(iii) levy an "Additional Collateral Management Charge" (or "**ACMC**") on the Member.

Where LME Clear attempts to return securities, Gold or LME Warrant Collateral to the Member, its Posting Affiliate or its Posting Client pursuant to this Clearing Procedure D 4.3(a), the Member, its Posting Affiliate or its Posting Client shall take any and all such actions as may be necessary to facilitate the relevant transfers including, in the case of LME Warrant Collateral, by executing any necessary Ex-Cleared Transfer Accept Instructions (as such term is defined in the LMEsword Regulations).

(b) An ACMC will be charged from the date the Member was requested to remove the Excess Collateral until the date of its removal, and will be collected monthly in arrears by deduction from the Member's House Account.

4.4 **Insurance**

It is the responsibility of a Member to maintain adequate insurance against such risks as it deems appropriate (or as may be required by LME Clear) in respect of all non-cash assets lodged as Collateral with LME Clear.

4.5 **Collateral Substitutions and Transfers, and Increases and Decreases of Triparty Custody Arrangement Collateral**

4.6 Other than in relation to the use of a Triparty Custody Arrangement, a substitution or transfer of Collateral is permitted only in accordance with Clearing Procedure D4.7(a) or D4.7(b) or with the prior written consent of LME Clear in each specific instance, provided that in each case the Member has given prior notice via the LMEmercury GUI (such notice being for the minimum period specified in Annex 2 (*Eligible Currencies, Collateral and Haircuts*)) to LME Clear of its request for such substitution or transfer and LME Clear is able to carry out such substitution or transfer. If a Member requests a substitution or transfer without giving such minimum prior notice, LME Clear may decline to effect such substitution or transfer until the end of the required notice period. LME Clear may impose such limits (either generally or in respect of a particular Member) as it may choose on the minimum and maximum amounts of any substitutions and transfers which may be carried out by a Member and on their frequency and may alter such limits from time to time.

4.6A In relation to the use of a Triparty Custody Arrangement:

(a) An increase of a Member's Triparty Transaction Amount shall be effective provided that in relation to each increase the Member has:

(i) given prior notice via the LMEmercury GUI (such notice being for the minimum period specified in the Rules) to LME Clear of the Member's intention to increase its Triparty Transaction Amount; and

(ii) submitted all required notifications to the Triparty Collateral Custodian to give effect to such increase.

For the avoidance of doubt, a Member shall not be required to seek consent from LME Clear in relation to an increase of the Member's Triparty Transaction Amount.

(b) A decrease of a Member's Triparty Transaction Amount shall be effective where Clearing Procedure D4.7(a), D4.7(b) or D4.7(c) is met, provided that in relation to each decrease the Member has:

(i) given prior notice via the LMEmercury GUI (such notice being for the minimum period specified in the Rules) to LME Clear of the Member's request to decrease its Triparty Transaction Amount and LME Clear has consented to such request; and

(ii) the Member has submitted all required notifications to the Triparty Collateral Custodian needed to give effect to the decrease.

For the avoidance of doubt, a Member shall be required to seek consent from LME Clear in relation to each decrease of its Triparty Transaction Amount.

(c) A substitution of Collateral within a Triparty Collateral Custody Account (whether a partial or total substitution) with other Eligible Collateral is permitted only where:

(i) Clearing Procedure D4.7 (a) or (b) is met through all required notifications having been made to the Triparty Collateral Custodian to give effect to the substitution (whether instructed or deemed, in accordance with the Settlement Finality Procedure); and

(ii) the required payment being made under (a), or transfer being made under (b), between the Member's Triparty Collateral Custody Account and LME Clear's Triparty Collateral Custody Account.

For the avoidance of doubt, a Member shall not be required to seek consent from LME Clear in relation to a substitution of the Member's Triparty Custody Arrangement Collateral.

In relation to Clearing Procedure 4.6A (a), (b) and (c) above, LME Clear may impose such limits (either generally or in respect of a particular Member) as it may choose on the minimum and maximum amounts of any increases and decreases of Triparty Transaction Amount and substitutions of Triparty Custody Arrangement Collateral that may be carried out by a Member and on their frequency and may alter such limits from time to time.

4.7 A Member may from time to time request LME Clear to release Collateral provided by it, its Posting Affiliate or its Posting Client:

(a) after payment to LME Clear of Eligible Cash in substitution for the Collateral to be released (a "**Substitution of Cash**"); or

(b) after transfer to LME Clear of Eligible Collateral (other than cash), including the transfer of LME Warrant Collateral by a Posting Affiliate or Posting Client, in substitution for the Collateral to be released (a "**Substitution of Non-cash Assets**"); or

(c) where the Collateral Value of such Collateral at the relevant time represents an excess in the Margin Requirement then applicable to the Member (an "**Excess Release**"),

provided that in each case the amount to be substituted or withdrawn exceeds the *de minimis* levels specified in Annex 2 (*Eligible Currencies, Collateral and Haircuts*) for such purpose.

4.8 Other than in relation to the use of a Triparty Custody Arrangement, each request for a Substitution of Cash, Substitution of Non-cash Assets or Excess Release will be acted upon only upon LME Clear being satisfied that:

(a) the Collateral Value of the Eligible Collateral provided by the Member, its Posting Affiliate or its Posting Client (both immediately prior to, and immediately after, giving effect to that release and applying the appropriate Haircut to the new Eligible Collateral) would be more than the Margin Requirement then applicable to the Member and such Eligible Collateral is not of a type which would breach any Collateral Limits (such as concentration limits) or any requirement for a minimum proportion and/or a minimum amount from time to time specified by LME Clear or, in the opinion of LME Clear, would create any additional risks (such as wrong way risk);

(b) no Default Event has occurred and is continuing in relation to the Member; and

(c) no circumstance referred to in Rule 2.4.1 or 2.4.4 has occurred and is continuing which may adversely affect the execution or pricing of such substitution.

4.8A In relation to the use of a Triparty Custody Arrangement, where LME Clear has permitted a Clearing Member to use automated functionality provided by the Triparty Collateral Custodian, which facilitates the automatic substitution of Triparty Collateral Arrangement Collateral to undertake a Substitution of Cash or Substitution of Non-cash Assets, the Clearing Member shall ensure that the conditions in sub-paragraphs (b) to (c) of Clearing Procedure D4.8 are at all times met. In relation to a request for a decrease to the Triparty Transaction Amount, the Clearing Member shall ensure that the conditions in sub-paragraphs (a) to (c) of Clearing Procedure D4.8 are at all times met.

4.9 If a Default Event has occurred and is continuing in relation to the Member, LME Clear will not release such Collateral unless and until otherwise expressly agreed by it.

4.10 In the case of a request to release Collateral in return for a Substitution of Cash, then where:

(a) the Collateral transferred to LME Clear on that substitution is Eligible Cash;

(b) the amount of Eligible Cash so transferred to LME Clear is such that its Market Value (less the appropriate Haircut) is not less than the Market Value (less the appropriate Haircut) of the Eligible Collateral being released on that substitution;

(c) the requirements set out in Clearing Procedure D4.8 above are fulfilled;

(d) LME Clear has consented to the Substitution of Cash (which may be conditional on the above requirements being fulfilled); and

(e) the Substitution of Cash would not result in the breach of any applicable Collateral Limits,

LME Clear will promptly arrange for the release of that Eligible Collateral in accordance with its usual practice as specified in Clearing Procedure D4.16 below.

4.11 In the case of a request to release Collateral in return for a Substitution of Non-cash Assets, then where:

(a) the Collateral transferred to LME Clear on that substitution is Eligible Collateral;

(b) the amount of Eligible Collateral so transferred to LME Clear is such that its Market Value (less the appropriate Haircut) is not less than the Market Value (less the appropriate Haircut) of the Eligible Collateral being released on that substitution;

(c) the requirements set out in Clearing Procedure D4.8 or 4.8A above, as applicable, are fulfilled;

(d) LME Clear has consented to the Substitution of Non-cash Assets (which may be conditional on the above requirements being fulfilled), as required;

(e) the Substitution of Non-cash Assets would not result in the breach of any applicable Collateral Limits; and

(f) in respect of a substitution of LME Warrant Collateral by a Member, its Posting Affiliate or Posting Client, the Member has provided to LME Clear prior to 11:00 a.m. on the day that such LME Warrant Collateral is to be substituted:

(i) the "Warrant ID" in respect of the corresponding LME Warrant; and

(ii) whether such LME Warrant Collateral is posted by the Member, by a Posting Affiliate in relation to the Affiliate Posting Structure, or by a Posting Client in relation to the Client Direct Posting Structure,

LME Clear will promptly arrange for the release of that Eligible Collateral in accordance with its usual practice as specified in Clearing Procedure D4.16 below.

4.12 In the case of a request to release Collateral as part of an Excess Release, then where:

(a) the requirements set out in Clearing Procedure D4.8 or 4.8A above, as applicable, have been fulfilled;

(b) LME Clear has consented to the release (which may be conditional on the above requirements being fulfilled); and

(c) the release of Collateral would not result in the breach of any applicable Collateral Limits,

LME Clear shall promptly arrange for the release of that Eligible Collateral in accordance with its usual practice as specified in Clearing Procedure D4.16 below.

4.13 Notwithstanding the foregoing provisions of this Clearing Procedure D, LME Clear shall have discretion whether to give or refuse its consent under Clearing Procedure D4.10 to

4.12 and, for this purpose, will run such series of limit and availability checks as it deems appropriate before deciding whether or not to release any Collateral.

4.14 **Collateral Timetable**

4.15 The following Table specifies the timescales within which Members shall ensure that Collateral called by LME Clear is deposited with LME Clear. All times are London times.

Placement		
Collateral Type	**Collateral lodged by**	**Member given value on[5]**
Cash – o/n Call	09:00	Day of receipt of Collateral
Cash lodge (EUR and GBP)	09:00	Day of receipt of Collateral
Cash lodge (USD)	17:00	Day of receipt of Collateral
Cash – intra-day Call (a) Between 08:00hrs & 20:00hrs (b) Between 0700hrs & 0800hrs	 (a) Within 60 minutes of call (b) By 0900hrs	Day of receipt of Collateral
Cash (EUR and GBP) – substitution, post 09:00	20:00	One (1) Business Day after the request (exclusive of the day of the request)
Financial Instruments	Central Securities Depository cut-off time: - Euroclear Bank: 17:00 - Euroclear UK & Ireland: 17:00 - Federal Reserve: 19:00	Settlement of Collateral
Gold	14:00	Upon allocation
LME Warrants	LMEsword: 12:30	Day of receipt of Collateral in LME Clear Pledged Account
Triparty Custody Arrangement Collateral (Note that, in accordance with Rule 8.1A, Triparty Custody Arrangement Collateral may	(a) For same day instructions: - Euroclear Bank: 17:00 (b)	(a) Settlement of Collateral Note in respect of next day and forward dated instructions – For the purposes of the Cover

[5] The term "given value on" should be understood as referring to the point at which LME Clear is in receipt of Collateral and, accordingly, accounts for such Collateral in LME Clear's books and records.

comprise both Securities Collateral and Cash Collateral.)	For next day instructions: By the following times: - Euroclear Bank: 17:00 on the Business Day preceding the value date (c) For forward-dated instructions: As under (b) above	Distribution Process, notwithstanding that a Member's obligation to provide Collateral to LME Clear is not discharged until the point at which LME Clear has received such Collateral, in relation to Triparty Custody Arrangement Collateral, the Cover Distribution Process shall use the following cut-off points to apply an assumed value to such Collateral in accordance with Clearing Procedure D5.14(b): (b) During the Cover Distribution process at End of Day on the Business Day preceding the value date (c) As under (b) above

A Member must notify LME Clear in advance of its intention to deposit Cash Collateral in the form of Yen or renminbi not later than the following deadlines:

(a) for Cash Collateral in the form of Yen, 12:00 hours London time on the Business Day prior to the day on which the Cash Collateral is to be lodged;

(b) for Cash Collateral in the form of renminbi, 08:00 hours London time on the US Business Day that falls not less than one (1) US Business Days prior to the day (which must be a US Business Day) on which the Cash Collateral is to be lodged,

and such notification shall specify the amount of Yen or renminbi (as applicable) that the Member will deposit with LME Clear. Such notification shall be made in writing and delivered through such means as detailed in the Operations GUI User Guide, as amended from time to time.

4.16 The following Table specifies the timescales within which LME Clear will endeavour to release to a Member Collateral that the Member has requested (where LME Clear has agreed to release such Collateral in accordance with these Clearing Procedures and including circumstances in which Collateral is to be released on LME Clear's behalf by a Triparty Collateral Custodian). These timescales are indicative only and are not contractually binding on LME Clear, and are subject to the Collateral Limits specified in Annex 2 (*Eligible Currencies, Collateral and Haircuts*) (see Collateral Management / Acceptable Collateral / Documents). The withdrawal timelines also assume that sufficient Collateral is in place with LME Clear to meet the Member's Margin Requirement prior to

release of the requested Collateral, and will remain sufficient following the release of the requested Collateral:

Withdrawal		
Collateral Type	**Notice by**	**Assets released to Member on**
Cash (EUR and GBP) – o/n	09:00	Day of the request
Cash (USD)	14:30	Day of the request
Cash (EUR and GBP) – substitution, post 09:00	20:00	One (1) Business Day after the request (exclusive of the day of the request)
CNH Cash -	08:00	The US Business Day which is one (1) US Business Days after the request (exclusive of the day of the request)
Financial Instruments	Central Securities Depository cut-off time: - Euroclear Bank: 17:00 - Euroclear UK & Ireland: 17:00 - Federal Reserve: 17:00	Upon settlement
Gold	10:00	Upon settlement
LME Warrants	LMEsword: 09:00	Day of receipt of notice
Triparty Custody Arrangement Collateral (Note that, in accordance with Rule 8.1A, Triparty Custody Arrangement Collateral may comprise both Securities Collateral and Cash Collateral.)	(a) For same day withdrawal: 17:00 (b) For next day withdrawal: By the following times: - Euroclear Bank: 17:00 on the Business Day preceding the value date (c)	Upon settlement

	For forward-dated withdrawal: As under (b) above	

4.17 **Expiry, Payment of Rent and Withdrawals**

(a) Members will be required to withdraw non-cash Collateral prior to its expiry date.

(b) In the case of LME Warrants, LME Clear will notify Members of the forthcoming occurrence of a Rent Date on the day falling five Business Days prior to such Rent Date. Members may be required to withdraw LME Warrants (including any LME Warrants posted by a Posting Affiliate or Posting Client), immediately upon request from LME Clear either at any time where such LME Warrants have unpaid rent outstanding or at any time on or after the day falling five (5) Business Days before the Rent Date.

(c) The Haircut applied to non-cash Collateral will be amended to one hundred per cent (100%) within such period prior to its expiry as is specified in Annex 2 (*Eligible Currencies, Collateral and Haircuts*) or, in the case of LME Warrant Collateral, from and including the day falling three (3) Business Days prior to the due date for payment of rent.

(d) In the case of a request to substitute, transfer or release LME Warrant Collateral the Haircut applied to the LME Warrants which are the subject of such substitution, transfer or release will be amended to one hundred per cent (100%) from the time that such request is received by LME Clear.

4.18 **Interpretation of "take", "release" and "return" of Collateral**

4.19 Where in the Rules LME Clear is stated to "take" any Collateral it shall mean the following:

(a) in the case of any Cash Collateral, exercising a right of set-off against or deduction from that cash;

(b) in the case of any Gold Collateral, disposing or otherwise liquidating that Gold;

(c) in the case of any Securities Collateral, disposing or otherwise liquidating those securities; and

(d) in the case of any LME Warrant Collateral, disposing of or otherwise liquidating that LME Warrant Collateral,

and depending on the context, "take" shall also mean enforcing any security interest in the relevant Collateral or exercising any right or remedy provided for in any Security Document, any Affiliate Security Document or any Posting Client Security Document in relation to the relevant Collateral or otherwise permitted or provided for by law.

4.20 Where in the Rules LME Clear is stated to "return" or "release" any Collateral to the relevant Member it shall be taken to mean the following:

(a) in the case of any Cash Collateral, paying a sum to that Member equal to that cash, whether directly, or indirectly through a Triparty Custody Arrangement;

(b) in the case of any Gold Collateral, transferring it into the name of that Member or otherwise returning it to that Member as contemplated by Clearing Procedure D 3.20;

(c) in the case of any Securities Collateral, delivering to that Member securities equivalent to those securities, whether directly, or indirectly through a Triparty Custody Arrangement; and

(d) in the case of any LME Warrant Collateral, instructing an ex-cleared transfer from the relevant LME Clear Pledged Account to such account of the Member in LMEsword or, in the case of LME Warrant Collateral provided by a Posting Affiliate or Posting Client, to the account of such Posting Affiliate or Posting Client in LMEsword, as is notified to LME Clear by the Member for such purposes.

4.21 **Return of Renminbi Collateral**

(a) Notwithstanding any other provision of Rule 8 (*Margin Requirement and Collateral*) or this Clearing Procedure D, LME Clear may postpone any return that is due to a Member of Cash Collateral denominated in renminbi if and to the extent that LME Clear has not received, or cannot deliver, the same into or from:

(i) its Settlement Account at its Approved Settlement Bank; or

(ii) its concentration bank account at its relevant Concentration Bank,

due to renminbi not being, or ceasing to be, sufficiently liquid, exchangeable or transferable or otherwise being the subject of currency controls.

(b) All payments in respect of Cash Collateral denominated in remninbi will be made solely by transfer to a renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. LME Clear cannot be required to make a payment by any other means (including in bank notes, by cheque or draft or by transfer to a bank account in the People's Republic of China).

4.22 **Renminbi Collateral Delivery**

Once a Member has notified LME Clear of its intention to lodge or withdraw renminbi Cash Collateral, the Member has an obligation to make such lodgement or withdrawal and will be liable for the reasonable costs and expenses of LME Clear in making arrangements for such lodgement or withdrawal should the Member wish to cancel, with LME Clear's agreement, such lodgement or withdrawal for any reason.

5. **COVER DISTRIBUTION**

5.1 "**Cover Distribution Process**" is the name given to the process operated by LME Clear at End of Day on each Business Day in order to calculate the amount of any net Cash Settlements between LME Clear and Members to be processed on the following Business Day. This includes both the Payment Obligations in respect of settled Contracts and the payment of Collateral in satisfaction of Margin Requirements.

5.2 The Cover Distribution Process involves the following steps, which shall be taken separately in relation to each Account:

(a) Step 1: determine Payment Obligations and calculate Available Cash;

(b) Step 2: calculate End of Day Margin Requirement;

(c) Step 3: calculate Available Non-cash Collateral;

(d) Step 4: calculate Available Cash Collateral;

(e) Step 5: calculate Minimum Cash Requirement;

(f) Step 6: determine Cash Settlement payable to or from Member (the Cover Distribution Process calculation).

5.3 These steps are explained in the following paragraphs below.

5.4 **Step 1: Determine Payment Obligations and calculate Available Cash**

5.5 LME Clear shall calculate:

(a) the amount of cash it holds at End of Day;

(b) the Payment Obligations, in each currency, and other Cash Settlements that are known to LME Clear to be due to be made on the following Business Day; and

(c) (for payments in a Forward Dated Currency) the Payment Obligations and other Cash Settlements that are known to LME Clear to be due to be made on the Business Day following the next Business Day,

in order to determine the balance of cash remaining, in each relevant currency, net of such Payment Obligations and other known Cash Settlements (such net balance being the "**Available Cash**").

5.6 For the avoidance of doubt, Payment Obligations include any Fees and other charges payable by the Member, together with those Payment Obligations specified in the table of Cash Settlements set out in Clearing Procedure E 3.3. For the avoidance of doubt, cash held as Default Fund Contributions and any Cash Settlements relating to Default Fund Contributions shall not be included in the calculation in Clearing Procedure D 5.5 above and shall be dealt with as separate Cash Settlements.

5.7 **Separate Process: Delivery Position Settlements for Sellers**

5.8 In order to manage physical delivery risk, LME Clear will only pay Sellers for their physical delivery of any Underlying Assets after the relevant Underlying Asset has been received by LME Clear. Consequently, LME Clear shall effect a Cash Settlement in satisfaction of LME Clear's Payment Obligation separately from any other Cash Settlements calculated and settled under the Cover Distribution Process described under this Clearing Procedure D5.

5.9 **Step 2: Calculation of End of Day Margin Requirement**

5.10 LME Clear shall calculate, in respect of each Account, the following values:

(a) the Initial Margin Requirement (IM) (*which shall always be a negative value*);

(b) the Discounted Contingent Variation Margin (DCVM) (*which may be a positive or a negative value*);

(c) the Net Liquidation Value (NLV) (*which may be a positive or a negative value*); and

(d) any additional margin determined in accordance with Clearing Procedure C5 (AM) (*which shall always be a negative value*).

For the avoidance of doubt, when making such calculations for a Gross Omnibus Segregated Client Account, the values to be applied in (a) to (d) above shall be the aggregated values for each such Account (comprising the values for all Allocation IDs, together with any values applicable to any Positions without Allocation IDs), as specified by Clearing Procedure C:2.3(b).

5.11 The sum of IM + DCVM + NLV + AM shall be the total End of Day Margin Requirement for the Account. Such End of Day Margin Requirement shall be determined in the Base Currency (USD), unless otherwise specified by LME Clear.

5.12 In the event that the End of Day Margin Requirement is a positive number, there shall be no liability to be offset and, due to the contingent nature of DCVM and NLV, the End of Day Margin Requirement to be included in the Cover Distribution Process shall be zero.

5.13 **Step 3: Calculation of Available Non-cash Collateral**

5.14 The "**Available Non-cash Collateral**" shall be calculated in respect of each Account on the basis that:

(a) non-cash Collateral held in respect of the Account shall be valued using the End of Day Price Set in order to identify a current value (after any applicable Haircut) for each asset comprised within such Collateral;

(b) where:

(i) non-cash Collateral that is still held by LME Clear other than in its account at a Triparty Collateral Custodian but which has been flagged by the Member for withdrawal or substitution on the following Business Day or on the Business Day thereafter (in accordance with Clearing Procedure D4) and any expired non-cash Collateral or Collateral to be withdrawn in accordance with the Clearing Procedure D4.17 shall not be considered to be Available Non-cash Collateral and shall be excluded from the Cover Distribution Process; and

(ii) non-cash Collateral that is held in LME Clear's Triparty Collateral Custody Account and which has been flagged by the Member for withdrawal or substitution on the following Business Day (in accordance with Clearing Procedure D4) and any expired non-cash Collateral to be withdrawn in accordance with Clearing Procedure D4.17 shall not be considered to be Available Non-cash Collateral and shall be excluded from the Cover Distribution Process. For the avoidance of doubt, non-cash Collateral that is held in LME Clear's Triparty Collateral Custody Account and which has been flagged by the Member for withdrawal or substitution on any Business Day after the following Business Day on which the Collateral is flagged shall be Available Collateral and shall not be excluded from the Cover Distribution Process; and

(iii) the non-cash Collateral that is held in LME Clear's Triparty Collateral Custody Account is to be increased on the next Business Day (by way of the Member notifying LME Clear of an increase to the Triparty Transaction Amount), the additional non-cash Collateral will be included within the Cover Distribution Process that takes place overnight at the end of the preceding Business Day. Where non-cash Collateral held in LME Clear's Triparty Collateral Custody Account is flagged by the Member for increase on any Business Day after the following Business Day (the "**Instructed Value**

Date"), such additional non-cash Collateral will not be included until the Cover Distribution Process that takes place overnight at the end of the Business Day preceding the Instructed Value Date. LME Clear will apply an "assumed value" to the additional non-cash Collateral that is to be placed by the Member into LME Clear's Triparty Collateral Custody Account as part of the Cover Distribution Process. The Member's obligation to ensure that it meets its Margin Requirement shall not be discharged until the point at which the Security Collateral that is to be placed by the Member has been recorded within LME Clear's Triparty Collateral Custody Account as having been received by LME Clear.

(c) LME Clear shall treat as available only the non-cash Collateral that is within any applicable Collateral Limits;

(d) LME Warrant Collateral will only be considered to be Available Non-cash Collateral if, at least three (3) Business Days prior to any Rent Date in respect of the corresponding LME Warrants, all amounts in respect of rent relating to such LME Warrants (including any amounts due on the applicable Rent Date) have been unconditionally paid in full;

(e) LME Warrant Collateral will only be considered to be Available Non-cash Collateral in respect of liabilities under Open Contracts outstanding between a Member and LME Clear which relate to the same metal as the Underlying Metal for such LME Warrant Collateral;

(f) LME Warrant Collateral will only be considered to be Available Non-cash Collateral if the Member has provided to LME Clear prior to 11:00 a.m. on the day that such LME Warrant Collateral is provided by way of security to LME Clear:

(i) the "Warrant ID" in respect of the corresponding LME Warrant; and

(ii) whether such LME Warrant Collateral is posted by the Member, by a Posting Affiliate in relation to the Affiliate Posting Structure, or by a Posting Client in relation to the Client Direct Posting Structure; and

(g) Rule 10.7.11 and Default Procedure Part D 2.12 shall apply.

5.15 **Step 4: Calculation of Available Cash Collateral**

5.16 LME Clear shall then determine what proportion and/or amount of the Available Cash can be treated as Cash Collateral.

5.17 When making such determination, LME Clear shall have regard to the fact that:

(a) a Member may have specified, in respect of any Account, that Cash Collateral will only be provided in US Dollars in which case, LME Clear will exclude any other currency credit balances from the Cash Collateral calculation;

(b) any Cash Settlement in respect of such 'excluded' currencies shall be settled through the Secure Payment System independently of the Cover Distribution Process. For the avoidance of doubt, Members will be called for, and must settle, all Payment Obligations in the relevant currency and are not permitted to have any debit balances with LME Clear; and

(c) LME Clear shall treat as available only the Cash Collateral that is within any applicable Collateral Limits.

(In the event of a currency holiday for the currency in which the debit balance occurs or which settlement in that currency on the following Business Day is not possible, LME Clear may request cover in an alternative currency.)

5.18 The Available Cash in each currency (as calculated under Step 1 and after any applicable Haircut) shall then be validated against the account criteria set by the Member to determine what should be included within the Cover Distribution Process calculation. Available Cash that is included in the Cover Distribution Process calculation is considered to be "**Available Cash Collateral**".

5.19 **Step 5: Calculate Minimum Cash Requirement**

5.20 For liquidity management purposes LME Clear imposes a "**Minimum Cash Requirement**" that is applicable to each Account maintained by the Member with LME Clear. This requires that for every Account a minimum proportion and/or minimum amount of the End of Day Margin Requirement shall be covered by cash.

5.21 The Minimum Cash Requirement is expressed as a percentage and/or an amount which is defined in Annex 2 (*Eligible Currencies, Collateral and Haircuts*).

5.22 **Step 6: Cover Distribution Calculation**

5.23 Available Cash Collateral and Available Non-cash Collateral are then applied against the End of Day Margin Requirement according to the following rules:

(a) Subject to Clearing Procedure Part D5.24 below, Available Non-cash Collateral shall be used before Available Cash Collateral, regardless of Haircut or currency.

(b) Within Available Non-cash Collateral, apply LME Warrant Collateral (including LME Warrant Collateral provided by a Posting Affiliate or Posting Client) in priority to other Available Non-cash Collateral in respect of liabilities under Open Contracts relating to metal of the same type as the Underlying Metal for the applicable LME Warrant Collateral, and otherwise apply assets (other than LME Warrant Collateral) with the lowest combined Haircut in priority to those with higher Haircuts. LME Warrant Collateral shall not be applied other than as set out in this paragraph (b).

(c) Where any Gold Collateral and any instruments comprising Securities Collateral have the same Haircut, LME Clear shall use the Gold Collateral in priority to the Securities Collateral.

(d) Where different instruments comprising Securities Collateral have the same Haircut, LME Clear shall:

(i) use same-currency assets before cross-currency assets; and

(ii) use assets with the shortest tenor first (for example, a five (5) year bond before a 10 year bond).

(e) Within Available Cash Collateral, where the option to use other currencies in addition to the Base Currency (USD) for cover purposes has been taken, LME Clear shall apply any RMB first, then apply assets with the lowest combined Haircut in priority to those with higher Haircuts, then apply Base Currency (USD) cash.

(f) The cash balance for each currency on the Account shall not be permitted to be in debit. The Cover Distribution Process therefore calculates three amounts in respect of each Account:

(i) the cash amount for each currency required to bring the cash balance on the Account back into credit or to a zero balance;

(ii) the cash amount required to ensure that sufficient Collateral is available and within applicable Collateral Limits (including bringing the cash balance on the Account back into credit or to a zero balance); and

(iii) the cash amount required to ensure that the Minimum Cash Requirement is available and within applicable Collateral Limits.

(g) If the Cover Distribution Process calculates that a cash amount shall be payable by the Member under (f) above, for each currency, the cash call made for the Account through the Secure Payment System shall be determined as the largest of these three numbers and shall be discharged as a Cash Settlement.

(h) If the Cover Distribution Process calculates that the Margin Requirements are covered and the cash balance on the Account is in credit and is greater than the Minimum Cash Requirement and within applicable Collateral Limits, the Member may:

(i) leave the excess cash with LME Clear, or

(ii) make an individual request for the return of any excess cash, or

(iii) have such excess cash, to the extent that it is in excess of any applicable balance agreed between the Member and LME Clear from time to time, auto-repaid by LME Clear (where such option has been selected by the Member as part of the set-up profile for that Account),

subject in each case to LME Clear's rights under the Rules, including in particular but without limitation any rights to limit or delay repayment of any Excess Collateral under Rule 8 (*Margin Requirement and Collateral*) or Clearing Procedure D4, and provided that any withdrawal would not result in a breach of the Rules including in relation to Collateral Limits.

5.24 Where LME Clear imposes a Minimum Cash Requirement applicable to each Account maintained by a Member with LME Clear, then Available Cash Collateral shall be used before Available Non-Cash Collateral for the purposes of the Cover Distribution Calculation, but only up to the amount of the Minimum Cash Requirement.

5.25 **Excess Cash Auto-repay**

A Member may nominate, in respect of an Account, that any cash balance calculated as being held by LME Clear in excess of its Cash Settlement obligations and Margin Requirements, after application of the Cover Distribution Process and above a level that can be specified by the Member, should be automatically returned to the Member's Settlement Account at the relevant Approved Settlement Bank on the next Business Day or (where the cash balance on the relevant Account is in a Forward Dated Currency) on the Business Day following the next Business Day. Notwithstanding that such option may have been selected by the Member in respect of any Account, LME Clear shall still be entitled to exercise its rights under Clearing Procedure D4 to refuse, delay or impose conditions on any such Excess Release.

5.26 **De minimis Limit for Cash Movements**

LME Clear may apply a *de minimis* limit to cash movements and will not call for or make Cash Settlements for amounts that are below this limit. This limit is defined in Annex 2 (*Eligible Currencies, Collateral and Haircuts*).

5.27 **Currency Centre Opening and Bank Holidays**

(a) Cash Settlement in any currency shall be made on those Business Days that are days on which cash payments may be facilitated in the country of issue of that currency, unless LME Clear determines that such payments can be made by alternative means on any day on which such country of issue is not capable of facilitating such payments.

(b) In the event that a Member is due to make a Cash Settlement in a currency on a Business Day which is a bank holiday or a public holiday in the country of issue of that currency, LME Clear may require that the Cash Settlement be made in an alternative currency (in accordance with Rule 2.17 (*Currency Conversion*)) and shall apply the Cover Distribution Process on the basis that the relevant Cash Settlement is to be made in that alternative currency.

(c) Cash Settlement in renminbi (CNH) shall be made on a US Business Day, in accordance with the timescales for settlements of Cash Collateral (CNH) set out in Clearing Procedures D4.15 and D4.16, as applicable.

5.28 **Intra-Day Cover Distribution Process**

An intra-day cover distribution run will also take place each Business Day at 14:00 hours which, where relevant, will follow the processes as described in Steps 1 to 6 above, with the exception that any excess cash balances will not be available for repayment. Non-cash Collateral that is held in excess of the Member's Margin Requirement subsequent to this process will be available for same day withdrawal, provided that the cut-off times set out at Clearing Procedure D 4.16 shall continue to be observed.

PART E – SECURE PAYMENT SYSTEM AND CASH SETTLEMENTS

1. INTRODUCTION

This Part E of the Clearing Procedures specifies the Clearing Procedures applicable to:

(a) the operation of the Secure Payment System (**Clearing Procedure E2**); and

(b) Cash Settlements (**Clearing Procedure E3**).

2. SECURE PAYMENT SYSTEM

2.1 LME Clear operates a direct debit system for the transfer of cash to and from the Settlement Accounts of Members held at Approved Settlement Banks. This system is called the Secure Payment System.

2.2 Each Member shall establish and maintain with one or more Approved Settlement Banks one or more Settlement Accounts capable of holding and making to LME Clear Cash Settlements in:

(a) the Eligible Currencies for any Asset Cover payable by the Member to LME Clear;

(b) the Settlement Currencies for any Eligible Product for which the Member effects or clears Transactions; and

(c) any other Currency in which the Member may be required to make (or receive) Cash Payments to (or from) LME Clear.

Different Approved Settlement Banks may be used for different currencies. A Member may not maintain more than one Approved Settlement Bank in respect of payments to be made in respect of any single Account in a single currency.

2.3 Members shall maintain their Settlement Accounts with institutions that are able to meet the payment deadlines determined by LME Clear from time to time. Failure of an Approved Settlement Bank to confirm a payment within the relevant payment deadlines specified by LME Clear may result in the Member being declared in Default.

2.4 LME Clear may issue Settlement Instructions in respect of Cash Settlements or in respect of a Member to the Member's Approved Settlement Bank in accordance with the operation of the Secure Payment System. Each Member shall ensure that its Approved Settlement Bank shall act on:

(a) Settlement Instructions calling for payment to LME Clear by debiting from the Member's Settlement Account the required cash amount and irrevocably crediting such cash amount to LME Clear's Settlement Account at the Approved Settlement Bank; or

(b) Settlement Instructions calling for receipt of payment from LME Clear by irrevocably crediting the Member's Settlement Account with the required cash amount.

2.5 **Discharge of Cash Settlement obligations**

(a) Discharge of Member’s Cash Settlement obligation

(i) Subject to (ii) below, a Member's obligation to make any Cash Settlement shall not be treated as discharged until the full amount of the cash payment, in the correct currency, is received and credited to LME Clear's concentration bank account at the Concentration Bank nominated by LME Clear to receive the payment.

(ii) LME Clear may elect, in its absolute discretion, not to transfer to its account at a Concentration Bank any amount of cash payment received pursuant to a Cash Settlement of a Member and to, instead, designate any other account under its control (whether at an Approved Settlement Bank or other financial institution) as the account representing the place of discharge of the Member's obligation to make such Cash Settlement. “Designation” in this context shall include, but shall not be limited to, LME Clear having consented to a Member’s use of a Triparty Custody Arrangement. In the event that LME Clear makes such election, the Member’s obligation to the make the relevant Cash Settlement shall (in respect of such designated amount of cash payment) be discharged at the time that the credit confirmation is received by LME Clear from the destination account via the SWIFT Messaging Gateway to debit the funds, or the payment instruction is otherwise communicated by LME Clear to the relevant Approved Settlement Bank or, in relation to the use by a Member of a Triparty Custody Arrangement, at the time that the cash payment is recorded as having been received into LME Clear’s Triparty Collateral Custody Account.

(b) Discharge of LME Clear’s Cash Settlement obligation

(i) Subject to (ii) and (iii) below, LME Clear's obligation to make any Cash Settlement shall be treated as discharged when the full amount of the cash payment, in the correct currency, is debited from LME Clear's concentration bank account at the relevant Concentration Bank.

(ii) LME Clear may elect, in its absolute discretion, to make a Cash Settlement using funds from an account under its control other than its concentration bank account at a Concentration Bank. For the avoidance of doubt, the term “elect” in this context shall include circumstances where LME Clear makes a Cash Settlement relating to the return of Collateral to a Member where that Collateral is held, and transferred from, LME Clear’s Triparty Collateral Custody Account. In the event that LME Clear makes such election, LME Clear’s obligation to the make the relevant Cash Settlement shall (in respect of such designated amount of cash payment) be discharged at the time that the debit confirmation is received by LME Clear from the relevant account via the SWIFT Messaging Gateway indicating that the funds have been debited or, in relation to the use by a Member of a Triparty Custody Arrangement, at the time that the cash payment is recorded as having been received into the Member’s Triparty Collateral Custody Account or instructed by LME Clear to be paid into the Member’s Triparty Collateral Custody Account, whether on an instructed or a deemed basis.

(iii) Where agreed with the Member, LME Clear may retain any amount due to be paid to the Member pursuant to a Cash Settlement, in which case such amount shall, from the time that such Cash Settlement would otherwise have been due, be treated as an Excess Member Payment and Cash Cover.

2.6 LME Clear shall be responsible for issuing instructions to each Approved Settlement Bank to transfer cash amounts in the discharge of Cash Settlements from LME Clear's Settlement

Account at the Approved Settlement Bank. Notwithstanding the foregoing, LME Clear shall have no liability to any member for any failure by an Approved Settlement Bank to act on LME Clear's instructions.

2.7 In the event that one or more Members do not receive a payment due to it as a consequence of the insolvency of its Approved Settlement Bank, LME Clear shall, if LME Clear makes a recovery from the estate of the Approved Settlement Bank, credit such recovery, net of LME Clear's costs, to the Members affected by such insolvency, in proportion to the respective amounts of the payments that such Members did not receive.

2.8 It is the responsibility of the Member to have sufficient funds or other arrangements in place with their Approved Settlement Bank(s) to ensure that calls by LME Clear for funds are met promptly.

2.9 Members shall complete and maintain in effect at all times SPS Mandate Forms for each Approved Settlement Bank at which they wish to operate a Settlement Account. These forms shall either be in the form available on the Website or (where no such form is available) in the form provided by each Approved Settlement Bank. Each Member shall ensure that copies of the completed SPS Mandate Forms, put in place with each Approved Settlement Bank, shall also be provided to LME Clear prior to the Member's commencing settlement operations using that Approved Settlement Bank. The Member shall notify LME Clear immediately if any SPS Mandate Form ceases to apply in respect of any Settlement Account maintained by the Member with an Approved Settlement Bank.

2.10 **SPS Payment Deadlines**

2.11 Members shall, and shall ensure that their Approved Settlement Banks, comply with the deadlines set out below. All times are London times.

Deadline	**Required Action**
End of Day Margin Requirement – margin call	
09:00hrs	Final confirmation required from the Member's Approved Settlement Bank that any cash Collateral in respect of the End of Day Margin Requirement has been paid.
Intra-Day Margin Requirement – margin call	
(a) Between: 08:00hrs & 20:00hrs (b) Between: 07:00hrs & 08:00hrs	(a) Save where (b) applies, the Member's Approved Settlement Bank is required to confirm within sixty (60) minutes of LME Clear issuing an instruction to pay cash Collateral in respect of an Intra-Day Margin Requirement that such cash has been paid for value on the same Business Day. (b) Where the instruction to pay cash Collateral in respect of an Intra-Day Margin Requirement is issued between 07:00 and 08:00, the Members's Approved Settlement Bank is required to confirm by 09:00hrs that such cash Collateral has been paid.

2.12 The times by which Cash Settlement in different currencies shall be completed shall be as specified in the file that can be accessed by logging in at the following link:

https://www.lme.com/LME-Clear/Technology#tabIndex=1

2.13 **Payment Arrangements**

The Member's payments to or from its Approved Settlement Bank shall be received within the deadlines set out in Clearing Procedure E2.11 (*SPS Payment Deadlines*). The Member's payments to or from its Approved Settlement Bank shall be issued:

(a) for a valid value date for the corresponding currency only; and

(b) for execution on said value date only.

2.14 **Bank Holidays**

(a) LME Clear shall require payments to be made, for value, on Business Days that are also days on which the relevant institutions in the country of issue of the relevant currency are able to facilitate such payment. Where a call for a currency is issued for a value date that is or subsequently becomes a bank holiday or public holiday in the country of issue of that currency and such payment cannot consequently be made on that value date (for example, in the event of the declaration of a bank holiday at short notice), LME Clear reserves the right to require such payment to be made in an alternative currency (in accordance with Rule 2.17 (*Currency Conversion*) and Clearing Procedure D).

(b) Notwithstanding the deadlines set out in Clearing Procedure E2.11 (*SPS Payment Deadlines*), in the event that a payment of Collateral is to be paid for value on a Business Day where the next following Business Day is a bank holiday or public holiday, either in the UK or in the country of issue of the currency in which such payment is to be made, such payment shall be made by such deadline on that Business Day as LME Clear shall specify by way of Notice. For the avoidance of doubt, and without limitation to the foregoing, LME Clear shall be entitled to specify such deadlines in order to ensure that it has sufficient time to invest the Cash Collateral following its receipt and prior to such bank holiday or public holiday.

2.15 **Contingency Payment Arrangements**

Each Member shall maintain appropriate contingency arrangements for the payment to LME Clear of Cash Settlements in the event that the Approved Settlement Bank appointed by the Member is unable for any reason to facilitate Cash Settlements in accordance with LME Clear's Settlement Instructions. Each Member shall notify LME Clear in writing of the contingency arrangements it maintains in accordance with this provision and shall ensure that LME Clear is notified of any change to such arrangements. The Member is responsible for ensuring that all Cash Settlements are discharged by or on its behalf by the times specified in the Clearing Procedures.

3. **CASH SETTLEMENTS**

3.1 All Cash Settlements in respect of Payment Obligations shall be calculated and settled in the currency of the relevant Contract, with the exception of LME Warrant Delivery Adjustments for Rent and Weight. LME Warrant Delivery Adjustments for Rent and Weight shall be settled in the Base Currency (USD).

3.2 There shall be no cross-currency netting of Cash Settlements.

3.3 **Cash Settlement Summary**

3.4 Each Cash Settlement specified in the table below shall be recorded against the relevant Account of the Member maintained in the books and records of LME Clear in accordance with Rule 4 (*Accounts).*

Cash Settlement Type	**Description**
Cash Contingent Variation Margin – Settlement to Market (inclusive Price Alignment Interest)	Debited from or credited to the relevant Account in the Settlement Currency on a daily basis.
Realised Variation Margin – Settlement to Market	Debited from or credited to the relevant Account in the Settlement Currency on a daily basis.
Option Premium	Either: (a) debited from the relevant Account (where the Member is the Buyer); or (b) credited to the relevant Account (where the Member is the Seller), in each case on the due date (as defined for the Eligible Product).
Position Expiry – Exchange Traded Futures (LMEminis & LME Index)	On expiry of the Instrument a final Settlement to Market net cash posting is calculated for each Account as the difference between the Settlement Price and the Closing Price for the open Position.
Position Expiry – Exchange Traded Monthly Average Futures	On expiry of the Instrument a net profit or loss Cash Settlement for the Prompt Date is calculated for each Account as the difference between the Monthly Average Settlement Price (MASP), and the traded price of the Open Contract.
Position Expiry – Exchange Traded Forwards, LMEprecious Futures & OTC Bullion Forwards	On expiry of the Instrument a net profit or loss Cash Settlement for the Prompt Date is calculated for each Account as the difference between the Settlement Price and the traded price of the Open Contracts.
Cash Settlement for Final Delivery Position - Exchange Traded Forwards, LMEprecious Futures & OTC Bullion Forwards	The procedures for Cash Settlements arising from Delivery Positions are documented in either: (a) The LME Warrant Delivery Procedure for LME Exchange Traded Forwards (See Clearing Procedure F2); or

	(b) The LMEprecious Future Delivery Procedure for LMEprecious Futures (See Clearing Procedure F3); or (c) The OTC Bullion Delivery Procedure for OTC Bullion Forwards. (See Clearing Procedure F4).
Delivery Adjustments for Rent and Weight Cash - Exchange Traded Forwards	The procedures for Cash Settlements arising from Delivery Adjustments for Rent and Weight Differences are documented in: The LME Warrant Delivery Procedure for LME Exchange Traded Forwards. **(See Clearing Procedure F2).**

3.5 Each Business Day, the net Cash Settlements calculated as falling due on the next Business Day in respect of each Account, pursuant to the table above shall be calculated by LME Clear.

3.6 The total net Cash Settlement amounts for each currency due to LME Clear from the Member are debited in the relevant currency to each Member's Settlement Account via the Secure Payment System on the due date subject to, and in accordance with, the daily Cover Distribution Process.

3.7 The total net Cash Settlement amounts for each currency arising as due to the Member from LME Clear are credited in the relevant currency to each Member's Settlement Account via the Secure Payment System on the due date subject to, and in accordance with, of the daily Cover Distribution Process.

PART F – PHYSICAL DELIVERY

1. INTRODUCTION

This Part F of the Clearing Procedures specifies the Clearing Procedures applicable to:

(a) the procedures for the discharge of Delivery Obligations in respect of Contracts for LME Warrants (**Clearing Procedure F2**); and

(b) the procedures for the discharge of Delivery Obligations in respect of Contracts for LMEprecious Futures (**Clearing Procedure F3**).

(c) the procedures for the discharge of Delivery Obligations in respect of Contracts for OTC Bullion Products (**Clearing Procedure F4**).

2. LME WARRANT DELIVERY PROCEDURES

2.1 Interaction with LME Rules for LMEsword

(a) LMEsword is the Approved Delivery Facility for Contracts in LME Warrants.

(b) A Member may not submit to LME Clear any Transaction in respect of LME Warrants unless it has first set-up the appropriate number and type of "Member Accounts" in LMEsword (referred to in this Clearing Procedure F2 as the "**Member LMEsword Clearing Account**"). This shall include establishing such number of Member LMEsword Clearing Accounts designated as "house" or "client" as shall be necessary to ensure that the LME Warrants can be delivered appropriately. As a minimum, each Member must establish a Member House LMEsword Clearing Account. Each Member that is a General Clearing Member must establish a Member Client LMEsword Clearing Account.

(c) LME Clear maintains one or more accounts for the collection and delivery of LME Warrants at LMEsword (referred to in this Clearing Procedure F2 as the "**LME Clear LMEsword Clearing Account**").

(d) LME Warrant deliveries are effected through LMEsword in accordance with the LME Rules. The LME Rules contain specific procedures applicable to the operation of LMEsword.

(e) For the purpose of this Clearing Procedure F:

(i) "**LMEsword**" means the system defined under the LME Rules as the "LMEsword System";

(ii) "**LMEsword Regulations**" and "**LMEsword Operating Procedures**" shall have the definitions set out in the LME Rules;

(iii) "**LME Warrants**" are "Warrants" within the meaning of the LME Rules; and

(iv) "**LME Premium Warrants**" are LME Warrants that are allocable to a specific geographical region, as further described in the LME Rules.

(f) Consequently, this Clearing Procedure F2 shall be read in conjunction with the LME Rules and the LMEsword Regulations and Operating Procedures. LME Clear and the Member shall therefore comply with the LME Rules and the LMEsword Regulations and Operating Procedures in relation to the performance of their respective Delivery Obligations under Contracts in LME Warrants.

(g) In the event of any conflict between this Clearing Procedure F2 and the LME Rules, the LME Rules shall prevail.

2.2 **Instructions for Settlement of Delivery Positions**

The Delivery Positions established in respect of each Account maintained by the Member with LME Clear shall be settled on the Prompt Date. This means that, on the Prompt Date:

(a) the Payment Obligation and the Delivery Obligation comprising the Delivery Position in respect of Contracts to be settled on that date, shall be fulfilled by LME Clear and the Member respectively;

(b) Members who are Sellers under Contracts for LME Warrants (and who therefore have the Delivery Obligation) shall issue a Warrant Transfer Instruction to LME Clear via LMEsword on which the Delivery Position for LME Warrants indicates that the Member is to perform the Delivery Obligation;

(c) Members who are Buyers under Contracts for LME Warrants (and who therefore have the Payment Obligation) shall receive from LME Clear a Warrant Transfer Instruction via LMEsword on which the Delivery Position for LME Warrants indicates that LME Clear is to perform the Delivery Obligation; and

(d) in respect of LME Aluminium Premium Contracts:

(i) Members who are Buyers (and who therefore have an LME Premium Warrant Payment Obligation) shall issue a Warrant Transfer Instruction to LME Clear via LMEsword which indicates that the Member is to perform the LME Premium Warrant Payment Obligation; and

(ii) Members who are Sellers shall receive from LME Clear a Warrant Transfer Instruction via LMEsword which indicates that LME Clear is to perform the LME Premium Warrant Payment Obligation.

2.3 **Final Delivery Position and Warrant Movements**

Where:

(a) Delivery Positions for the same Prompt Date exist on an Account in respect of the same Underlying Asset, but for different Settlement Currencies;

then

(b) a Final Delivery Position in respect of that Underlying Asset on the Account shall be calculated by LME Clear by applying the calculation set out in Clearing Procedure B7.3 in order to determine the net of the Purchase Positions and Sale Positions for the Underlying Asset across currencies on that Account;

then

(c) the Warrant Movements for the Member in respect of that Underlying Asset shall be calculated by LME Clear by applying the calculation set out in Clearing Procedure B7.4 in order to determine the Warrant Movements required to settle the Final Delivery Positions through LMEsword between LME Clear and the Member.

The Warrant Movements shall be the number of LME Warrants deliverable through LMEsword by whichever of LME Clear or the Member has the Delivery Obligation.

For the avoidance of doubt, LME Clear and the Member shall also be subject to additional obligations to deliver LME Warrants pursuant to LME Premium Warrant Payment Obligations in respect of any LME Aluminium Premium Contracts for which they are, respectively, the Buyer.

For the further avoidance of doubt, Delivery Positions, Final Delivery Positions and Warrant Movements in respect of Gross Omnibus Segregated Client Accounts shall be determined on an Account-level basis, and shall not be determined separately for each Allocation ID. It shall be the sole responsibility of the Member to manage the allocation of Warrant Movements to each entity identified by an Allocation ID.

2.4 **LME Clear LMEsword Clearing Account**

LME Warrants transferred:

(a) from a Member (as Seller) to LME Clear; and

(b) from LME Clear to a Member (as Buyer),

will be made to or from (as applicable) the LME Clear LMEsword Clearing Account. The allocation of LME Warrants to Members (as Buyers) will be performed whilst the LME Warrants are held in this account.

2.5 **Member LMEsword Clearing Account**

2.6 LME Warrants allocated to:

(a) a Member (as Buyer) in fulfilment of Delivery Obligations of LME Clear; or

(b) a Member (as Seller) in fulfilment of LME Premium Warrant Payment Obligations of LME,

will be transferred:

(i) from the LME Clear LMEsword Clearing Account; and

(ii) to the Member LMEsword Clearing Account to which the Warrant Movement or LME Premium Warrant Payment Obligation (as applicable) relates. For the avoidance of doubt:

(1) the LME Warrants that discharge a net Purchase Position on the Member's House Accounts will be transferred to the Member House LMEsword Clearing Account; and

(2) the LME Warrants that discharge a gross Purchase Position on the Member Client Accounts will be transferred to the Member Client LMEsword Clearing Account.

2.7 **LMEsword - Notification of Delivery Commitments and Entitlements**

(a) Members with Delivery Positions will be notified of the Warrant Movements required to settle their Delivery Obligations, via LMEsword, for the relevant Prompt Date.

(b) Members with LME Premium Warrant Payment Obligations will be notified of such, via LMEsword, for the relevant Prompt Date.

2.8 **LME Warrant Collection**

(a) LME Clear will, via LMEsword, automatically initiate a LME Warrant collection process at the delivery deadline (11:00 hours). All LME Warrants nominated in a Warrant Transfer Instruction issued by the Member (as Seller) will be transferred from the relevant Member LMEsword Clearing Account to the LME Clear LMEsword Clearing Account.

(b) The Member (as Seller) will receive a separate notification, via LMEsword, in respect of each Underlying Asset, informing them that the LME Warrant collection process has been executed. This shall also apply where the Member is a Buyer with an LME Premium Warrant Payment Obligation.

2.9 **LME Warrant Allocation and Delivery**

(a) LME Clear will initiate the LME Warrant allocation and delivery process.

(b) The LME Warrants held in the LME Clear LMEsword Clearing Account will be sorted and allocated in accordance with the "LMEsword Warrant Allocation Method" (as documented in the LMEsword Operating Procedures).

(c) The LME Warrants allocated to a Member (as Buyer) will be transferred from the LME Clear LMEsword Clearing Account to the relevant Member LMEsword Clearing Account as described in Clearing Procedure F2.6.

(d) The Member (as Buyer) will receive a separate notification, via LMEsword, in respect of each Underlying Asset, informing them that the transfer of LME Warrants has been executed.

(e) Clearing Procedures F2.2.9(c) and (d) above shall also apply to a Member (as Seller) in respect of any LME Premium Warrant Payment Obligation under which the Member is due to receive LME Warrants.

2.10 **Clearing System Reports**

(a) LME Clear shall make available certain Reports relating to deliveries of LME Warrants via the Website.

(b) Details regarding the nature and content of these Reports are set out in Annex 4 (*List of Available Reports*).

2.11 **LMEsword Reports**

The following reports can be accessed by Members via LMEsword:

(a) Warrant Collection Adjustment Invoice

This report lists the LME Warrants collected by LME Clear from the Member (as Seller) and displays to the Member the rent and weight adjustment due on those LME Warrants. A separate report is produced for each Warrant Movement and for each LME Premium Warrant Payment Obligation.

(b) Warrants Allocation Adjustment Invoice

This report lists the LME Warrants allocated by LME Clear to the Member (as Buyer) and displays to the Member the rent and weight adjustment due on those LME

Warrants. A separate report is produced for each Warrant Movement and for each LME Premium Warrant Payment Obligation.

2.12 **Invoice and Account Sales Calculation**

LME Clear calculates the amounts due to the Member (as Seller) or payable by the Member (as Buyer) against the net Open Contracts in the relevant Eligible Product and Settlement Currency. The calculation is as follows:

Amount = Contract weight x Settlement Price x lots.

where:

(i) the Settlement Price is in the Settlement Currency of the open Position (JPY, EUR, USD, GBP) and is set in accordance with LME Rules (specifically the "Trading Regulations");

(ii) the Contract weight is determined in accordance with the LME Rules (specifically the "Special Contract Rules for Metals").

Invoice and Account Sales Calculation – Example:

Using the above formula where:

Contract weight	=	25 Tonnes
Settlement Price	=	USD 1,500.00
Delivery Position in Lots	=	10
Total Invoice/Account Sale	=	25 x 1,500 x 10
Value	=	USD 375,000.00

The total invoicing amount is shown on relevant Reports made available by LME Clear each of which may be accessed via the Website.

2.13 **Payment of Invoice and Account Sales**

(a) The Payments Obligations of each Member (as Buyer) on each Business Day are posted to the debit of the relevant Account of the Member as part of the previous Business Day's End of Day Cover Distribution process (in accordance with Clearing Procedure D5). Notwithstanding the foregoing, Payment Obligations that are to be discharged by payments in Japanese Yen shall be posted to the debit of the relevant Account in accordance with the End of Day Cover Distribution process applicable to Japanese Yen.

(b) Following the receipt of LME Warrants from Members (as Sellers) and unless otherwise agreed with the Seller, LME Clear makes the Settlement Payment to the Member's Settlement Account at an Approved Settlement Bank, via the Secure Payment System (or by any other method specified by LME Clear).

(c) **Japanese Yen**

(i) Payments are made to, or called from, LME Clear's Settlement Account at the Approved Settlement Bank.

(ii) Where the Member has the Payment Obligation, the invoice value is a debit posted to the Member's Settlement Account at the Approved Settlement Bank and called by 09:00 hours on the morning of the Business Day prior to the day on which delivery is due, but for value on the delivery day.

(iii) Where LME Clear has the Payment Obligation, the Settlement Payment value is a credit posted to the LME Clear's Settlement Account at the Approved Settlement Bank prior to the delivery day. Payment will be made against the delivery of LME Warrants, on the delivery day, for same day value to the Members' Settlement Account via the Secure Payment System (by approximately 12:30 hours).

(iv) Members may access the "Member Japanese Yen Settlement Advice Listing Report" via the Website.

(d) **US Dollar/Sterling and Euro**

(i) Payments are made to or called from LME Clear's Settlement Account at the Approved Settlement Bank.

(ii) All Payment Obligations of the Member and all Settlement Payments due from LME Clear are debited and credited on the delivery day for same day value.

(iii) Where the Member has the Payment Obligation, the invoice value is a debit posted to the Member's Settlement Account at the Approved Settlement Bank and paid by 09:00 hours.

(iv) Where LME Clear has the Payment Obligation, the Settlement Payment value is a credit posted to the Members' Settlement Account via the Secure Payment System after the delivery of LME Warrants (by approximately 12:30 hours).

(v) On the Settlement Date, sold lots, for the same Underlying Asset, in USD, GBP or EUR are netted against bought lots in other Settlement Currencies. The Settlement Payment for the netted lots shall be credited or debited to the appropriate LME Clear Settlement Account for the Settlement Currency. Remaining sold lots are delivered under normal procedures.

Example:

				Invoice Value	**Account Sale**	**Confirmation**
Currency	**Metal**	**Bought**	**Sold**	**DR**	**Value CR**	**Time**
USD	AHD		25		USD 1,250,000.00	12:30hrs
EUR	AHE	20		EUR1,300,000.00		09:00hrs

In the above example, the "Account Sale" value of USD 1,250,000 (that is, the Settlement Payment value due from LME Clear) in respect of the remaining sold five (5) lots will be credited to the Member's Settlement Account at its Approved Settlement Bank at approximately 12:30 hours following delivery by the Member of the appropriate LME Warrants.

Note: for the purpose of this example approximate Invoice and Account Sale values are used.

2.14 **Settlement Adjustment – Rent and Weight Differences**

(a) The Payment Obligations under each Contract for LME Warrants shall be subject to adjustments to reflect the accrued rent and any difference between LME Warrant weight and Contract tonnage weight ("**Rent and Weight Adjustments**").

(b) Rent and Weight Adjustments due to or from a Member are detailed on the Warrant Collection Adjustment Invoice and Warrant Allocation Adjustment Invoice produced by LMEsword.

(c) The rent and weight values in respect of each Warrant Movement and LME Premium Warrant Payment Obligation settling on any Business Day, calculated in the Base Currency (USD), are netted against each other to create an overall debit or credit amount in respect of all Delivery Positions and LME Premium Warrant Payment Obligations settling with the Member on that Business Day. This overall debit or credit amount shall be the "**Rent and Weight Debit or Credit**".

(d) This Rent and Weight Debit or Credit is posted to the Member's USD Settlement Account at the Approved Settlement Bank on the Business Day on which delivery of the LME Warrant takes place, for value and settlement on the next Business Day.

(e) The rent and weight accounting entries are posted separately to the Member's primary House Account in respect of each type of Underlying Asset (metal) and can be reconciled against either the Warrant Collection Adjustment Invoice or the Warrant Allocation Adjustment Invoice.

(f) In the event that a Member allocates any LME Warrant delivered by LME Clear to a Client, it is the sole responsibility of the Member to ensure that any right or obligation of the Member in respect of Rent and Weight Adjustments associated with that LME Warrant are recorded in an appropriate Account, in order to enable the Member to satisfy any obligations it has under Applicable Law to segregate client monies from monies due to or from the Member for its own account. In the event that the Member requires any Rent and Weight Debit or Credit to be allocated to a Client Account, it must promptly notify LME Clear and in any event must make such notification prior to the Close of Business on the day on which the relevant LME Warrant was delivered by LME Clear to the Member.

2.15 **Delivery Timetable**

(a) LME Warrants shall be delivered in accordance with the delivery timetable set out in Annex 7 (*Delivery Timetables*), as amended by LME Clear from time to time. LME Clear may temporarily extend any timescales or deadlines set out below where LME Clear considers it necessary or appropriate to do so. In the event that LME Clear extends any deadline or timetable, LME Clear shall notify the affected Members.

(b) In the event that such extension is in response to a Member's failure or anticipated failure to meet the delivery timetable set out in Annex 7, such failure or anticipated failure will constitute an Act of Misconduct notwithstanding the granting of such extension.

2.16 **Delivery Procedures**

(a) **Cessation of Trading**

(i) **Japanese Yen**

Transactions shall be input to the LMEsmart Matching System by 20:00 hours, two (2) Business Days prior to the delivery day (i.e. "cash" Prompt Date).

(ii) **US Dollar, Sterling and Euro**

Contracts shall be entered into by 12:30 hours and input to the LMEsmart Matching System by 13:30 hours on the Business Day prior to the delivery day (i.e. "TOM" Prompt Date).

(b) **On the Day Prior to Delivery Date**

(i) **By 09:00 Hours**

For JPY (only)

LME Clear will:

(1) debit Members (as Buyers) their Payment Obligation as specified on the invoice; and

(2) credit Members (as Sellers) the Settlement Payment,

for value on the Prompt Date.

(ii) **By 16:00 Hours**

The netted Final Delivery Position, for each Account of the Member is calculated by netting the uncovered lots across Settlement Currencies for each Underlying Asset (metal). The Warrant Movements and LME Premium Warrant Payment Obligations are then calculated for the Member as described in Clearing Procedure B7.

The *Invoice and Account Sales* report is made available via an enquiry screen in the Clearing System.

The Warrant Movements and relevant Settlement Prices (including LME Premium Warrant Payment Obligations) are notified by the Clearing system to the LMEsword system.

(iii) **By 16:30 Hours**

Each Member (i) (as Seller) with a Delivery Obligation or (ii) (as Buyer) with an LME Premium Warrant Payment Obligation, receives, in respect of its Member LMEsword Clearing Account an "*Unauthorised" Warrant Transfer Instruction* from LMEsword for each Underlying Asset (metal).

This instruction may be discarded by the Member (as Seller) and a new instruction created.

Members (as Sellers) shall deliver to LME Clear the number of LME Warrants equal to their selling Warrant Movements.

Members (as Buyers) shall deliver to LME Clear the number of LME Warrants equal to their LME Premium Warrant Payment Obligations.

The Member (as Seller or, in the case of LME Premium Warrant Payment Obligations, as Buyer) may nominate LME Warrants as soon as the "*Unauthorised" Warrant Transfer Instruction* is received by making an "*Authorised" Warrant Transfer Instruction* to LME Clear. The nomination can take place at any time up to 11:00 hours on the Prompt Date.

(c) **Delivery Date**

(i) **By 07:30 Hours**

LME Clear will make the following Reports available in the Clearing System, via the Website:

(1) Invoice and Account Sales; an

(2) Prompt Date Settlement Report.

(ii) **By 09:00 Hours**

LME Clear will debit Members (as Buyers) their Payment Obligations in respect of their Receive Entitlements for the amount specified in the *Invoice and Account Sales* Report.

(iii) **By 10:30 Hours**

Members (as Sellers) who anticipate that their Delivery Obligation will be made after the 11:00 hours delivery deadline or who are unable to fulfil their Delivery Obligation shall inform LME Clear.

Members (as Buyers) who anticipate that their LME Premium Warrant Payment Obligation will be made after the 11:00 hours delivery deadline or who are unable to fulfil their LME Premium Warrant Payment Obligation shall inform LME Clear.

Any delivery failure of LME Warrants, absent the declaration of a Default Event, will be resolved in accordance with the LME Rules. For the avoidance of doubt, in the event that LME Clear determines that the delivery failure shall constitute a Default Event, it shall be entitled to take any action or exercise any right permitted under the Rules. This paragraph is without prejudice to any other rights that LME Clear may have under the Rules in relation to any breach by a Member of its obligations under the Rules, including any right to effect a Buy-In and/or to Invoice Back.

(iv) **By 11:00 Hours**

The Member (as Seller) shall nominate LME Warrants in fulfilment of their advised selling Warrant Movements by issuing to LME Clear an "*Authorised" Warrant Transfer Instruction*.

Where applicable, the Member (as Buyer) shall nominate LME Warrants in fulfilment of their advised LME Premium Warrant Payment Obligations by issuing to LME Clear an *"Authorised" Warrant Transfer Instruction*.

(v) **At 11:00 Hours - Delivery Deadline**

The LMEsword system will initiate the LME Warrant collection process. All LME Warrants specified in a Member's (as Seller) *Authorised Cleared Transfer Instruction* will be transferred to the LME Clear LME Sword Clearing Account.

(vi) **Approximately 11:30 Hours**

The Member (as Seller or, in the case of LME Premium Warrant Payment Obligations, as Buyer) will receive notification, via LMEsword, that the LME Warrants specified in their "*Authorised" Warrant Transfer Instruction* have been collected.

LME Clear will initiate the *Warrant Allocation and Delivery* process. All LME Warrants collected will be ordered in accordance with the LMEsword warrant allocation method.

LME Clear will transfer the allocated LME Warrants to the Member's (as Buyer or, in the case of LME Premium Warrant Payment Obligations, as Seller) relevant Member LMEsword Clearing Account. The Member will receive notification via the LMEsword system of the LME Warrants transferred from LME Clear.

(vii) **Approximately 12:30 Hours**

Following receipt of all LME Warrant Delivery Obligations from the Member (as Seller) LME Clear will credit the Settlement Payment amount to the Member's Settlement Accounts at its Approved Settlement Banks via the Secure Payment System, for value on the Prompt Date.

(viii) **By 13:00 Hours**

Following the completion of the *Warrant Collection* and *Warrant Allocation Delivery* process the LME will make the following reports available via LMEsword:

(1) Warrant Collection Adjustment Invoice; and

(2) Warrant Allocation Adjustment Invoice.

The Rent and Weight Credit and Debit amounts are posted to Members' USD Settlement Accounts for value and settlement on the next Business Day after the Prompt Date.

Members are advised to print these reports and retain them as a record of their LME Warrant deliveries.

(ix) **At 15:00 Hours - End of LMEsword cleared transfer day**

2.17 **Post-Default Delivery at the Request of LME Clear**

Where LME Clear exercises its powers under Rule 10.4.1(u) to require LMEsword to deliver to LME Clear an LME Warrant that is the subject of an "Authorised Warrant Transfer Instruction" issued by a Member prior to its becoming a Defaulting Member, the procedures for delivery of such LME Warrant in this Clearing Procedure F2 shall be applied to the transfer of such LME Warrant subject to, and in accordance with, the following:

(a) LME Clear shall record any Rent and Weight Debit or Credit arising from such settlement as a debit or credit against the relevant Account of the Defaulting Member; and

(b) where and to the extent that the Settlement Payment, in respect of the LME Warrant, is not received or accepted by the Defaulting Member's Approved Settlement Bank, the amount of such Settlement Payment shall be recorded as a credit against the relevant Account of the Defaulting Member.

3. LMEPRECIOUS FUTURE DELIVERY PROCEDURE

3.1 Introduction

(a) Physical metal settlement of Contracts in respect LMEprecious Futures is discharged by the transfer of unallocated Precious Metal between metal accounts held with Precious Metal Clearers.

(b) Therefore, prior to clearing LMEprecious Futures, Members shall open and maintain appropriate "**Unallocated Metal Account**s" with a Precious Metal Clearer that LME Clear has confirmed can act as an Approved Delivery Facility for the purpose of this Clearing Procedure F3. Members shall advise LME Clear of their Unallocated Metal Accounts as part of their application to LME Clear to commence clearing of LMEprecious Futures.

(c) Members shall at all times comply with any applicable rules and operating procedures of the Precious Metal Clearer.

(d) Delivery Positions are settled separately in respect of each Account of the Member on the Prompt Date.

(e) Separate Delivery Positions in respect of different Precious Metals shall be established in respect of each Account.

(f) All unallocated Precious Metal shall be delivered free and clear of all encumbrances.

(g) This Clearing Procedure F3 shall be read in conjunction with the LME Rules. LME Clear and the Member shall therefore comply with the LME Rules in relation to the performance of their respective Delivery Obligations under LMEprecious Contracts. In the event of any conflict between this Clearing Procedure F3 and the LME Rules, the LME Rules shall prevail.

(h) In this Clearing Procedure F3, Precious Metal shall be considered to have been "received" by a party when its Precious Metal Clearer records the receipt of such unallocated Precious Metal in its books and records as being credited to the Unallocated Precious Metal Account maintained for such party.

3.2 Standing Settlement Instructions for LME Clear

All unallocated Precious Metal deliveries to LME Clear should be made to LME Clear's nominated Precious Metal Clearer, in accordance with the Settlement Instructions issued by LME Clear.

3.3 Notification of Delivery Commitments and Entitlements

Members with Delivery Positions shall be notified of their Delivery Obligations and Receive Entitlements for the relevant Prompt Date.

3.4 Clearing System Reports

(a) LME Clear shall make available certain Reports relating to deliveries of unallocated Precious Metal via the LMEmercury GUI.

(b) Details regarding the nature and content of these Reports are set out in Annex 4 (*List of Available Reports*).

3.5 Payment of Invoice and Account Sales

(a) Payments are made to or called from LME Clear's Settlement Account at the Approved Settlement Bank.

(b) The Payment Obligations of each Member (as Buyer) on each Business Day are:

(i) posted to the debit of the relevant Account of the Member as part of the previous Business Day's Cover Distribution Process; and

(ii) called by 09:00 hours.

(c) Following the receipt of unallocated Precious Metal from a Member (as Seller), the Settlement Payment value is posted to the credit of the Members' Settlement Account at its Approved Settlement Bank via the Secure Payment System (or by any other method specified by LME Clear). As this posting is dependent on performance by the Member of its Delivery Obligation, it may take place between approximately 09:05 hours and the daily delivery deadline of 16:00 hours.

3.6 Delivery Timetable

LMEprecious Futures shall be settled in accordance with the timetable for deliveries set out in Annex 7 (*Delivery Timetables*), as amended by LME Clear from time to time.

3.7 Delivery Procedures

(a) **Cessation of Trading**

Transactions shall be executed and input into the LMEsmart matching system by 16:00 hours on the Business Day prior to the delivery day (i.e. "TOM" Prompt Date).

(b) **On the Day Prior to Delivery Date**

(i) **During the End of Day processes**

The Delivery Position, in respect of each Account of the Member is calculated for each type of Underlying Asset (metal).

The "*Invoice and Account Sales"* Report is made available via an enquiry screen in the Clearing System.

(c) **Delivery Date**

(i) **By 07:30 Hours**

LME Clear will make the certain Reports available in the Clearing System, as specified in Annex 4 (*List of Available Reports*).

(ii) **By 09:00 Hours**

LME Clear will debit Members (as Buyers) their Payment Obligations in respect of their Receive Entitlements for the amount specified in the "*Invoice and Account Sales"* Report.

(iii) **By 15:00 Hours**

Members (as Sellers) shall instruct their Precious Metal Clearer to transfer unallocated Precious Metal to LME Clear in order to fulfil their Delivery Obligations.

Members (as Buyers) shall instruct their Precious Metal Clearer to receive unallocated Precious Metal from LME Clear, which will fulfil their delivery entitlement.

(iv) **By 9.05 Hours**

Subject to Rule 7.9 (*Postponed Delivery (LMEprecious)*), LME Clear (as Seller) shall instruct its Precious Metal Clearer to transfer unallocated Precious Metal to Buyers.

(v) **From 9.05 Hours to 16:00 Hours**

LME Clear (as Buyer) will receive the unallocated Precious Metal from each Seller.

Each Buyer will receive the unallocated Precious Metal from LME Clear.

The Sellers will receive notification from their Precious Metal Clearer that their unallocated Precious Metal transfer instruction has been executed.

Following receipt of all Delivery Obligations from the Member (as Seller) LME Clear will credit the Settlement Payment amount to the Member's Settlement Account at its Approved Settlement Bank via the Secure Payment System, for value on the Prompt Date (or, where Rule 7.9.1 applies, and LME Clear has accepted the delivery of the Underlying Asset, for value on the next following Business Day, at a time and to such of the Member's Settlement Accounts that are capable of accepting such Settlement Payment at the relevant time as LME Clear may nominate).

(vi) **At 16:00 Hours - End of Precious Metal Transfer Day**

4. OTC BULLION PRODUCT DELIVERY PROCEDURE

[Note that OTC Bullion Products are not Eligible Products at the moment. This section is therefore included to ensure that the Rulebook is easily adaptable to new products that may be included in the future.]

4.1 Introduction

(a) Physical metal settlement of Contracts in respect of OTC Bullion Products ("**OTC Bullion Contracts**") is discharged by the transfer of unallocated [Bullion] between accounts held with Precious Metal Clearers.

(b) Therefore, prior to clearing OTC Bullion Contracts, Members shall open and maintain appropriate "**Unallocated Metal Accounts**" with Precious Metal Clearers that LME Clear has confirmed can act as an Approved Delivery Facility for the purpose of this Clearing Procedure F4. Members shall advise LME Clear of their Unallocated Metal Accounts as part of their application to LME Clear to commence clearing of OTC Bullion Contracts.

(c) Members shall at all times comply with any applicable rules and operating procedures of the Precious Metal Clearer.

(d) Delivery Positions are settled separately in respect of each Account of the Member on the Prompt Date.

(e) All unallocated [Bullion] shall be delivered free and clear of all encumbrances.

4.2 Standing Settlement Instructions for LME Clear

All unallocated metal deliveries to LME Clear should be made to LME Clear's nominated Precious Metal Clearer, in accordance with the Settlement Instructions issued by LME Clear.

4.3 Notification of Delivery Commitments and Entitlements

Members with Delivery Positions will be notified of their Delivery Obligations and Receive Entitlements for the relevant Prompt Date.

4.4 Clearing System Reports

(a) LME Clear shall make available certain Reports relating to deliveries of LME Warrants via the Website.

(b) Details regarding the nature and content of these Reports are set out in Annex 4 (*List of Available Reports*).

4.5 Payment of Invoice and Account Sales

(a) Payments are made to or called from LME Clear's Settlement Account at the Approved Settlement Bank.

(b) The Payments Obligations of each Member (as Buyer) on each Business Day are:

(i) posted to the debit of the relevant Account of the Member as part of the previous Business Day's Cover Distribution Process; and

(ii) called by 09:00 hours.

(c) Following the receipt of unallocated [Bullion] from a Member (as Seller), the Settlement Payment value is posted to the credit of the Members' Settlement Account at its Approved Settlement Bank via the Secure Payment System (or by any other method specified by LME Clear). As this posting is dependent on performance by the Member of its Delivery Obligation, it may take place between approximately 12:30 hours and the LPMCL daily delivery deadline of 16:00 hours.

4.6 **Delivery Timetable**

OTC Bullion Contracts shall be settled in accordance with the timetable for deliveries set out in Annex 7 (*Delivery Timetables*), as amended by LME Clear from time to time.

4.7 **Delivery Procedures**

(a) **Cessation of Trading**

Transactions shall be executed by 14:30 hours and input into the LMEsmart matching system by 14:45 hours on the Business Day prior to the delivery day (i.e. "TOM" Prompt Date).

(b) **On the Day Prior to Delivery Date**

(i) **By 16:00 Hours**

The Delivery Position, in respect of each Account of the Member is calculated for each type of Underlying Asset ([Bullion]).

The "Invoice and Account Sales" Report is made available via an enquiry screen in the Clearing System.

(c) **Delivery Date**

(i) **By 07:30 Hours**

LME Clear will make the certain Reports available in the Clearing System, as specified in Annex 4 (*List of Available Reports*).

(ii) **By 09:00 Hours**

LME Clear will debit Members (as Buyers) their Payment Obligations in respect of their Receive Entitlements for the amount specified in the "Invoice and Account Sales" Report.

(iii) **By 11:00 Hours**

Members (as Sellers) shall instruct their Precious Metal Clearer to transfer unallocated [Bullion] to LME Clear in order to fulfil their delivery commitment.

(iv) **From approximately 11:30 Hours**

The seller will receive notification from their Precious Metal Clearer that their unallocated [Bullion] transfer instruction has been executed.

(v) **From approximately 12:30 Hours**

Following receipt of all Delivery Obligations from the Member (as Seller) LME Clear will credit the Settlement Payment amount to the Member's Settlement Accounts at its Approved Settlement Banks via the Secure Payment System, for value on the Prompt Date.

(vi) **At 16:00 Hours - End of Precious Metal Transfer Day**

PART G – INTEREST, FEES AND CHARGES

1. INTRODUCTION

This Part G of the Clearing Procedures specifies the Clearing Procedures applicable to:

(a) the Fees that LME Clear will levy on Members who use the Clearing System (**Clearing Procedure G2**);

(b) the basis on which LME Clear will pay or charge interest to Members on cash balances maintained with LME Clear (**Clearing Procedure G3**); and

(c) the process by which LME Clear will issue invoices to Members (**Clearing Procedure G4**).

2. FEES

2.1 Members shall pay such Fees to LME Clear as shall be specified by LME Clear from time to time.

2.2 Annex 3 (*Fees and Charges*) sets out the current tariff that LME Clear will use to determine Fees payable by each Member.

2.3 In addition to the Fees set out in the tariff, LME Clear may levy the following additional charges on each Member:

(a) LME Clear shall be entitled to charge Members, on a pass-through basis, for any costs, charges, Taxes, levies or fees incurred by LME Clear in the clearing of any Contract with a Member.

(b) A Member shall be responsible for all costs which it may incur in using or accessing the Clearing System, including:

(i) any fees or expenses charged to the Member by any Settlement Bank, Settlement Agent or Approved Delivery Facility, with which the Member has an account, for the use of such account;

(ii) any fees or expenses charged to the Member by any Settlement Bank, Settlement Agent or Approved Delivery Facility for the processing of any payment or transaction for or on behalf of the Member; and

(iii) any Tax or government levy imposed on any transfer of any cash, securities or other instrument made in connection with the Member's use of the Clearing System.

(c) LME Clear shall be entitled to charge Members for any unusual expenses incurred by LME Clear that are caused directly or indirectly by the Member, including the cost of producing records pursuant to a court order or other legal process in or in relation to any legal proceeding in which such records relating to such Member are so required to be produced, whether such production is required at the instance of the Member, or of any other party other than LME Clear.

(d) LME Clear may charge Members for costs or charges payable by the Member to the LME, which may be charged to the Member by LME Clear on behalf of the LME.

3. INTEREST ON BALANCES

3.1 Interest on Default Fund Contributions and Cash Balances

3.2 The rates that LME Clear shall apply to determine the interest payable to or from a Member from time to time shall be specified on the Member-specific, secure log-in, section of the Website. LME Clear reserves the right to alter the basis of calculating interest rates from time to time. Any such alteration will be notified to Members by Notice and shall be effective on the date of Notification.

3.3 LME Clear shall pay or charge interest to each Member in respect of the Default Fund Contributions maintained by the Member at LME Clear on the basis of LME Clear's "Daily Deposit Rate" (as published on the Website and as amended by LME Clear from time to time).

3.4 Subject to Rule 8.3.3A, LME Clear shall pay to, or charge interest to, each Member in respect of that Member's Cash Collateral balances held with LME Clear on the basis of LME Clear's "Daily Deposit Rate" (which may provide for different rates of interest on different amounts and in different currencies).

3.5 Accommodation Charges

3.6 LME Clear shall levy interest and accommodation charges in respect of non-cash Collateral held with LME Clear including, for the avoidance of doubt, in respect of non-cash Collateral held within LME Clear’s Triparty Collateral Custody Account, where applicable.

3.7 Such accommodation charges shall be calculated on a daily basis in accordance with Annex 3 (*Fees and Charges*).

3.8 VAT

3.9 All amounts payable to LME Clear are stated exclusive of VAT which, if chargeable, shall be paid by the relevant Member to LME Clear at the rate for the time being in force, against delivery by LME Clear of an appropriate tax invoice for VAT purposes.

3.10 Where a Member is required under the Rules, the Procedures and/or the Participant Obligations to reimburse LME Clear for any costs or expenses, it shall also at the same time pay and indemnify LME Clear against all VAT incurred by LME Clear in respect of such costs or expenses, provided such VAT is not otherwise recoverable by LME Clear or the representative member of any VAT group of which LME Clear forms part, subject to LME Clear or the representative member, as the case may be, using reasonable endeavours to recover such amount of VAT as may be practicable.

3.11 On foreign currency amounts, VAT is stated in Sterling on each invoice at the converted value of any relevant charges.

4. INVOICING

4.1 LME Clear shall invoice each Member on a monthly basis in respect of:

(a) Fees incurred in the previous calendar month;

(b) interest and accommodation charges incurred in the previous calendar month; and

(c) any other amounts payable by the Member (other than the Member's Payment Obligations in respect of Contracts).

4.2 Invoices shall be issued on a monthly basis for each Service. Separate invoices shall be issued for each Service and for each Settlement Currency in which Fees have been incurred.

4.3 LME Clear shall be entitled to deduct the Fees owed by the Member in accordance with the invoice submitted under 4.1 from the Member's House Account(s).

4.4 Subject to Clearing Procedure G 4.3 above, Members shall settle all amounts specified in such invoices, as a Cash Settlement in accordance with Rule 7.4. on the next Business Day following the date of the invoice.

4.5 If a Member fails to pay any amount payable to LME Clear under the Rules or the Procedures on its due date, interest shall accrue on the overdue amount from (and including) the due date up to (and including) the date of actual payment the rate specified in Annex 3 (*Fees and Charges*).

DEFAULT PROCEDURES

PART A – INTRODUCTION

1. INTERPRETATION AND INTRODUCTION

1.1 These Default Procedures form part of, and shall be read in conjunction with, the Rules and are legally binding on each Member. Terms defined in the Rules have the same meaning in these Default Procedures. In the event of any conflict or inconsistency between the Rules and these Default Procedures, the Rules shall prevail.

1.2 These Default Procedures are arranged into the following Parts:

(a) Part A: introduction

(b) Part B: calculation and maintenance of the Default Fund;

(c) Part C: the manner in which LME Clear will manage a Default; and

(d) Part D: the porting of Client Accounts.

1.3 These Default Procedures also include Annex 6 (*Client Business Terms*), which supports and supplements Default Procedure D.

PART B – DEFAULT FUND

1. CALCULATION OF DEFAULT FUND CONTRIBUTIONS

1.1 General

(a) Rule 9 (*Default Fund*) sets out the basis on which LME Clear will establish and maintain each Default Fund.

(b) Without prejudice to LME Clear's rights under Rule 9 (*Default Fund*), the following provisions summarise how LME Clear shall calculate Default Fund Contributions of each Member and collect them from Members.

(c) LME Clear shall maintain separate Default Funds in respect of each Service.

(i) The Default Fund Contributions in respect of the LME Base Service shall be calculated in accordance with the principles set out in Default Procedure B1.2 below;

(ii) The Default Fund Contributions in respect of the LMEprecious Service shall be calculated in accordance with the principles set out in Default Procedure B1.3 below; and

(iii) Default Procedures B2 to B4 shall apply separately and equally in respect of each Default Fund and the terms "**Default Fund**" and **"Default Fund Contributions**" shall be construed accordingly.

1.2 Principles for calculating Default Fund Contributions for LME Base Service

(a) With respect to Positions in LME Base Products, LME Clear shall calculate potential stress losses (to the extent not covered by existing Collateral provided to satisfy the End of Day Margin Requirement) in respect of each Account of each Member, using such historical and theoretical scenarios as LME Clear may choose in accordance with LME Clear's default fund policy. LME Clear will calculate the potential stress losses arising in respect of LME Base Products across all Accounts of each Member (including House Accounts and Client Accounts).

(b) The amount of the Default Fund shall then be determined as:

(i) the sum of the two largest Member losses determined pursuant to (a) above, where such losses are assessed over a historic period, as further described in the default fund overview document published by LME Clear on the Website;

plus

(ii) the amount resulting from the application by LME Clear of an additional ten per cent (10%) multiplier to provide for future increases in stress testing losses in between Default Fund calculations.

(c) Notwithstanding the calculation specified in (b) above, the Default Fund in respect of the LME Base Service shall not be permitted:

(i) to fall below a minimum value as further described in the default fund overview document published by LME Clear on the Website, except where

and to the extent that any amount of the Default Fund is applied towards any Default Loss in accordance with Rule 10 (*Default*); or

(ii) to rise above the "Default Fund Mutualisation Limit" calculated in accordance with the methodology described in the default fund overview document published by LME Clear on the Website,

This minimum level specified in (i) above and the Default Fund Mutualisation Limit will be subject to periodic review by LME Clear. Any amendment to these limits or the methodologies to determine these limits will be notified to Members by Circular.

(d) Each Member's Default Fund Contribution will be calculated as a pro-rata allocation based on that Member's average Initial Margin Requirement (including their End of Day Margin Requirement and their Intra-Day Margin Requirement calculations) over a preceding one-month period, as a percentage of the total average Initial Margin Requirement of all Members over the preceding one-month period, as further described in the default fund policy published by LME Clear on the Website.

(e) The minimum amount of a Default Fund Contribution for a Member will be US$1,000,000, or such other amount as LME Clear may determine on assessment of the stress test results in accordance with LME Clear's default fund policy.

1.3 **Principles for calculating Default Fund Contributions for LMEprecious Service**

(a) With respect to Positions in LMEprecious Products, LME Clear shall calculate potential stress losses (to the extent not covered by existing Collateral provided to satisfy the End of Day Margin Requirement) in respect of each Account of each Member, using such historical and theoretical scenarios as LME Clear may choose in accordance with LME Clear's default fund policy. LMEC will calculate the potential stress losses arising in respect of LMEprecious Products across all Accounts of each LMEprecious Clearing Member (including House Accounts and Client Accounts).

(b) The amount of the Default Fund shall then be determined as:

(i) the sum of the two largest Member losses determined pursuant to (a) above, where such losses are assessed over a historic period comprising the previous six (6) months, as further described in the default fund policy published by LME Clear on the Website;

plus

(ii) the amount resulting from the application by LME Clear of an additional ten per cent (10%) multiplier to provide for future increases in stress testing losses in between Default Fund calculations.

(c) Notwithstanding the calculation specified in (b) above, the Default Fund in respect of the LMEprecious Service shall not be permitted to fall below the product of:

(i) US$1,000,000

multiplied by

(ii) the number of LMEprecious Clearing Members,

(the "**LMEprecious DF Floor**") except where and to the extent that any amount of the Default Fund is applied towards any Default Loss in accordance with Rule 10 (*Default*).

(d) From the date of commencement of the LMEprecious Service (the "**LMEprecious Commencement Date**") and for a period of six (6) months thereafter (the "**Initial LMEprecious Period**"):

(i) the calculation specified in (a) above may be based on projected volumes as determined by LME Clear in its sole discretion; and

(ii) each LMEprecious Clearing Member's Default Fund Contribution will be calculated as follows:

(1) each LMEprecious Clearing Member that has been admitted to participate in the Service at the LMEprecious Commencement Date (each an "**Initial LMEprecious Member**") shall contribute an amount notified by LME Clear to each such Initial LMEprecious Member in advance of the LMEprecious Commencement Date (and the sum of such Default Fund Contributions on the Commencement Date shall constitute the "**Initial DF**") and shall maintain with LME Clear such amount, or any re-calculated amount of Default Fund Contribution that may be notified by LME Clear from time to time, on an ongoing basis;

(2) any new LMEprecious Clearing Member accepted to participate in the LMEprecious Service during the Initial LMEprecious Period, will contribute the greater of:

i. the Minimum DF Contribution (as specified in (f) below); and

ii. the sum of the Minimum DF Contribution and its share, based on its Initial Margin Requirement, of any incremental increase in the Default Fund over and above the Initial DF; and

(3) where LME Clear decides, based on its Initial Margin Requirement, that the additional risk represented by the positions of a Member are material in the context of the LMEprecious Service (such that the Member shall be designated as a "**Significant LMEprecious Member**") the Significant LMEprecious Member shall be required to contribute an amount notified by LME Clear to such Significant LMEprecious Member and shall maintain with LME Clear such amount, or any re-calculated amount of Default Fund Contribution that may be notified by LME Clear from time to time, on an ongoing basis.

(e) Following the Initial LMEprecious Period and subject to (g) below, each Member's Default Fund Contribution will be calculated as a pro-rata allocation based on that Member's average Initial Margin Requirement (including their End of Day Margin Requirement and their Intra-Day Margin Requirement calculations) over a preceding one-month period, as a percentage of the total average Initial Margin Requirement of all Members over the preceding one-month period, as further described in the default fund policy published by LME Clear on the Website.

(f) The minimum amount of a Default Fund Contribution for each LMEprecious Clearing Member will be US$1,000,000 (the "**Minimum DF Contribution**"), or such other amount as LME Clear may determine on assessment of the stress test results in accordance with LME Clear's default fund policy.

(g) Prior to the expiry of the Initial LMEprecious Period, LME Clear shall review the methodology for calculating the Default Fund in respect of the LMEprecious Service, and may decide, in its sole discretion to continue to operate the methodology for the Initial LMEprecious Period described in (d) above or to cease operating in accordance with such methodology subject to, if relevant, the specification of a change to the LMEprecious DF Floor. LME Clear shall notify LMEprecious Clearing Members of such decision prior to the expiry of the Initial LMEprecious Period.

2. FREQUENCY AND REPORTING

2.1 Daily Review

(a) At the end of each Business Day and at such other times during each Business Day as LME Clear may determine, LME Clear shall review the size of the Default Fund relative to each Member's potential stress positions (in excess of the existing Collateral provided by the Member to satisfy the End of Day Margin Requirement).

(b) In the event that any Member's stress positions (in excess of the existing Collateral provided by the Member, its Posting Affiliate or Posting Client to satisfy the End of Day Margin Requirement) are at any time in excess of the percentage of the Default Fund specified by LME Clear on its website from time to time (the "**Default Fund Additional Margin Threshold**"), LME Clear may require that Member immediately to provide additional Collateral in order to reduce its stress positions to a level below the Default Fund Additional Margin Threshold. The Default Fund Additional Margin Threshold shall not be changed without 30 days' prior notice to Members.

2.2 Monthly Review

(a) The Default Fund will be recalculated and reset on a monthly basis or at or following the ending of a Default Period (provided that LME Clear shall exercise its discretion as to the timing of such recalculation where LME Clear considers it necessary to protect the integrity of the Clearing System or the orderliness of the markets supported by LME Clear).

(b) LME Clear may also increase the size of the Default Fund within the period between each monthly recalculation in circumstances where the DF Intra-Monthly Resizing Threshold has been breached. The "**DF Intra-Monthly Resizing Threshold**" means the quantitative and qualitative criteria to be applied by LME Clear to determine whether and when to increase the size of the Default Fund within any period between each scheduled monthly review, as such criteria are set out in LME Clear's default fund methodology.

(c) In order to ensure that LME Clear will always have sufficient financial resources to cover a default by its two largest Members, no Member will be permitted to have at any time stress positions (in excess of the existing Collateral provided by the Member to satisfy the End of Day Margin Requirement) in excess of the Default Fund Additional Margin Threshold.

(d) In the event that any Member's stress positions (in excess of the existing Collateral provided by the Member to satisfy the End of Day Margin Requirement) are at any time in excess of the Default Fund Additional Margin Threshold, LME Clear may require that Member immediately to provide additional Collateral in order to reduce its stress positions to a level below the Default Fund Additional Margin Threshold.

(e) The monthly review and recalculation of the Default Fund will include a review of the relevant markets over the previous three (3) months in order to identify and consider possible new stress scenarios.

(f) The size of the Default Fund in respect of the LME Base Service shall not be permitted to fall, following any single review, by more than the percentage specified in the default fund overview document published by LME Clear on the Website.

3. COLLECTION OF DEFAULT FUND CONTRIBUTION

3.1 All Default Fund Contributions shall be paid in US Dollars to LME Clear via the Secure Payment System not later than 09:00 hours on the Business Day following the date of request or the date of the report identifying the need to provide such Default Fund Contribution. Payment of a Default Fund Contribution will be made separately to any payment of Collateral.

3.2 Monthly Process

A report specific to each Member (a "**Default Fund Report**") will be issued after the last Business Day of each calendar month and will be made available to the relevant Member on the Website. The Default Fund Report will show the Default Fund Contribution required from the relevant Member.

3.3 Interim Payments

(a) In the event that the daily review of the Default Fund shows that:

(i) the amount of the Default Fund is insufficient, having regard to the principles and thresholds specified in Default Procedure B1; and

(ii) an individual Member's Default Fund Contribution is insufficient, having regard to Default Procedure B2.1(b) or B2.2(d), as applicable,

then LME Clear will request the Member to provide additional Collateral in order to ensure both that LME Clear has sufficient Collateral in respect of the Member's positions, and that the Member's stress positions are reduced to a level below the Default Fund Additional Margin Threshold.

(b) For the avoidance of doubt, LME Clear may also call for additional Collateral under Default Procedure B2.1(b) or B2.2(d), where such provisions are applicable.

4. INTEREST PAYMENTS

Interest may be payable by reference to a Default Fund Contribution on the basis set out in Rule 9.1.4. LME Clear reserves the right to use for this purpose different interest rates from those applied under Rule 8.3.3.

PART C – DEFAULT MANAGEMENT

1. DEFAULT MANAGEMENT GENERALLY

1.1 Rule 10 (*Default*) sets out the LME Clear's rights and powers in relation to a Defaulting Member.

1.2 Without prejudice to LME Clear's rights under Rule 10 (*Default*), LME Clear may require Members to co-operate with LME Clear in the testing and operation of its default management process.

2. DEFAULT FIRE DRILL

2.1 All Members shall participate in "**Default Fire Drills**", during which LME Clear, Members and other interested parties will conduct simulations of various Default Event scenarios chosen by LME Clear. These will be held at least annually and will simulate the activities resulting from the occurrence of a Default Event.

2.2 Each new Member shall be required to participate in "Default Fire Drill" before it will be permitted to submit Transactions to LME Clear for clearing.

3. DEFAULT NOTICE

3.1 If LME Clear decides to issue a Default Notice, it shall:

(a) first notify the Bank of England of its intention to do so;

(b) then inform its Members of its decision in accordance with Rule 10.3; and

(c) make such other notifications as are required in accordance with Rule 10.3.3.

LME Clear may also notify its decision to issue a Default Notice to such other persons as permitted pursuant to Rule 10 (*Default*).

3.3 The Default Notice will include:

(a) the name of the Member and (where relevant) its category of Membership; and

(b) the time that the Default Notice comes into effect.

As soon as practicable after issuing the Default Notice (unless the Default Event has already been discharged), LME Clear will provide to the appropriate Regulator(s) a summary of the Member's open Positions, Margin Requirements, cash and Collateral balances in respect of that Member's Accounts (including, for the avoidance of doubt, Client Accounts).

4. ACTIVATION OF DEFAULT MANAGEMENT PROCESS

4.1 Following the occurrence of a Default Event, there will be many activities that need to be conducted. These include activities that are procedural, operational, communications and systems-based. The majority of the activities outlined below will be conducted in parallel.

4.2 Initiation of Communication tree

4.3 During a Default Period, LME Clear will communicate with internal stakeholders (in order to initiate its internal default management procedures) and relevant external stakeholders to inform them that LME Clear's default management process is being invoked.

4.4 **Prevention of Defaulting Member Clearing Activity**

4.5 LME Clear may exercise such of its powers under the Rules that arise on the occurrence of a Default Event as it thinks fit. This may include taking action to deactivate the Defaulting Member within the Clearing System, which will involve (without limitation):

(a) curtailing the Defaulting Member's ability to submit Transactions, whether on House Account or Client Account, to the Clearing System;

(b) instructing the LME (and any other Approved Transaction Platform) to deactivate the Defaulting Member's trading accounts;

(c) preventing any payments from being made via SPS from LME Clear's accounts at any Approved Settlement Banks for payment to the Defaulting Member;

(d) preventing any Asset Cover being paid or returned to the Defaulting Member, its Posting Affiliate or its Posting Client (except if and to the extent expressly permitted by Rule 10 (*Default*) or these Default Procedures); and

(e) suspending the performance of any delivery or payment obligations otherwise owing by LME Clear to the Defaulting Member.

4.6 The Defaulting Member (and Clients of the Defaulting Member) may not effect any further Transactions through the Defaulting Member or submit to the Clearing System any further Transactions for which the Defaulting Member would otherwise be responsible.

5. **DEFAULT MANAGEMENT GOVERNANCE**

5.1 The Board will delegate to a committee (the "**Default Management Committee**" or "**DMC**") responsibility for the oversight of the implementation of the default management process and all related strategic decision-making involved in the risk reduction/neutralisation strategy and the subsequent auction(s) employed by LME Clear. The DMC will consist of the following members of LME Clear's management team:

(a) the Chief Executive Officer (CEO);

(b) the Chief Risk Officer (CRO);

(c) the Head of Risk;

(d) the Chief Operating Officer (COO);

(e) Head of Legal, LME Clear;

(f) the Chief Compliance Officer; and

(g) the Chief Financial Officer (CFO).

5.2 LME Clear may also seek to involve the DMC representative(s) from the Approved Transaction Platform(s) in an advisory capacity.

5.3 LME Clear will consult with the EMIR Risk Committee and / or obtain the approval of the Board, in relation to actions that it proposes to take in relation to the management of a default, where required pursuant to any Rule or otherwise where LME Clear considers such consultation or approval to be necessary or appropriate.

6. RISK REDUCTION OF DEFAULTING MEMBER'S POSITIONS

6.1 Following the issue of a Default Notice, the Accounts of the Defaulting Member will be risk managed on the following basis:

(a) all House Accounts of the Defaulting Member will be managed in the manner stated below; and

(b) Omnibus Segregated Client Accounts and Individual Segregated Client Accounts will be managed in the manner stated below if they cannot be ported in accordance with Part D of these Default Procedures and Rule 10.7, save that LME Clear may take the steps contemplated in Default Procedure C6.2(e) below notwithstanding that the relevant Porting Period has not expired.

6.2 **Hedging and Liquidity Management**

(a) LME Clear will assess the portfolio of the Defaulting Member and any Positions and Collateral maintained in Client Accounts in respect of Clients or Indirect Clients that are not to be transferred to another non-defaulting Member and shall take such steps as LME Clear considers are necessary or appropriate to reduce the exposure of the portfolio to minimise the risk that LME Clear may need to utilise any Member's Default Funds or LME Clear's Dedicated Own Resources.

(b) LME Clear will utilise default brokers and collateral execution agents in order to facilitate:

(i) the execution of any hedge trades with non-defaulting Members or other third party counterparties; and

(ii) the liquidation of Collateral, if required.

(c) LME Clear will reduce the risk associated with the Defaulting Member's Positions as far as reasonably practicable by hedging LME Clear's exposure under the Contracts to which the Defaulting Member is a party. Such hedging will be undertaken by LME Clear with non-defaulting Members and other counterparties on the basis of separate agreements between LME Clear and each such Member or other counterparty. LME Clear will consider all Accounts together for hedging purposes. Any proceeds, losses or costs resulting from the hedging process will be allocated to the relevant Defaulting Member's Account (depending on the Positions being hedged) at the discretion of LME Clear.

(d) LME Clear may also seek to reduce the risk associated with the Defaulting Member's Positions by hedging LME Clear's exposure under the Contracts to which the Defaulting Member is a party against the Contracts of any other Member that is also, at the relevant time, a Defaulting Member.

(e) As part of the default management process, LME Clear may, wherever reasonably practicable: (i) aim to prevent Positions of a Defaulting Member on any Account going to physical delivery during the Default Period; or (ii) take such actions as LME Clear considers necessary to avoid any circumstance under which LME Clear is unable to perform any Delivery Obligation under any Contract. LME Clear may take such actions as it considers appropriate to facilitate the foregoing. LME Clear shall take such actions in accordance with Rule 10.4.2. The effect of such action would be to limit any immediate liquidity demands for delivery of LME Warrants and/or unallocated Precious Metal. In the event that LME Clear takes steps to prevent such Positions going to physical delivery, LME Clear shall notify the Members via the

publication of a Circular on the Website. For the avoidance of doubt, any Transfer made pursuant to Rule 10.7 (*Portability of Client Accounts*) that takes effect in relation to a Client Account containing Positions to which the powers in this Default Procedure C6.2(e) have been applied shall apply to the Positions as created or adjusted pursuant to the exercise of such powers.

(f) LME Clear may apply the hedging process separately in respect of LME Base Products and LMEprecious Products in a Member's Accounts.

6.3A **Allocation of Default Fund Contribution**

(a) Prior to allocating losses under Rule 10.10.1(d), LME Clear shall allocate all Open Contracts (including any hedging agreements made by LME Clear under Default Procedure C6.2) to one or more Portfolios.

(b) LME Clear shall determine the composition of each Portfolio, provided that an individual Portfolio shall not contain Open Contracts relating to both the LME Base Service and the LMEprecious Service.

(c) LME Clear shall determine the proportion of each Member's Default Fund Contribution for the relevant Service ("**DFC**") that shall be attributable to each Portfolio for the purposes of applying the loss allocation principles specified in Default Procedure Part C6.6(b) (the "**Allocated DFC Amount**").

(d) The Allocated DFC Amount shall be calculated in accordance with a methodology that takes into account the proportion of the Member's total activity in the relevant Service which is represented by Open Contracts with the same Underlying Assets as the Open Contracts being auctioned in the relevant Portfolio (using the Member's average Initial Margin Requirement over the previous month as a proxy for the level of activity).

6.3 **Auction**

(a) The following auction process shall apply in respect of Open Contracts in LME Base Products and LMEprecious Products where LME Clear exercises its power under Rule 10.4.1(l) to hold an auction. However, the auction process shall be conducted separately in respect of the LME Base Service and the LMEprecious Service (and references to "**Default Fund Contribution**", "**non-defaulting Members**" and "**Open Contracts**" shall be construed accordingly). This auction process shall apply on a per-Defaulting Member basis, so that in the event that a Default Notice is issued in respect of more than one Defaulting Member during a Default Period, the auction process shall be applied separately in respect of the Default Losses of each such Defaulting Member.

(b) After completion of the hedging and liquidity management process, LME Clear may carry out an auction process in respect of the remaining Open Contracts (which may include Collateral, if appropriate) amongst non-defaulting Members and prescribe such procedures for the conduct of the auctions as it considers reasonably appropriate in the circumstances. For the avoidance of doubt, LME Clear may exercise its power in Rule 10.4.1(l) to conduct an auction in respect of: (i) all Portfolios; or (ii) such Portfolios as it so determines.

(c) Any Portfolio that is to be the subject of an auction shall be an Auction Portfolio.

(d) Any auctions will occur at a time judged by the DMC to be optimal to minimise the risk to the Clearing System, to achieve the best possible price, and to ensure maximum competitive participation by non-defaulting Members.

6.4 **Participation in an auction**

(a) Subject to (c) below, non-defaulting Members that satisfy the entry criteria specified in (b) below will be required to:

(i) evaluate the relevant Auction Portfolio(s) in accordance with Annex 8 – Auction Process; and

(ii) submit bids following the process described in Annex 8 – Auction Process.

(b) A non-defaulting Member will be required to participate in the auction of an Auction Portfolio where:

(i) it meets LME Clear's assessment of creditworthiness against a minimum credit rating for participation in the auction specified by LME Clear in Annex 8 – Auction Process;

(ii) it is a participant in the individual Service to which the Open Contracts in the relevant Auction Portfolio relate; and

(iii) (where LME Clear considers that it has sufficient information regarding the trading history of the non-defaulting Members) it meets such criteria as LME Clear may specify in Annex 8 – Auction Process regarding the non-defaulting Member's history of Positions in the types of Open Contract included in the relevant Auction Portfolio;

(such Members being "**Mandatory Bidders**").

(c) A non-defaulting Member may request, prior to any Default Period, that LME Clear exclude it from being required to participate in any future auction on the grounds that it does not have the operational capability or expertise to participate in an auction. Any such non-defaulting Member shall provide a detailed explanation and, where appropriate, evidence to support its request and will inform LME Clear if its circumstances change in any way which is relevant to such explanation or evidence. Any agreement to such request shall be at LME Clear's discretion and will be reviewed annually. LME Clear has provided guidance on the circumstances where this paragraph may apply in Annex 8 – Auction Process.

(d) LME Clear reserves the right, at any point and in its sole discretion, to exclude a Member from the requirement to participate in an auction if it appears to LME Clear, in its reasonable opinion, that such exclusion is desirable for any reason.

(e) A non-defaulting Member which is not a Mandatory Bidder may request that LME Clear includes it in an auction. If LME Clear agrees to such request then such non-defaulting Member will become subject to the obligations in 6.4(a) above (such Members being "**Voluntary Bidders**").

(f) The contents of an Auction Portfolio shall be disclosed only to non-defaulting Members participating in the auction of that Auction Portfolio. Subject to compliance with the requirements of Rule 2.6.5, a Member may disclose the Auction Portfolio to any Client (or Clients) that intends to assist that Member to formulate its bid.

(g) Members are solely responsible for their bids and will be bound by the consequences of the bid, or failure to bid. Clients may not submit bids to LME Clear directly.

6.5 **Bidding**

(a) LME Clear shall not specify a minimum bid price for an Auction Portfolio.

(b) LME Clear shall assess the bids received from non-defaulting Members and the winning bid for each Auction Portfolio shall be selected by the DMC. The decision of LME Clear to accept or reject a particular bid will be conclusive and binding on all Members.

(c) LME Clear may accept the best price for an Auction Portfolio that it believes accurately reflects the risk of that Auction Portfolio. LME Clear shall have in place an appropriate process for determining an "acceptable auction price" which will consider the risks of the portfolios set out in Annex 8 – Auction Process. For the avoidance of doubt and without affecting the generality of 6.5(c) above, LME Clear reserves the right to reject a bid if it considers that that such bid is not consistent with the acceptable auction price determined by LME Clear.

(d) In addition, LME Clear reserves the right to reject an auction bid from a Member if it deems the overall risk presented by that Member, following the transfer of any Auction Portfolio, to be in excess of LME Clear's risk tolerance for that Member.

(e) If two or more Members submit a bid of the same value, LME Clear may, subject to its discretion to reject certain bids, accept the bid which LME Clear considers represents the most favourable risk management solution. If LME Clear determines that bids should not be differentiated on this basis then the winning bid will be the bid which was received by LME Clear first in time. Two or more Members from the same Group may submit identical bids in accordance with Annex 8 – Auction Process.

(f) Each auction shall have a single winner and the Open Contracts and hedging agreements contained in the relevant Auction Portfolio will then be recorded in the Account of such winner.

6.6 **Allocation of Excess Loss**

(a) Where LME Clear incurs an Excess Loss in relation to a Service, and LME Clear has not conducted an auction in respect of a Portfolio the non-defaulting Members of such Service shall contribute towards such Excess Loss pursuant to Rule 10.10.1(d) by applying each Members' Allocated DFC Amount in relation to a particular Portfolio on a *pro rata* basis (such that each such Member's Allocated DFC Amount shall be applied towards the remaining Excess Loss in the same proportions as such Member's Default Fund Contributions represent of the total amount of Default Fund Contributions of all Members falling within this (a)).

(b) Where LME Clear incurs an Excess Loss in relation to a Service, and LME Clear has conducted an auction in respect of a Portfolio the non-defaulting Members of such Service shall contribute towards such Excess Loss on the basis that each Members' Allocated DFC Amount in relation to a particular Auction Portfolio shall be applied pursuant to Rule 10.10.1(d) in the following order of priority:

(i) **first**, by the Allocated DFC Amounts of the non-successful Mandatory Bidders in the auction of that Auction Portfolio on the basis of the methodology set out below;

(ii) **second**, if the Allocated DFC Amounts applied under 6.6(b)(i) above are not sufficient to discharge the balance of the Default Loss, by the Allocated DFC Amounts of any non-successful Voluntary Bidders in the auction of that Auction Portfolio on the basis of the methodology set out below:

Non-Successful Bidder Methodology (for 6.6(b)(i) and (ii)):

Default Losses shall be applied against the Allocated DFC Amounts referred to in (i) and (ii) above in accordance with the following methodology (which shall be applied only in respect of the Members falling within this (i) or (ii), as applicable):

Step 1 - Determination of Ranking: Each Member's ranking in the auction shall be determined at the discretion of LME Clear in accordance with the principles set out below. For these purposes:

- the ranking will begin at zero (being the ranking of the successful bidder);
- Mandatory Bidders and Voluntary Bidders shall be ranked separately amongst themselves, in each case in an ascending numerical ranking starting with that of the non-successful bidder that was closest to the successful bid, (having a ranking of 1) and ending with the non-successful bidder that was furthest from the successful bid;
- any Mandatory Bidders or Voluntary Bidders (as applicable) who did not submit a bid will be placed joint last behind the non-successful bidder furthest from the successful bid.

Step 2 - Calculation of Member DFC at risk: LME Clear shall calculate the amount of each Member's Allocated DFC Amount that is initially available to LME Clear to be applied against any remaining Default Loss (such amount being the "**Member DFC at risk**"), on the following basis:

$$\frac{R}{N} \; x \; A = Member\ DFC\ at\ risk$$

Where:

"**R**" means the non-defaulting Member's ranking in the auction;

"**N**" means the number of non-successful bidders in the auction;

"**A**" means the Allocated DFC Amount.

Step 3 - Contribution towards Default Loss: The amount of each Member's DFC at risk applied against any remaining Default Loss (the "**Amount Applied**") will be calculated as follows:

$$\frac{TRDL}{TDFCR} \; x \; MDFCR = Amount\ Applied$$

Where:

"**TRDL**" means the total remaining Default Loss (up to a maximum of all Member DFCs at risk);

"**TDFCR**" means the total of all Member DFCs at risk;

"**MDFCR**" means the Member DFC at risk.

Step 4 – Allocation of remaining loss: Any remaining Default Loss after the application of Member DFCs above shall be covered by each Member's remaining Allocated DFC Amount ("**Remaining DFC**"), on a *pro rata* basis (such that each such Member's Remaining DFC shall be applied towards the remaining Default Loss in the same proportions as such Member's Remaining DFC represents of the total amount of Remaining DFCs of all Members falling within this (i) or (ii), as applicable).

(iii) **third**, if the Allocated DFC Amounts applied under 6.6(b)(ii) above are not sufficient to discharge the balance of the Default Loss, by the Allocated DFC Amounts of any bidders in the auction of that Auction Portfolio whose bids were rejected, on a *pro rata* basis (such that each such Member's Default Fund Contributions shall be applied towards the remaining Default Loss in the same proportions as such Member's Default Fund Contributions represent of the total amount of Default Fund Contributions of all Members falling within this (iii));

(iv) **fourth**, if the Allocated DFC Amounts applied under 6.6(b)(iii) above are not sufficient to discharge the balance of the Default Loss, by the Allocated DFC Amounts of the non-defaulting Members that did not participate in the auction of that Auction Portfolio, and were not required to participate in the auction by reason of 6.4(b), (c) or (d) above, on a *pro rata* basis (such that each such Member's Default Fund Contributions shall be applied towards the Default Loss in the same proportions as such Member's Default Fund Contributions represent of the total amount of Default Contributions of all Members falling within this (iv));

(v) **fifth**, if the Allocated DFC Amounts applied under 6.6(b)(iv) above are not sufficient to discharge the balance of the Default Loss, by the Allocated DFC Amount of the successful bidder in the auction of that Auction Portfolio;

(vi) **sixth**, if the Allocated DFC Amounts applied under 6.6(b)(v) above are not sufficient to discharge the balance of the Default Loss, by any Default Fund Contributions of the bidders in the auctions of other Auction Portfolios relating to the same Service that are remaining after the satisfaction of any Default Losses in respect of those Auction Portfolios, on the basis of the following methodology (which shall be applied only in respect of the Members falling within this (vi)):

Other Auction Bidder Methodology (for 6.6(vi)):

Step 1 – Determination of Ranking: In order to establish each Member's ranking across all other Auction Portfolios, each Member's ranking in each other Auction Portfolio shall be aggregated. The Members will then be ranked so that the first ranked Member will be the one with the lowest aggregate ranking and the last ranked Member will be the one with the

highest aggregate ranking. Mandatory Bidders and Voluntary Bidders shall be ranked together and not separately provided that any Voluntary Bidders in an auction shall automatically be given a ranking of zero in respect of such auction. In addition, any bidders falling under (iii) or (iv) above shall be given a ranking of zero.

Step 2 – Calculate Member Additional DFC at risk: The total amount of each Member's DFC allocated to such other Auction Portfolios that is initially available to LME Clear to be applied against any remaining Default Loss (such amount being the "**Member Additional DFC at risk**") will be calculated as follows:

$$\frac{RO}{NO} \; x \; AO = Member\ Additional\ DFC\ at\ risk$$

Where:

"**RO**" means the Member's ranking across all other Auction Portfolios;

"**NO**" means the number of bidders across all other Auction Portfolios;

"**AO**" means the sum of the Member's remaining Allocated DFC Amounts for all other Auction Portfolios.

Step 3 – Contribution towards Default Loss: The amount of each Member's Additional DFC at risk to be applied against any remaining Default Loss (the "**Additional Amount Applied**") will be calculated as follows:

$$\frac{TRDL}{TADFCR} \; x \; ADFCR = Additional\ Amount\ Applied$$

Where:

"**TRDL**" means the total remaining Default Loss (up to a maximum of all Member Additional DFC's at risk);

"**TADFCR**" means the total of all Member Additional DFC's at risk;

"**ADFCR**" means the Member Additional DFC at risk.

(d) If the Allocated DFC Amounts applied for each Portfolio under Default Procedure C6.6(a) and (b) above are not sufficient to discharge the balance of the Default Loss (being the remaining Excess Loss), any remaining Default Fund Contributions of the non-defaulting Members shall be applied against the Excess Loss on a *pro rata* basis (such that each such Member's Default Fund Contributions shall be applied towards the Excess Loss (aggregated across all Portfolios) in the same proportions as such Member's Default Fund Contributions represent of the total amount of Default Fund Contributions or all such non-defaulting Members). Accordingly, at this stage, the total Excess Loss shall be determined across all Portfolios, and any remaining Default Fund Contributions of the non-defaulting Members (taking into account all remaining Allocated DFC Amounts across all Portfolios and, if applicable, any DFC that has not been allocated to any Portfolio) shall be applied against such Excess Loss.

(d) For the avoidance of doubt: (i) the order or priority in paragraph 6.6(a), (b) and (c) above shall apply only to applications of Members' Default Fund Contributions pursuant to Rule 10.10.1(d) and shall not apply to Rule 10.10.1(e) or to any Stabilisation Replenishment Notice under Rule 10.10.5; and (ii) a Member that has not been admitted to participate in a Service shall have no liability to contribute towards any Default Loss arising in respect of that Service.

6.7 **Payments and Auction Costs**

(a) Payments resulting from the auction process shall be made via the Secure Payment System. LME Clear shall transfer the purchased Positions (and, where relevant, Collateral) at the appropriate price to the successful bidding Member and such successful bidder shall pay the amount due to LME Clear in advance of, or simultaneously with, the transfer. Such transfer may take place by way of close out and termination of the relevant Open Contracts and their re-establishment in the Account of the successful bidder or by way of novation of the relevant Open Contracts to the Account of the successful bidder. Where any amount is payable by LME Clear to the successful bidder, LME Clear will not be obliged to make such payment until after the Open Contracts (and, where relevant, Collateral) have been transferred to the successful bidder and any such payment shall be made by the end of the Business Day following such transfer.

(b) The costs arising out the auction process will be allocated amongst the Defaulting Member's Accounts at the discretion of LME Clear.

6.8 **Failed Auction and Close Out**

(a) Where LME Clear determines that either there is insufficient participation in an auction for Open Contracts or where the bid(s) received are not deemed by LME Clear to be reflective of the risks in the Auction Portfolio, LME Clear will deem an auction to be a "**Failed Auction**".

(b) In the event of a Failed Auction, LME Clear may undertake one or more further auctions. LME Clear may adjust the parameters of the new auction in order to increase the likelihood of achieving successful bids (for example, by adjusting the risk profile of the Auction Portfolios (by hedging), or their size (by splitting the portfolios by contract/maturity).

(c) LME Clear may conduct such further auctions with or without undertaking any of the actions specified in (b). There is no limit to the number of auctions that LME Clear may conduct.

(d) In the event that LME Clear does not consider that a further auction would be successful, it may seek to close-out the remaining Open Contracts of the Defaulting Member, on a per-metal basis (the Unclosed Metals, as defined in Rule 10.10.2(d)(ii)), through mandatory cash settlement with non-defaulting Members and realise any potential profit or loss. In the event that LME Clear applies cash settlement, LME Clear shall obtain the approval of the Board and:

(i) consult with the EMIR Risk Committee on its proposals to do so, which shall include providing an explanation of the steps LME Clear proposes to take in relation to such cash settlement and its rationale for taking such steps; and

(ii) effect such cash settlement at the then prevailing market price for the Underlying Assets or, if such market price is not available, at such price as LME Clear determines is reasonably appropriate in the circumstances in consultation with the EMIR Risk Committee.

(e) Where LME Clear takes the steps described in paragraphs (b) to (d) above in respect of an Auction Portfolio that has become a Failed Auction pursuant to paragraph 6.4(a) above and, following the completion of such steps, LME Clear incurs a Default Loss in respect of that Auction Portfolio, the non-defaulting Members shall contribute towards such Default Loss on the basis that each Members' Default Fund Contributions allocated to the Auction Portfolio pursuant to Default Procedure Part C:6.3(s), together with such Default Fund Contributions as are allocated to the Auction Portfolio pursuant to Default Procedure Part C:6.3(u), shall be applied to the Default Loss pursuant to Rule 10.10.1(d) on a pro rata basis. For the purposes of this paragraph (e), the expression "*pro rata*" means in, in respect of the Default Fund Contributions allocated by LME Clear to the Auction Portfolio, the proportion which the amount of the Default Fund Contributions provided to LME Clear by each individual non-defaulting Member bears to the aggregate amount of the Default Fund Contributions provided by all non-defaulting Member, immediately prior to the commencement of the Default Period.

6.9 **Allocation of surpluses between Portfolios**

(a) The processes described in Default Procedure Part C6.3 and C6.4 shall apply on a per-Auction Portfolio basis. In the event that, for the auctions conducted in respect of a Service, the auction for any Auction Portfolio results in a profit to LME Clear, LME Clear may apply such profit against any Default Losses attributable to any other Auction Portfolio as LME Clear, in its sole discretion, deems appropriate in the interests of risk management.

(b) For the avoidance of doubt, Allocated DFC Contributions for one Portfolio may be applied to meet Default Losses attributable to one or more other Portfolios in the accordance with Default Procedure Part C6.6.(b)(iv) and/or C6.6(c), as applicable.

6.10 **Liquidating Collateral**

LME Clear may liquidate (sell) or otherwise generate cash liquidity or other financing from non-cash Collateral provided by the Defaulting Member if and when it thinks fit. The choice of Collateral to use for this purpose will be decided by LME Clear and LME Clear may take into account market conditions at the time.

7. LOSSES IN EXCESS OF DEFAULT FUND

7.1 In the event that, following the application of the amounts provided pursuant to the replenishments required under Rule 10.10.1(e), there remains an Excess Loss, LME Clear will seek to discharge such Excess Loss through an equitable allocation of such Excess Losses to non-defaulting Members, in accordance with Rule 10.10.2.

7.2 This allocation of Excess Losses will be carried out through a pre-defined mechanism that has been previously notified to the Members. The methodologies available to LME Clear are as follows:

(a) the application of a variation margin haircut mechanism, as specified in Rule 10.10.2 (b) and (c);

(b) in the event that the process in (a) does not result in the discharge in full of the Excess Loss, LME Clear may effect a cash settlement of all Open Contracts, as specified in Rule 10.10.2(d).

8. BUSINESS VIABILITY REVIEW

In the event that LME Clear has utilised any unfunded Default Fund Contributions in the management of a default, a business viability review will be conducted immediately following the conclusion of the related default management process. The Board will, in conjunction with LME Clear's Parent Undertakings, seek to determine the most appropriate way forward for the business taking into consideration of the views of non-defaulting Members.

PART D – PORTING PROCEDURE

This Porting Procedure contains:

1. (in Section 1) the documentary requirements for the establishment of arrangements in support of the Automatic Porting Process; and

2. (in Section 2) the Porting Process that applies in respect of:

   (a) Client Accounts to which the Automatic Porting Process applies; or

   (b) any other Client Account.

SECTION 1: MAINTENANCE DOCUMENTATION IN SUPPORT OF AUTOMATIC PORTING PROCESS

1. AUTOMATIC PORTING DESIGNATION DOCUMENTS

1.1 In order for any Client Account to be eligible under the Rules for the application of the Automatic Porting Process LME Clear must, at the time of issue of a Default Notice in respect of the Member responsible for such Account, be in receipt of such documents and forms as LME Clear shall prescribe from time to time ("**Automatic Porting Designation Documents**") that:

(a) identify the Client Account(s) to which the Automatic Porting Process is to apply;

(b) record the agreement of the Clients allocated to such Client Account(s) to participate in the Automatic Porting Process;

(c) identify:

(i) the potential Member Transferee to which all Clients allocated to an Omnibus Segregated Client Account shall agree (subject to the agreement of that Member) to have their assets and positions transferred pursuant to the Porting Process; and

(ii) the potential Member Transferee to which a Client allocated to an Individual Segregated Client Account shall agree (subject to the agreement of that Member) to have its assets and positions transferred (including in the case of a Posting Client, any LME Warrant Collateral provided by such Posting Client) pursuant to the Porting Process;

(in each case, the "**Designated Member Transferee**"); and

(d) record the agreement of such Member(s) identified as Designated Member Transferee(s) to be treated as such.

1.2 LME Clear shall only treat any Automatic Porting Designation Document, or any amendment to it, as representing the accurate wishes of the signatories to it, from the time that it is formally accepted by LME Clear. LME Clear may refuse to accept any Automatic Porting Designation Document or any amendment to any Automatic Porting Designation Document provided by any Client, or by a Member on behalf of its Client(s), where:

(a) the Automatic Porting Designation Document is not complete in all respects;

(b) the Automatic Porting Designation Document has not been properly executed, to LME Clear's satisfaction, by all relevant parties;

(c) less than one Business Day has elapsed since such Automatic Porting Designation Document, or amendment to it, was received by LME Clear; or

(d) any Member specified in the Automatic Porting Designation Document has become subject to a Default Event prior to the expiry of the period set out in (c) above.

Notwithstanding the foregoing, LME Clear may agree to accept an Automatic Porting Designation Document notwithstanding that some or all of the circumstances described in (a), (b) or (d) has arisen, or otherwise prior to the expiry of the period set out in (c) above.

1.3 For the avoidance of doubt, in the event that LME Clear receives an Automatic Porting Designation Document less than one Business Day prior to the Member becoming a Defaulting Member, LME Clear may treat such Automatic Porting Designation Document

as constituting a valid request by the Client(s) specified in the Automatic Porting Designation Document to effect a Transfer to the Designated Member Transferee in accordance with Rule 10.7.

1.4 For the avoidance of doubt:

(a) the latest Automatic Porting Designation Document received by LME Clear in respect of any Client Account shall represent an instruction by the Client or Clients allocated to that Client Account to implement the Automatic Porting Process in the event that the Member responsible for that Client Account becomes a Defaulting Member;

(b) it shall be the responsibility of the Client or Clients allocated to a Client Account to ensure that LME Clear is at all times in receipt of accurate, complete and up-to-date Automatic Porting Designation Documents reflecting the wishes and instructions of all the Clients that are allocated to that Account; and

(c) LME Clear shall have no liability whatsoever to any Member or to any Client or Indirect Client in the event that LME Clear implements the Automatic Porting Process in respect of a Client Account, in reliance upon the information contained in the latest Automatic Porting Designation Documents received by LME Clear in respect of such Client Account.

SECTION 2: PORTING PROCESS

2. TRANSFER OF A CLIENT ACCOUNT PURSUANT TO RULE 10.7

2.1 Where a Client has:

(a) pursuant to its agreement to the lodgement of Automatic Porting Designation Documents, given advance consent to LME Clear under Rule 10.7 to transfer assets and positions from its Client Account with a Member Transferor to a Client Account with a Member Transferee; or

(b) pursuant to its issue of a Porting Request Notice, requested that LME Clear transfer assets and positions (including in the case of a Posting Client, any LME Warrant Collateral provided by such Posting Client) from its Client Account with a Member Transferor to a Client Account with a Member Transferee,

then LME Clear may choose as it considers most appropriate in its sole opinion, either:

(c) to exercise its powers under Rule 10.4.1(f), to close out and terminate the Open Contracts on such Client Account of the Member Transferor and re-establish them on a Client Account with the Member Transferee; or

(d) to transfer the assets and positions on the Client Account of the Member Transferor by way of novation to a Client Account of the Member Transferee in accordance with the procedure set out in D2.2 to D2.11 below.

Automatic Porting Process

2.2 LME Clear will effect such a transfer of assets and positions on a Client Account in respect of which Automatic Porting Designation Documents have been filed in accordance with Rule 5 where:

(a) the Automatic Porting Designation Documents, completed and signed by the Client(s) allocated to the Client Account and the Designated Member Transferee have been delivered to LME Clear in accordance with Section 1 of this Default Procedure D at least one (1) clear Business Day before the date on which a Default Notice is issued in respect of the Defaulting Member;

(b) a Designated Member Transferee has provided LME Clear with its written consent to its acceptance of all the assets and positions recorded to the Client Account within the Porting Election Period;

(c) the conditions set out in Rule 10.7.5 are fulfilled;

(d) the Transfer is capable of being effected without any breach of Applicable Clearing Regulations on the part of LME Clear or is otherwise not prevented or restricted by the application of any Applicable Law;

(e) the Transfer requested relates to the whole of the Client Account and not to some only of the Open Contracts or Collateral recorded on the Client Account; and

(f) the Designated Member Transferee provides to LME Clear written representations that it has established appropriate contractual arrangements with such Clients (in compliance with Rule 5.2) to enable the Member Transferee to perform clearing services for such Clients from the time of the Transfer and, where requested by LME Clear, provides to LME Clear evidence satisfactory to LME Clear that it has

established such contractual arrangements (including, where applicable, to enable the support of the Client Direct Posting Structure in respect of a Posting Client).

Notwithstanding the foregoing, LME Clear may, if it chooses, agree to vary or waive one or more of the above requirements if it thinks fit.

Standard Porting Process

2.3 LME Clear will effect such a transfer of assets and positions on a Client Account to which the Automatic Porting Process does not apply where:

(a) a Porting Request Notice completed and signed by each Client allocated to the Client Account and the Member Transferee has been delivered to LME Clear in accordance with Rule 10.7.5(b), pursuant to which the Member Transferee has provided LME Clear with its written consent to its acceptance of all the assets and positions recorded to the Client Account within the Porting Election Period (including, where applicable, any LME Warrant Collateral posted by a Posting Client pursuant to the Client Direct Posting Structure);

(b) subject to (c) below, the conditions set out in Rule 10.7.5 are fulfilled;

(c) any Non-Identified Clients have been identified in accordance with Rule 10.7.8;

(d) the Transfer is capable of being effected without any breach of Applicable Clearing Regulations on the part of LME Clear or is otherwise not prevented or restricted by the application of any Applicable Law;

(e) the Transfer requested relates to the whole of the Client Account and not to some only of the Open Contracts or Collateral recorded on the Client Account; and

(f) the Member Transferee provides to LME Clear written representations that it has established appropriate contractual arrangements with such Clients (in compliance with Rule 5.2) to enable the Member Transferee to perform clearing services for such Clients from the time of the Transfer and, where requested by LME Clear, provides to LME Clear evidence satisfactory to LME Clear that it has established such contractual arrangements. With regards to any Individual Segregated Client Account in relation to which the Client Direct Posting Structure has been implemented, the Member Transferee must establish contractual arrangements to set up an Individual Segregated Client Account for the relevant Posting Client (noting that, until such Individual Segregated Client Account has been established, such Posting Client's assets and Positions, including LME Warrant Collateral provided by it, may be temporarily transferred to an Omnibus Segregated Client Account held by the Member Transferee. The Member Transferee must have transferred the Posting Client's assets and Positions, including the LME Warrant Collateral provided to it, to the Individual Segregated Client Account within ten (10) business days of the relevant Default Event. Nothing in this part shall prevent LME Clear from requiring the Member Transferee to replace the LME Warrant Collateral with other Eligible Collateral at any time).

Notwithstanding the foregoing, LME Clear may, if it chooses, agree to vary or waive one or more of the above requirements if it thinks fit.

Partial Porting

2.4 LME Clear will effect a transfer of the Positions relating to some but not all of the Open Contracts recorded to an Omnibus Segregated Client Account to which the Automatic Porting Process does not apply where:

(a) Porting Request Notices completed and signed by one or more Clients allocated to the Relevant Account specifying the Positions to be Transferred and one or more Member Transferees have been delivered to LME Clear in accordance with Rule 10.7.6(d), pursuant to which such Member Transferees have provided LME Clear with their written consent to their acceptance of the Positions recorded to the Relevant Account prior to the end of the Porting Election Period or the Porting Transfer Window (if earlier);

(b) subject to (c) below, the conditions set out in Rule 10.7.6 are fulfilled;

(c) any Requesting Clients that are Non-Identified Clients have been identified in accordance with Rule 10.7.8;

(d) the Partial Transfer is capable of being effected without any breach of Applicable Clearing Regulations on the part of LME Clear or is otherwise not prevented or restricted by the application of any Applicable Law;

(e) the Partial Transfer relates to all the Open Contracts of the Requesting Client recorded to the Relevant Account; and

(f) the Member Transferee provides to LME Clear written representations that it has established appropriate contractual arrangements with such Clients (in compliance with Rule 5.2) to enable the Member Transferee to perform clearing services for such Clients from the time of the Partial Transfer and, where requested by LME Clear, provides to LME Clear evidence satisfactory to LME Clear that it has established such contractual arrangements.

Notwithstanding the foregoing, LME Clear may, if it chooses, agree to vary or waive one or more of the above requirements if it thinks fit.

General

2.5 LME Clear may, when taking action under this Default Procedure D, rely (without further investigation) on the information provided by the Member Transferor (or any Relevant Office-Holder) or its relevant Clients to LME Clear pursuant to the Rules.

2.6 Each Member irrevocably and unconditionally agrees that, if it is or becomes a Member Transferor, a Transfer made under these provisions shall take effect (pursuant to this Procedure) and be binding on it without the necessity for any further consent from the Member Transferor.

2.7 LME Clear may disclose to the Member Transferee such information relating to the Member Transferor and its Client Accounts as may be relevant for the purpose of the Transfer.

2.8 The Transfer referred to in Default Procedure D 2.1 above will take effect at such time as LME Clear shall specify following LME Clear's receipt of consent from a Member Transferee to accept all the assets and positions recorded on the Client Account (the "**Transfer Time**").

2.9 The Transfer Time must be within:

(a) the Porting Transfer Period; or

(b) any Extended Porting Transfer Period specified by LME Clear in accordance with Default Procedure D 2.10 below.

2.10 LME Clear may specify, via a circular posted on the Website, that an Extended Porting Transfer Period shall apply, within which LME Clear may effect a Transfer.

2.11 At the Transfer Time:

(a) the Member Transferor and LME Clear (each acting as principal) shall be released from further obligations towards one another under the Contracts recorded in the Client Account and their respective rights against one another under the relevant transactions recorded in such Client Account shall be cancelled (being the "**Discharged Rights and Obligations**");

(b) the Member Transferee and LME Clear (each acting as principal) shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as the Member Transferee and LME Clear have assumed and/or acquired the same in place of the Member Transferor and LME Clear; and

(c) other than in respect of a Transfer of Positions only, all rights, title and interest of the Member Transferor in or to Collateral provided by it to LME Clear in respect of such Client Account shall be transferred outright to the Member Transferee and, upon such Transfer, the Member Transferor shall cease to have any interest (legal, equitable or otherwise) in such Collateral (which shall be released from the Security Interest granted by the Member Transferor under the Security Documents executed by it in relation to such Client Account in favour of LME Clear) and, subject to Default Procedure D 2.12 below, such Collateral shall form part of the property and rights subject to the Security Interest granted by the Member Transferee in favour of LME Clear under its Security Documents to collateralise the obligations and liabilities of the Member Transferee to LME Clear.

2.12 Upon release of the charge and any pledges held by LME Clear over any LME Warrant Collateral provided to it by the Member Transferor in respect of a Client Account pursuant to Default Procedure D 2.11(c) above, LME Clear shall instruct an Ex-cleared Transfer Instruction in respect of any Eligible LME Warrants comprising such LME Warrant Collateral for the purposes of effecting a Transfer to a House Account (as such term is defined in the LMEsword Regulations) of the Member Transferee. Immediately following such Transfer, the Member Transferee shall instruct an Ex-cleared Transfer Instruction in respect of the same Eligible LME Warrants comprising LME Warrant Collateral for the purposes of effecting a Transfer to the LME Clear Pledged Account in order to create security over the related LME Warrant Collateral in accordance with the terms of the Security Documents of the Member Transferee creating security over LME Warrant Collateral. The Member Transferee shall take any and all such actions as may be necessary to facilitate the Transfers contemplated by this Default Procedure D 2.12 including, without limitation, executing Ex-Cleared Transfer Accept Instructions (as such term is defined in the LMEsword Regulations) in respect of the relevant Eligible LME Warrants comprising LME Warrant Collateral. Any Eligible LME Warrants subject to the procedures described in this Default Procedure D 2.12 shall not constitute Available Non-cash Collateral unless and until LME Clear is satisfied that such Eligible LME Warrant has been transferred into the LME Clear Pledged Account in accordance with the terms hereof.

2.13 In respect of a Transfer relating to a Posting Client which has provided LME Warrant Collateral, upon the Transfer, such LME Warrant Collateral shall collateralise the performance by the Member Transferee of certain of its present and future obligations to

LME Clear with respect to the Designated Client Account such Member Transferee holds on behalf of such Posting Client. For the avoidance of doubt, no Ex-cleared Transfer Instruction is required in respect of any Eligible LME Warrants comprising LME Warrant Collateral provided to LME Clear by a Posting Client and such the LME Warrant Collateral shall remain in the LME Clear Pledged Account and subject to the security over such LME Warrant Collateral in accordance with the terms of the Posting Client Security Documents of the Posting Client creating such security.

2.14 This Procedure is without prejudice to the right of LME Clear to exercise at any time (whether during the Porting Period or otherwise) all or any of its other powers in relation to a Member Transferor under the Default Rules.

2.15 The Member Transferee shall, on the date upon which the Transfer takes effect, pay to LME Clear (for its own account) any applicable Fee in the amount prescribed by LME Clear from time to time. For the avoidance of doubt, no Fee shall be payable to LME Clear in respect of any Transfer unless and to the extent specified in Annex 3 (*Fees and Charges*).

SETTLEMENT FINALITY PROCEDURE

1. APPLICATION

1.1 This Settlement Finality Procedure forms part of, and shall be read in conjunction with, the Rules and is legally binding on Members. Terms defined in the Rules have the same meaning in this Settlement Finality Procedure. In the event of any conflict or inconsistency between the Rules and this Settlement Finality Procedure, the Rules shall prevail.

1.2 LME Clear is a designated system for the purpose of the Settlement Finality Regulations. The Settlement Finality Regulations reduce the risk that contracts and transfers made by a clearing house and its participants may be challenged in the event of the participant's insolvency. The Settlement Finality Regulations therefore minimise the disruption that can be caused to the Clearing System as a consequence of such an insolvency. In order to benefit from the protection of the Settlement Finality Regulations, LME Clear must meet the requirements of the Settlement Finality Regulations and must be designated by the Bank of England. This Settlement Finality Procedure explains how LME Clear meets such requirements.

1.3 As a recognised clearing house, regulated by the Bank of England under FSMA, LME Clear is also subject to Part VII of the Companies Act 1989 ("**Part VII**"), which provides insolvency protection to Contracts formed under LME Clear's Rules, LME Clear's and Default Rules and certain other matters relating to the Clearing System operated by LME Clear.

1.4 In the table in section 3 below:

(a) Column 1 sets out the types of instruction given by or on behalf of LME Clear or a Member which are Transfer Orders for the purpose of the Rules;

(b) Column 2 specifies whether the Transfer Order is a "**Payment Transfer Order**" or a "**Securities Transfer Order**" for the purpose of the Settlement Finality Regulations;

(c) Column 3 specifies, for each category of instruction, the time at which it takes effect and is entered into the Designated System;

(d) Column 4 specifies, for each category of instruction, the time after which it may not be revoked by a Participant or any other party;

(e) Column 5 specifies, for each category of instruction, guidance notes to assist in the interpretation of the table.

1.5 In this Settlement Finality Procedure, where a Triparty Collateral Custodian initiates a Collateral substitution in accordance with Clearing Procedure D4 in respect of a Triparty Collateral Custody Account, an instruction will be deemed to have been issued by:

(a) LME Clear where the transfer of Collateral is initiated from LME Clear's Triparty Collateral Custody Account; and

(b) the Member where the transfer of Collateral is initiated from the Member's Triparty Collateral Custody Account,

in each case under the Settlement Finality Regulations, the Rules and this Settlement Finality Procedure (a "**Deemed Instruction**"). The Deemed Instruction will be deemed to

have been issued at the point in time when the Triparty Collateral Custodian triggers the Collateral substitution process in accordance with its substitution procedures.

2. DEFINITIONS AND INTERPRETATION

In this Settlement Finality Procedure, the following words and expressions shall bear the meanings set opposite them:

"**Approved Settlement Bank**"	has the meaning set out in Rule 1 (*Definitions and Interpretation*);
"**Cash Investment Agent**"	means a bank, investment firm or other financial institution, which LME Clear has appointed to act as its agent to invest Collateral and / or Default Fund Contributions;
"**Concentration Bank**"	has the meaning set out in Rule 1 (*Definitions and Interpretation*);
"**Concentration Bank Agreement**"	means an agreement between LME Clear and a Concentration Bank pursuant to which the Concentration Bank agrees to provide concentration bank account services to LME Clear;
"**Custodian**"	has the meaning set out in Rule 1 (*Definitions and Interpretation*);
"**Custody Agreement**"	means an agreement between a Custodian and LME Clear pursuant to which the Custodian holds cash, securities and other assets on behalf of LME Clear;
"**Deemed Instruction**"	shall have the meaning ascribed to it in Settlement Finality Procedure 1.5;
"**Default Rules**"	means Rule 10 (*Default*) and the Default Procedures;
"**Designated System**"	means the standardised formal arrangements, common rules and procedures, as set out in the Rules (including the Settlement Finality Procedures and the other Procedures) and service descriptions published by LME Clear and other functionality (in each case as amended from time to time) which: (a) enable LME Clear in operating its Secure Payment System (or otherwise) to give instructions to transfer to Members amounts of money on the accounts of certain Approved Settlement Banks; (b) enable LME Clear in operating the Secure Payment System (or otherwise) to give instructions on behalf of Members and to transfer to

LME Clear amounts of money on the accounts of certain Approved Settlement Banks;

(c) enable LME Clear to give instructions to its Concentration Banks to transfer amounts of money on the accounts of such Concentration Banks to Approved Settlement Banks;

(d) enable LME Clear to give instructions to Custodians or Securities Systems Operators or Securities Account Operators to transfer, or arrange the transfer, of title to, or interest in, securities and cash;

(e) enable LME Clear to become central counterparty to Members in respect of Transactions;

(f) enable LME Clear to centrally clear Contracts that correspond to Underlying Client Trades;

(g) enable LME Clear and Members to fulfil obligations they incur in respect of Contracts;

(h) enable transfers, assignments and novations of Contracts between Members (and the corresponding transfer of Collateral and Positions between the Accounts of such Members) in accordance with the Rules, including following a Default Event and, without limitation, pursuant to the exercise by one or more Clients of Porting Rights; and

(i) facilitate supplementary and incidental matters relating to the performance or discharge of obligations in respect of Contracts and the collection and payment of amounts due under the Rules;

"**Payment Transfer Order**" has the meaning set out in the Settlement Finality Regulations;

"**Participant**" means any of the following:

(a) LME Clear;

(b) each Member;

(c) each Approved Settlement Bank; or

(d) each Concentration Bank,

that are "participants" (as defined in the Settlement Finality Regulations) in the Designated System (and this Settlement Finality Procedure shall apply equally to any insolvency practitioner appointed for, or having powers in respect of, a Participant);

"Porting Rights" means a right to have a Transfer effected pursuant to Rule 10.7 (*Portability of Client Accounts*);

"Securities Account Operator" means a bank or other financial institution which provides account operator services to LME Clear in respect of accounts maintained by LME Clear with a Securities System Operator;

"Securities Account Operator Agreement" means an agreement between LME Clear and a Securities Account Operator pursuant to which the Securities Account Operator agrees to perform account operator services for LME Clear in respect of one or more accounts maintained by LME Clear with a Securities System Operator;

"Settlement Bank Agreement" means an agreement between LME Clear and an Approved Settlement Bank pursuant to which the Approved Settlement Bank is authorised to participate in the Secure Payment System;

"Settlement Finality Directive" means Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems (as subsequently amended and as may be further amended from time to time);

"Securities System Operator" means:

(a) the operator of a relevant system within the meaning of the Uncertificated Securities Regulations 2001;

(b) the operator of a securities depository or securities settlement system in the UK or any other jurisdiction;

and includes, without limitation, Euroclear UK & Ireland and Euroclear Bank;

"Securities System Terms" means the terms of business or agreement pursuant to which LME Clear is permitted to use the securities depository or securities settlement systems of a Securities Systems Operator;

"**Securities Transfer Order**"	has the meaning set out in the Settlement Finality Regulations; and
"**Transfer Order**"	means a Securities Transfer Order or a Payment Transfer Order.

3. SPECIFICATION OF TRANSFER ORDERS FOR THE PURPOSE OF THE SETTLEMENT FINALITY REGULATIONS

	1. TRANSFER ORDER	2. TYPE OF TRANSFER ORDER	3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"	4. TIME FROM WHICH IRREVOCABLE	5. NOTES
3.1	Acceptance of Transaction	Payment Transfer Order	Upon Acceptance	The Acceptance Time	1. A Transaction that is Accepted under Rule 6 gives rise: (a) to one or more Payment Obligations pursuant to Rule 7 and the Clearing Procedure, (b) to Contracts formed between the Member and LME Clear in accordance with Rule 6. 2. Acceptance is deemed to occur upon satisfaction of the Acceptance Criteria, at the time specified in Clearing Procedure B 3.1, and the time of such Acceptance shall be the Acceptance Time, in accordance with Rule 6.4.3. 3. A Transfer Order in respect of a Transaction shall become irrevocable from the Acceptance Time. 4. A Transfer Order in respect of a Transaction shall include: (a) the Payment Obligations under any Contract that arises pursuant to the Acceptance of such Transaction; and (b) (where any netting, aggregation or compression process is applied to any Contract under the operation of the Rules), the Payment Obligations under the Contract that is in force following the application of such process,

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
					including for the avoidance of doubt any Post-Compression Contract.
3.2	Instruction by LME Clear to an Approved Settlement Bank to pay to LME Clear a Cash Settlement on behalf of a Member	Payment Transfer Order	The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Rules, used by LME Clear to transmit the instruction to the Participant.	The time at which the Approved Settlement Bank sends to LME Clear a SWIFT credit confirmation message (by SWIFT message type MT910) or otherwise confirms to LME Clear that such payment will be, or has been, made.	1. The instruction shall be to transfer to LME Clear an amount of money to be debited from an account of the Member with the Approved Settlement Bank and credited to an account of LME Clear with the Approved Settlement Bank. 2. The transfer of money shall be to discharge an obligation of the Member to make a Cash Settlement to LME Clear under the Rules. 3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Settlement Bank Agreement between LME Clear and the Approved Settlement Bank.
3.3	Instruction by LME Clear to an Approved Settlement Bank to pay to a Member a Cash Settlement on behalf of LME Clear	Payment Transfer Order	The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Rules, used by LME Clear to transmit the instruction to the Participant.	The time at which the Approved Settlement Bank sends to LME Clear a SWIFT debit confirmation message (by SWIFT message type MT900) or otherwise confirms to LME Clear that such payment will be, or has been, made.	1. The instruction shall be to transfer to a Member an amount of money to be debited from an account of LME Clear with the Approved Settlement Bank and credited to an account of the Member with the Approved Settlement Bank. 2. The transfer of money shall be to discharge an obligation of LME Clear to make a Cash Settlement to the Member under the Rules. 3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Settlement Bank Agreement between LME Clear and the Approved Settlement Bank.

	1. TRANSFER ORDER	2. TYPE OF TRANSFER ORDER	3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"	4. TIME FROM WHICH IRREVOCABLE	5. NOTES
3.4	The transfer of Cash Collateral by LME Clear from a Defaulting Member to another Member pursuant to LME Clear's exercise of its powers under the Default Rules.	Payment Transfer Order	The time of the transfer in accordance with the Rules.	The time at which LME Clear's books and records are updated as a result of a successful transfer of the Collateral.	1. The transfer may occur as a consequence of Rule 10.7 (*Portability of Client Accounts*) or otherwise pursuant to Rule 10 (*Default*) or the Default Procedures.
3.5	Instruction by LME Clear to an Approved Settlement Bank to transfer to a Defaulting Member or its insolvency practitioner an amount of money to be paid to the Defaulting Member or its insolvency practitioner pursuant to the Default Rules.	Payment Transfer Order	The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Rules, used by LME Clear to transmit the instruction to the Participant.	The time at which the Approved Settlement Bank sends to LME Clear a SWIFT debit confirmation message (by SWIFT message type MT900) or otherwise confirms to LME Clear that such payment will be, or has been, made.	1. The instruction shall be to transfer to a Member an amount of money to be debited from an account of LME Clear with the Approved Settlement Bank and credited to: (a) an account of the Member with the Approved Settlement Bank; or (b) such alternative bank account as is specified by the insolvency practitioner appointed in respect of the Defaulting Member for the receipt of such sums. 2. The transfer of money shall be to discharge an obligation of LME Clear under the Rules to pay to a Defaulting Member any cash sum following the calculation of the final net settlement in respect of that Defaulting Member. 3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Settlement Bank Agreement between LME Clear and the Approved Settlement Bank.
3.6	Instruction by LME Clear to a Concentration Bank to transfer an amount of money	Payment Transfer Order	The time of submission by LME Clear of the	The time at which the Concentration Bank sends to LME Clear a	1. The instruction shall be to transfer to LME Clear or the Cash Investment Agent an amount of money to be debited from an account of LME Clear with the

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
	to an account of LME Clear with an Approved Settlement Bank.		instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Concentration Bank Agreement, used by LME Clear to transmit the instruction to the Participant.	SWIFT debit confirmation message or otherwise confirms to LME Clear that such payment will be, or has been, made.	Concentration Bank and credited to an account of LME Clear with an Approved Settlement Bank. 2. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Concentration Bank Agreement between LME Clear and the Concentration Bank.
3.7	Instruction by LME Clear to an Approved Settlement Bank to transfer an amount of money to an account of LME Clear at a Concentration Bank nominated by LME Clear.	Payment Transfer Order	The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Settlement Bank Agreement, used by LME Clear to transmit the instruction to the Participant.	The time at which the Approved Settlement Bank sends to LME Clear a SWIFT debit confirmation message (by SWIFT message type MT900) or otherwise confirms to LME Clear that such payment will be, or has been, made.	1. The instruction shall be to transfer to LME Clear an amount of money to be debited from an account of LME Clear with the Approved Settlement Bank and credited to an account of LME Clear with a Concentration Bank. 2. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Settlement Bank Agreement between LME Clear and the Approved Settlement Bank.
3.8	Instruction by LME Clear to a Custodian to transfer to LME Clear or a Member an amount of money to be debited from an account of LME Clear with the Custodian.	Payment Transfer Order	The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted	The time at which the Custodian sends to LME Clear a SWIFT debit confirmation message or otherwise confirms to LME Clear that such	1. The instruction shall be to transfer to LME Clear or a Member an amount of money to be debited from an account of LME Clear with the Custodian and credited to: (a) an account of LME Clear with a Concentration Bank or an Approved Settlement Bank; or

	1. TRANSFER ORDER	2. TYPE OF TRANSFER ORDER	3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"	4. TIME FROM WHICH IRREVOCABLE	5. NOTES
			by the Custody Agreement, used by LME Clear to transmit the instruction to the Participant.	payment will be, or has been, made.	(b) an account of a Member with an Approved Settlement Bank. 2. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Custody Agreement between LME Clear and the Custodian.
3.8AA	An instruction by a Member to a Triparty Collateral Custodian to transfer an amount of money to be debited from LME Clear's Triparty Collateral Custody Account and credited to the Member's Triparty Collateral Custody Account.	Payment Transfer Order	The time of submission by the Member of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Triparty Custody Documentation, used by the Member to transmit the instruction to the Triparty Collateral Custodian.	The point in time at which the Cash Collateral is recorded as having been received into the Member's Triparty Collateral Custody Account.	1. The transfer type detailed in this row relates to circumstances in which: (a) a Member instructs a Triparty Collateral Custodian to transfer an amount of money from LME Clear's Triparty Collateral Custody Account to the Member's Triparty Collateral Custody Account; and (b) the conditions set out in Clearing Procedure D4 are satisfied; and (c) where such transfer occurs other than as part of a Collateral substitution process. (Note that Collateral substitution processes within a Triparty Custody Arrangement are specified at row 3.8A and relatedly row 3.12A, and at row 3.8B and relatedly row 3.12B.) 2. The instruction shall be to transfer to the Member an amount of money to be debited from LME Clear's Triparty Collateral Custody Account and credited to the Member's Triparty Collateral Custody Account. 3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Triparty Custody Documentation.

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
3.8A	An instruction by a Member, or a Deemed Instruction arising under an automated process, by which a Triparty Collateral Custodian shall substitute identifiable Securities Collateral with Cash Collateral (in whole or in part) by returning specified Securities Collateral (identified by ISIN(s)) to the Member's Triparty Collateral Custody Account and replacing it with Cash Collateral of an equivalent value, from the Member's Triparty Collateral Custody Account.	Payment Transfer Order	Member instructions: The time of submission by the Member of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Triparty Custody Documentation, used by the Member to transmit the instruction to the Triparty Collateral Custodian to substitute the Collateral. Deemed Instructions: The point in time at which the Triparty Collateral Custodian's system records the substitution of Eligible Securities with Cash Collateral as a result of an automated substitution of Eligible Collateral.	The point in time at which the substituted Cash Collateral is recorded as having been received into the relevant account held in LME Clear's name at the Triparty Collateral Custodian.	1. The transfer type detailed in this row relates to circumstances in which a Member instructs a Triparty Collateral Custodian, either directly or on a deemed basis, to transfer Securities Collateral from LME Clear's Triparty Collateral Custody Account to the Member Triparty Collateral Custody Account, resulting in a substitution of that Securities Collateral with Cash Collateral. Members are unable to directly instruct (as opposed to instructing on a deemed basis) a Triparty Collateral Custodian to transfer Cash Collateral from the Member's Triparty Collateral Custody Account to LME Clear's Triparty Collateral Custody Account in any other circumstances. This type of transfer involves both a Securities Transfer Order (in relation to the Securities Collateral that is to be substituted with Cash Collateral) and a Payment Transfer Order (in relation to the Cash Collateral that is to substitute the Securities Collateral). This 3.8A specifies the Payment Transfer Order requirements, whereas the related Securities Transfer Order requirements are specified at 3.12A below. 2. The transfer of Cash Collateral shall be from a named account of the Member that is held with the Triparty Collateral Custodian (i.e. the Member's Triparty Collateral Custody Account), to a named account of LME Clear held with the same Triparty Collateral Custodian (i.e. LME Clear's Triparty Collateral Custody Account), and shall be recorded by book transfer by the Triparty Collateral Custodian. 3. Such transfers of Cash Collateral will arise pursuant to the provision by a Member of Cash Collateral in accordance with the Rules, by substitution of Eligible Securities.

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
					4. In relation to Member instructions (as opposed to deemed instructions), the instruction to substitute any component of Collateral may be given by the Member via any communication mechanism permitted by the Triparty Custody Documentation. In relation to Deemed Instructions, the Deemed Instruction may arise through the Member's subscription, or agreement or election, to use automated collateral substitution arrangements provided by the Triparty Collateral Custodian under which Cash Collateral is transferred automatically to LME Clear's Triparty Collateral Custody Account where there is insufficient Security Collateral to meet the Triparty Transaction Amount. 5. For the avoidance of doubt, LME Clear shall not, nor shall it be required to, submit any instructions to the Triparty Collateral Custodian in order to facilitate the substitution of any Collateral (whether in whole or in part). The Member shall at all times comply with the applicable requirements of the relevant Triparty Collateral Custodian in undertaking a Collateral substitution.
3.8B	An instruction by a Member, or a Deemed Instruction, by which a Triparty Collateral Custodian shall substitute Cash Collateral held in LME Clear's Triparty Collateral Custody Account with identifiable Securities Collateral, by returning the Cash Collateral to the Member's Triparty Collateral Custody Account and replacing such Cash	Payment Transfer Order	Member instructions: The time of submission by the Member of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Triparty Custody Documentation, used by the Member to	The point in time at which the replacement Securities Collateral is recorded as having been received into the relevant account held in LME Clear's name at the Triparty Collateral Custodian.	1. The transfer type detailed in this row involves both a Payment Transfer Order (in relation to the Cash Collateral that is to be substituted with replacement Securities Collateral) and a Securities Transfer Order (in relation to the replacement Securities Collateral that is to substitute the Cash Collateral). This 3.8B specifies the Payment Transfer Order requirements, whereas the related Securities Transfer Order requirements are specified at 3.12B below. 2. The transfer of Cash Collateral shall be made from the relevant named account of LME Clear held with the Triparty Collateral Custodian, to a named account of the

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
	Collateral in LME Clear's Triparty Collateral Custody Account with specified Securities Collateral (identified by ISIN(s)) of equivalent value.		transmit the instruction to the Triparty Collateral Custodian to substitute the specified Collateral. Deemed Instructions: The point in time at which the Triparty Collateral Custodian's system records the substitution of Cash Collateral with Eligible Securities of an equivalent value, as a result of an automated substitution of Cash Collateral.		Member that is held with the same Triparty Collateral Custodian, and shall be recorded by book transfer by the Triparty Collateral Custodian. 3. Such transfers of Cash Collateral will arise pursuant to the provision by a Member of replacement Securities Collateral in accordance with the Rules. 4. In relation to Member instructions (as opposed to deemed Member instructions), the instruction to substitute any component of Collateral may be given by the Member via any communication mechanism permitted by the Triparty Custody Documentation. In relation to Deemed Instructions, the Deemed Instruction may arise through the Member's subscription, or agreement or election, to use automated collateral substitution arrangements provided by the Triparty Collateral Custodian under which Cash Collateral is transferred automatically to LME Clear's Triparty Collateral Custody Account where there is insufficient Security Collateral to meet the Triparty Transaction Amount. 5. For the avoidance of doubt, LME Clear shall not, nor shall it be required to, submit any instructions to the Triparty Collateral Custodian in order to facilitate the substitution of any Collateral (whether in whole or in part). The Member shall at all times comply with the applicable requirements of the relevant Triparty Collateral Custodian in undertaking a Collateral substitution.
3.9	Instruction by LME Clear to a Securities System Operator, directly or via a Securities Account Operator acting on	Payment Transfer Order	The time of submission by LME Clear of the instruction into the	The time at which the Securities System Operator or Securities Account Operator (as	1. The instruction shall be to transfer to LME Clear an amount of money to be debited from a cash account of LME Clear with the Securities System Operator and

	1. TRANSFER ORDER	2. TYPE OF TRANSFER ORDER	3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"	4. TIME FROM WHICH IRREVOCABLE	5. NOTES
	LME Clear's behalf, to transfer an amount of money to an account of LME Clear at an Approved Settlement Bank or a Concentration Bank.		SWIFT Messaging Gateway, or any other communication mechanism permitted by the Securities Account Operator Agreement or Securities System Terms (as applicable), used by LME Clear to transmit the instruction to the Participant.	applicable) sends to LME Clear a SWIFT debit confirmation message or otherwise confirms to LME Clear that such payment will be, or has been, made.	credited to an account of LME Clear with a Concentration Bank or an Approved Settlement Bank. 2. The instruction may be given by SWIFT message or by any other means specified in, or permitted by (as applicable): (a) the Securities Account Operator Agreement between LME Clear and the Securities Account Operator; or (b) Securities System Terms between LME Clear and the Securities Account Operator.
3.10	Instruction by a Member for Automatic Compression, which takes effect as a standing instruction pursuant to a Compression Request	Payment Transfer Order	The cut-off time for the cancellation of the proposed Compression Run, as set out in the DSS.	The Compression Time.	1. The instruction shall be to modify the existing Payment Transfer Order that is described in paragraph 3.1 above, in order to give effect to Compression. 2. Nothing in this Settlement Finality Procedure shall oblige LME Clear to implement a Compression in accordance with any instruction from a Member upon or following the occurrence of a Default Event in respect of that Member.
3.11	Instruction by a Member for Manual or File Based Compression	Payment Transfer Order	The time at which the Member submits its request for Compression via the LMEmercury GUI.	The Compression Time.	1. The instruction shall be to modify the existing Payment Transfer Order that is described in paragraph 3.1 above, in order to give effect to Compression. 2. Nothing in this Settlement Finality Procedure shall oblige LME Clear to implement a Compression in accordance with any instruction from a Member upon or following the occurrence of a Default Event in respect of that Member.

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
3.12	Instruction by LME Clear to: (a) a Custodian or Securities System Operator to receive title to, or interest in, Eligible Securities from an account of a Member; or (b) a Securities Account Operator, acting on behalf of LME Clear, to facilitate that the Securities System Operator shall receive title to, or interest in, Eligible Securities from an account of a Member.	Securities Transfer Order	The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable), used by LME Clear to transmit the instruction to the Participant.	The time at which the Eligible Securities are transferred to an account in respect of which LME Clear is legally or beneficially entitled or the time at which the Custodian, Securities System Operator or Securities Account Operator confirms to LME Clear by SWIFT message or other form of confirmation permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable) that such transfer will be made or that such transfer has been made (whichever is the earlier).	1. The transfer of Eligible Securities shall be from an account of the Member with a Custodian or a Securities System Operator to an account of LME Clear with a Custodian or a Securities System Operator and shall be recorded by book transfer by the Custodian or securities settlement by the Securities System Operator. 2. Such transfers of Eligible Securities will arise pursuant to the provision by a Member of Securities Collateral pursuant to and in accordance with the Rules, whether by substitution for Cash Collateral or otherwise. 3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by (as applicable): (a) the Custody Agreement between LME Clear and the Custodian; (b) the Securities Account Operator Agreement between LME Clear and the Securities Account Operator; or (c) Securities System Terms between LME Clear and the Securities Account Operator.
3.12AAA	An instruction by a Member to a Triparty Collateral Custodian to transfer title to, or interest in Eligible Securities to the Member through a transfer of such Eligible Securities from LME Clear's Triparty Collateral Custody Account to the	Securities Transfer Order	The time of submission by the Member of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Triparty	The point in time at which the Securities Collateral is recorded as having been received into the Member's Triparty Collateral Custody Account.	1. The transfer type detailed in this row relates to circumstances in which: (a) a Member instructs a Triparty Collateral Custodian to transfer Securities Collateral from LME Clear's Triparty Collateral Custody Account to the Member's Triparty Collateral Custody Account; and

	1. TRANSFER ORDER	2. TYPE OF TRANSFER ORDER	3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"	4. TIME FROM WHICH IRREVOCABLE	5. NOTES
	Member's Triparty Collateral Custody Account.		Custody Documentation, used by the Member to transmit the instruction to the Triparty Collateral Custodian.		(b) the conditions set out in Clearing Procedure D4 are satisfied; and (c) where such transfer occurs other than as part of a Collateral substitution process. (Note that Collateral substitution processes within a Triparty Custody Arrangement are specified at row 3.8A and relatedly row 3.12A, and at row 3.8B and relatedly row 3.12B.) 2. The instruction shall be to transfer certain Eligible Securities to the Member's Triparty Collateral Custody Account from LME Clear's Triparty Collateral Custody Account. 3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Triparty Custody Documentation.
3.12AA	An instruction by a Member to a Triparty Collateral Custodian to transfer title to, or interest in, Eligible Securities to LME Clear through a transfer of such Eligible Securities from the Member's Triparty Collateral Custody Account to LME Clear's Triparty Collateral Custody Account.	Securities Transfer Order	The time of submission by the Member of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Triparty Custody Documentation, used by the Member to transmit the instruction to the Triparty Collateral Custodian.	The point in time at which the Securities Collateral is recorded as having been received into LME Clear's Triparty Collateral Custody Account.	1. The transfer type detailed in this row relates to circumstances in which: (a) a Member instructs a Triparty Collateral Custodian to transfer Securities Collateral from the Member's Triparty Collateral Custody Account to LME Clear's Triparty Collateral Custody Account; (b) the conditions set out in Clearing Procedure D4 are satisfied; and (c) where such transfer occurs other than as part of a Collateral substitution process. (Note that Collateral substitution processes within a Triparty Custody Arrangement are specified at row 3.8A and relatedly row 3.12A, and at row 3.8B and relatedly row 3.12B.)

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
					2. The instruction shall be to transfer to LME Clear certain Eligible Securities from the Member's Triparty Collateral Custody Account to LME Clear's Triparty Collateral Custody Account. 3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by, the Triparty Custody Documentation.
3.12A	An instruction by a Member, or a Deemed Instruction arising under an automated process, by which a Triparty Collateral Custodian shall substitute identifiable Securities Collateral with Cash Collateral (in whole or in part), by returning specified Securities Collateral (identified by ISIN(s)) to the Member's Triparty Collateral Custody Account and replacing it with Cash Collateral of an equivalent value, from the Member's Triparty Collateral Custody Account.	Securities Transfer Order	Member instructions: The time of submission by the Member of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Triparty Custody Documentation, used by the Member to transmit the instruction to the Triparty Collateral Custodian to substitute the Collateral. Deemed Instructions: The point in time at which the Triparty Collateral Custodian's system records the	The point in time at which Cash Collateral is recorded as having been received into the relevant account held in LME Clear's name at the Triparty Collateral Custodian.	1. The transfer type detailed in this row relates to circumstances in which a Member instructs a Triparty Collateral Custodian, either directly or on a deemed basis, to transfer Securities Collateral from LME Clear's Triparty Collateral Custody Account to the Member Triparty Collateral Custody Account, resulting in a substitution of that Securities Collateral with Cash Collateral. Members are unable to directly instruct (as opposed to instructing on a deemed basis) a Triparty Collateral Custodian to transfer Cash Collateral from the Member's Triparty Collateral Custody Account to LME Clear's Triparty Collateral Custody Account in any other circumstances. This type of transfer involves both a Securities Transfer Order (in relation to the Securities Collateral that is to be substituted with Cash Collateral) and a Payment Transfer Order (in relation to the Cash Collateral that is to substitute the Securities Collateral). This 3.12A specifies the Securities Transfer Order requirements, whereas the related Payment Transfer Order requirements are specified at 3.8A above. 2. The transfer of Eligible Securities shall be from LME Clear's Triparty Collateral Custody Account to the Member Triparty Collateral Custody Account, and shall

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
			substitution of Eligible Securities with Cash Collateral as a result of an automated substitution of Eligible Collateral.		be recorded by book transfer by the Triparty Collateral Custodian. 3. Such transfers of Eligible Securities will arise pursuant to the provision by a Member of Cash Collateral pursuant to and in accordance with the Rules. 4. In relation to Member instructions (as opposed to deemed Member instructions), the instruction to substitute any component of Collateral may be given by the Member via any communication mechanism permitted by the Triparty Custody Documentation. In relation to Deemed Instructions, the Deemed Instruction may arise through the Member's subscription, or agreement or election, to use automated collateral substitution arrangements provided by the Triparty Collateral Custodian under which Cash Collateral is transferred automatically to LME Clear's Triparty Collateral Custody Account where there is insufficient Security Collateral to meet the Triparty Transaction Amount. 5. For the avoidance of doubt, LME Clear shall not, nor shall it be required to, submit any instructions to the Triparty Collateral Custodian in order to facilitate the substitution of any Collateral (whether in whole or in part). The Member shall at all times comply with the applicable requirements of the relevant Triparty Collateral Custodian in undertaking a Collateral substitution.
3.12B	A unilateral instruction by a Member, or a Deemed Instruction, by which a Triparty Collateral Custodian shall substitute Cash	Securities Transfer Order	Unilateral Member instructions: The time of submission by the Member of the instruction into the	The point in time at which the replacement Securities Collateral is recorded as having been received into the relevant	1. The transfer type detailed in this row involves both a Payment Transfer Order (in relation to the Cash Collateral that is to be substituted with replacement Securities Collateral) and a Securities Transfer Order (in relation to the replacement Securities Collateral that is to

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
	Collateral held in LME Clear's Triparty Collateral Custody Account with identifiable Securities Collateral, by returning the Cash Collateral to the Member's Triparty Collateral Custody Account and replacing such Cash Collateral in LME Clear's Triparty Collateral Custody Account with specified Securities Collateral (identified by ISIN(s)) of equivalent value.		SWIFT Messaging Gateway, or any other communication mechanism permitted by the Triparty Custody Documentation, used by the Member to transmit the instruction to the Triparty Collateral Custodian to substitute the specified Collateral. Deemed Instructions: The point in time at which the Triparty Collateral Custodian's system records the substitution of Cash Collateral with Eligible Securities of an equivalent value, as a result of an automated substitution of Cash Collateral.	account held in LME Clear's name at the Triparty Collateral Custodian.	substitute the Cash Collateral). This 3.12B specifies the Securities Transfer Order requirements, whereas the related Payment Transfer Order requirements are specified at 3.8B above. 2. The transfer of Securities Collateral shall be made from the relevant named account of the Member held with the Triparty Collateral Custodian, to a named account of LME Clear that is held with the same Triparty Collateral Custodian, and shall be recorded by book transfer by the Triparty Collateral Custodian. 3. Such transfers of Cash Collateral will arise pursuant to the provision by a Member of replacement Securities Collateral pursuant to and in accordance with the Rules. 4. In relation to unilateral Member instructions, the instruction to substitute any component of Collateral may be given by the Member via any communication mechanism permitted by the Triparty Custody Documentation. In relation to Deemed Instructions, the Deemed Instruction may arise through the Member's subscription, or agreement or election, to use automated collateral substitution arrangements provided by the Triparty Collateral Custodian under which Cash Collateral is transferred automatically to LME Clear's Triparty Collateral Custody Account where there is insufficient Security Collateral to meet the Triparty Transaction Amount. 5. For the avoidance of doubt, LME Clear shall not, nor shall it be required to, submit any instructions to the Triparty Collateral Custodian in order to facilitate the substitution of any Collateral (whether in whole or in part). The Member shall at all times comply with the applicable

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
					requirements of the relevant Triparty Collateral Custodian in undertaking a Collateral substitution.
3.13	Instruction by LME Clear to: (a) a Custodian or Securities System Operator to transfer the title to, or interest in, Eligible Securities from an account of LME Clear to an account of a Member; or (b) a Securities Account Operator, acting on behalf of LME Clear, to facilitate that the Securities System Operator shall transfer the title to, or interest in, Eligible Securities from an account of LME Clear to an account of a Member.	Securities Transfer Order	The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable), used by LME Clear to transmit the instruction to the Participant.	The time at which the Eligible Securities are transferred from an account in respect of which LME Clear is legally or beneficially entitled or, if it is later, the time at which the Custodian, Securities System Operator or Securities Account Operator confirms to LME Clear by SWIFT message or other form of confirmation permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable) that such transfer has been made.	1. The transfer of Eligible Securities shall be from an account of LME Clear with a Custodian or a Securities System Operator to an account of the Member with a custodian or a Securities System Operator and shall be recorded by book transfer by the Custodian or securities settlement by the Securities System Operator. 2. Such transfers of Eligible Securities will arise pursuant to the return by LME Clear to a Member of Securities Collateral pursuant to and in accordance with the Rules. 3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by (as applicable): (a) the Custody Agreement between LME Clear and the Custodian; or (b) the Securities Account Operator Agreement between LME Clear and the Securities Account Operator; or (c) Securities System Terms between LME Clear and the Securities Account Operator.
3.14	The transfer of Securities Collateral by LME Clear from a Defaulting Member to another Member pursuant to LME Clear's exercise of its	Securities Transfer Order	The time of the transfer in accordance with the Rules.	The time at which LME Clear's books and records are updated as a result of a successful transfer of the Collateral.	The transfer may occur as a consequence of Rule 10.7 (*Portability of Client Accounts*) or otherwise pursuant to Rule 10 (*Default*) or the Default Procedures.

	1. Transfer Order	2. Type of Transfer Order	3. Time "entered into the Designated System"	4. Time from which irrevocable	5. Notes
	powers under the Default Rules.				
3.15	Instruction by LME Clear to: (a) a Custodian or Securities System Operator to transfer the title to, or interest in, Eligible Securities from an account of LME Clear to an account of a Defaulting Member or its insolvency practitioner pursuant to the Default Rules; or (b) a Securities Account Operator, acting on behalf of LME Clear, to facilitate that the Securities System Operator shall transfer the title to, or interest in, Eligible Securities from an account of LME Clear to an account of a Defaulting Member or its insolvency practitioner	Securities Transfer Order	The time of submission by LME Clear of the instruction into the SWIFT Messaging Gateway, or any other communication mechanism permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable), used by LME Clear to transmit the instruction to the Participant.	The time at which the Eligible Securities are transferred from an account in respect of which LME Clear is legally or beneficially entitled or, if it is later, the time at which the Custodian, Securities System Operator or Securities Account Operator confirms to LME Clear by SWIFT message or other form of confirmation permitted by the Custody Agreement, Securities Account Operator Agreement or Securities System Terms (as applicable) that such transfer has been made.	1. The transfer of Eligible Securities shall be from an account of LME Clear with a Custodian or a Securities System Operator to an account of the Defaulting Member or its insolvency practitioner with a Custodian or a Securities System Operator and shall be recorded by book transfer by the Custodian or securities settlement by the Securities System Operator. 2. The transfer of Eligible Securities shall be to discharge an obligation of LME Clear under the Rules to return to a Defaulting Member any Securities Collateral following the calculation of the final net settlement in respect of that Defaulting Member. 3. The instruction may be given by SWIFT message or by any other means specified in, or permitted by (as applicable): (a) the Custody Agreement between LME Clear and the Custodian; (b) the Securities Account Operator Agreement between LME Clear and the Securities Account Operator; or (c) Securities System Terms between LME Clear and the Securities Account Operator.

	1. TRANSFER ORDER	2. TYPE OF TRANSFER ORDER	3. TIME "ENTERED INTO THE DESIGNATED SYSTEM"	4. TIME FROM WHICH IRREVOCABLE	5. NOTES
	pursuant to the Default Rules				

4. **PROHIBITION ON REVOCATION OF TRANSFER ORDERS**

No Participant (or any insolvency practitioner appointed in relation to the Participant) may revoke or purport to revoke any Transfer Order, which shall be binding on all such persons, after the time specified in section 3 above as being the time when such Transfer Order becomes irrevocable.

5. **GENERAL OBLIGATIONS OF MEMBERS AS PARTICIPANTS**

5.1 Members of LME Clear are Participants in the Designated System under the Settlement Finality Regulations.

5.2 Members must:

(a) comply with the Settlement Finality Regulations and Part VII;

(b) facilitate compliance by LME Clear with the requirements of the Settlement Finality Regulations and Part VII; and

(c) comply with any action taken by LME Clear pursuant to the Settlement Finality Regulations and Part VII.

6. **PROVISION OF INFORMATION**

6.1 A Participant must, within fourteen (14) days of being requested to do so by any person, and upon payment of a reasonable charge, provide to any person who requests it:

(a) details of the systems which are designated for the purposes of the Settlement Finality Directive in which the Participant participates; and

(b) information about the main rules of governing the functioning of those systems.

6.2 A Participant shall not be required to provide information to a person pursuant to section 6.1 above where the request is frivolous or vexatious.

6.3 Each Participant shall promptly provide to LME Clear such information as LME Clear may reasonably require from time to time in order to meet its obligations as operator of the Designated System under the Settlement Finality Regulations.

7. **NOTIFICATION OF INSOLVENCY EVENTS**

7.1 A Participant shall forthwith notify LME Clear and the Bank of England in the event that:

(a) a creditors' voluntary resolution is passed in respect of the Participant;

(b) a trust deed granted by the Participant becomes a protected trust deed;

(c) the appointment of an administrator under paragraph 14 or paragraph 22 of Schedule B1 to the Insolvency Act 1986 takes effect; or

(d) any analogous event occurs in respect of the Participant under the laws of a jurisdiction other than England and Wales.

7.2 Any notice given to LME Clear under this provision shall be given in writing addressed to the General Counsel, and shall be sent by first class pre-paid recorded delivery post or hand delivered to the following address:

LME Clear Limited

10 Finsbury Square
London EC2A 1AJ
United Kingdom

7.3 Any notice given to the Bank of England under this provision shall be sent by first class pre-paid recorded delivery post or hand delivered to the following address:

Manager of the Payment Systems Oversight Financial Resilience Division
Bank of England
Threadneedle Street
London EC2R 8AH

LME CLEAR LIMITED

ANNEXES

ANNEX 1 – ELIGIBLE PRODUCTS

1. **INTRODUCTION**

1.1 This Annex 1:

(a) sets out the list of Eligible Products that are eligible to be cleared via the Clearing System and the Product Specifications in respect of each such Eligible Product; and

(b) specifies which Eligible Products are Eligible Compressible Contracts for the purposes of Rule 12 (*Compression*).

1.2 The Eligible Products are:

(a) The following LME Base Products:

	Eligible Product	**Paragraph containing Product Specifications**
(i)	LME Exchange Traded Forwards	Paragraph 2.2
(ii)	LME Exchange Traded Futures	Paragraph 2.3
(iii)	LME Exchange Traded European Options	Paragraph 2.4
(iv)	LME Exchange Traded Average Price Options (TAPOs)	Paragraph 2.5
(v)	LME Exchange Traded Monthly Average Futures	Paragraph 2.6

(b) The following LMEprecious Products:

	Eligible Product	**Paragraph containing Product Specifications**
(i)	LMEprecious Futures	Paragraph 3.2
(ii)	LMEprecious Options	Paragraph 3.3

1.3 In section 2 of this Annex 1, capitalised terms that are not defined in these Rules shall have the same meaning given in the LME Rules.

1.4 The following Eligible Products are Eligible Compressible Contracts, and are therefore capable of compression, for the purposes of Rule 12 (*Compression*):

(a) LME Exchange Traded Forwards; and

(b) LME Exchange Traded Monthly Average Futures.

1.5 Cash-Settled Futures are LME Exchange Traded Futures that include the following metals, as set out under Paragraph 2.3 below:

Metals	Paragraph
US Premium, Alumina, Molybdenum, Cobalt, European DUP Premium, LME Aluminium Premium Duty Paid European, LME Aluminium UBC Scrap US and LME Lithium Hydroxide CIF	Paragraph 2.3(b) – Cash-Settled Futures: Non-Ferrous Metals
Steel Scrap, Steel Scrap CFR India, Steel Scrap CFR Taiwan, Steel Rebar, HRC N. America, HRC FOB China and HRC NW Europe	Paragraph 2.3(c) – Cash-Settled Futures: Ferrous Metals

2. LME BASE PRODUCTS

2.1 General

(a) The Approved Transaction Platform for all LME Base Products is LMEsmart.

(b) USD is the nominated Base Currency for all LME Base Products.

(c) The full Product Specifications of the LME Base Products are determined by the LME Rules and the notices issued by LME under the LME Rules. For ease of reference a representation of these Product Specifications is provided in this paragraph 2.

Annex 1

2.2 **LME Exchange Traded Forwards**

(a) **Non-Ferrous Metals**

Individual Metal parameters for Non-Ferrous Metals

Metal	Product ID (Code)	Lot Size
Aluminium Alloy	AA	20 metric tonnes
High Grade Primary Aluminium	AH	25 metric tonnes
North American Special Aluminium Alloy (NASAAC)	NA	20 metric tonnes
Copper Grade A	CA	25 metric tonnes
Primary Nickel	NI	6 metric tonnes
Standard Lead	PB	25 metric tonnes
Tin	SN	5 metric tonnes
Special High Grade Zinc	ZS	25 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (third (3rd) Wednesday)	Monthly (second (2nd) Business Day)
AH, CA	TOM to three (3) months	Four (4) months to six (6) months	Seven (7) months to one hundred and twenty-three (123) months	Four (4) months to twenty-four (24) months
NI, ZS	TOM to three (3) months	Four (4) months to six (6) months	Seven (7) months to sixty-three (63) months	Four (4) months to twenty-four (24) months
PB	TOM to three (3) months	Four (4) months to six (6) months	Seven (7) months to sixty-three (63) months	Four (4) months to fifteen (15) months
AA, NA	TOM to three (3) months	Four (4) months to six (6) months	Seven (7) months to twenty-seven (27) months	Four (4) months to twenty-four (24) months
SN	TOM to three (3) months	Four (4) months to six (6) months	Seven (7) months to fifteen (15) months	Four (4) months to fifteen (15) months

Annex 1

Common parameters for Non-Ferrous Metals

Parameter	Definition
Settlement Currency	EUR, GBP, JPY or USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	For trades in EUR, GBP or USD = 0.01 For trades in JPY = 1.
Last Submission Date	The Last Submission Date is one (1) good LME Business Day prior to the Prompt Date.
Trade Submission	For trades in EUR, GBP or USD, any good LME Business Day up to 13:30 hours on the Last Submission Date. For trades in JPY, any good LME Business Day up to 20:00 hours on the day preceding the Last Submission Date.
Prompt Date	The Settlement Business Day on which the Contract is to be settled.
Closing Valuations	LME Closing Price.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Physical - as LME Warrants
Settlement Price	LME Settlement Price.
Metal Settlement	LME Warrants through LMEsword as per LME Rules
Currency Settlement	Through Secure Payment Systems

Annex 1

(b) **Minor Metals**

Individual Metal parameters for Minor Metals

Metal	Product ID (Code)	Lot Size
Cobalt	CO	1 metric tonne
Molybdenum ***[Contract not currently available]***	MO	6 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (third (3rd) Wednesday)
CO	TOM to three (3) months	Four (4) months to six (6) months	Seven (7) months to fifteen (15) months
MO [*Contract not currently available]*	TOM to three (3) months	Four (4) months to six (6) months	Seven (7) months to fifteen (15) months

Common parameters for Minor Metals

Parameter	Definition
Settlement Currency	EUR, GBP, JPY or USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	For trades in EUR, GBP or USD = 0.01 For trades in JPY = 1.
Last Submission Date	The Last Submission Date is one good LME Business Day prior to the Prompt Date.
Trade Submission	For trades in EUR, GBP or USD, any good LME Business Day up to 13:30 hours on the Last Submission Date. For trades in JPY, any good LME Business Day up to 20:00 hours on the day preceding the Last Submission Date.
Prompt Date	The Settlement Business Day on which the Contract is to be settled.
Closing Valuations	LME Closing Price.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Physical - as LME Warrants.
Settlement Price	LME Settlement Price.
Metal Settlement	LME Warrants through LMEsword as per LME Rules
Currency Settlement	Through Secure Payment System

(c) **Steel** *[Contract not currently available]*

Parameters for Steel *[Contract not currently available]*

Metal	Product ID (Code)	Lot Size
Steel Billet	FM	65 metric tonnes

Prompt Date Structure *[Contract not currently available]*

Metal	Daily	Weekly (Wednesdays)	Monthly (third (3rd) Wednesday)
FM	TOM to three (3) months	Four (4) months to six (6) months	Seven (7) months to fifteen (15) months

Common parameters for Steel *[Contract not currently available]*

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	USD = 0.01
Last Submission Date	The Last Submission Date is one (1) good LME Business Day prior to the Prompt Date.
Trade Submission	Any good LME Business Day up to 13:30 hours on the Last Submission Date.
Prompt Date	The Settlement Business Day on which the Contract is to be settled.
Closing Valuations	LME Closing Price.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Physical - as LME Warrants.
Settlement Price	LME Settlement Price.
Metal Settlement	LME Warrants through LMEsword as per LME Rules.
Currency Settlement	Through Secure Payment Systems

(d) **LME Aluminium Premium Contracts**

Individual Metal parameters for LME Aluminium Premium Contracts

Annex 1

Metal	Product ID (Code)	Lot Size
LME US Aluminium Premium	AN	25 metric tonnes
LME Western Europe Aluminium Premium	AW	25 metric tonnes
LME Eastern Asia Aluminium Premium	AE	25 metric tonnes
LME South-Eastern Asia Aluminium Premium	AS	25 metric tonnes

Prompt Date Structure

Metal	Monthly
High grade primary aluminium premium warrant in the designated region	Monthly out to fifteen (15) months

Common parameters for LME Aluminium Premium Contracts

<table>
<tr><th>Parameter</th><th>Definition</th></tr>
<tr><td>Settlement Currency</td><td>USD</td></tr>
<tr><td>Price Quotation</td><td>USD per metric tonne.</td></tr>
<tr><td>Minimum Price Movement</td><td>
<table>
<tr><th>Venue</th><th>Outright</th><th>Carries</th></tr>
<tr><td>Ring</td><td>$0.50</td><td>$0.01</td></tr>
<tr><td>LMEselect</td><td>$0.50</td><td>$0.01</td></tr>
<tr><td>LME Inter-Office Market</td><td>$0.01</td><td>$0.01</td></tr>
</table>
</td></tr>
<tr><td>Last Submission Date</td><td>Two (2) Business Days before the third (3rd) Wednesday of the contract month trading in the expiring Contract.</td></tr>
<tr><td>Trade Submission</td><td>Any good LME Business Day up to 13:30 hours on the Last Submission Date.</td></tr>
<tr><td>Prompt Date</td><td>Third (3rd) Wednesday of each maturity month.</td></tr>
<tr><td>Closing Valuations</td><td>LME Closing Price.</td></tr>
<tr><td>Margin Model</td><td>Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.</td></tr>
<tr><td>Settlement Type</td><td>Physically delivered.

Seller provides: LME Premium Warrant for aluminium in the designated Premium Warrant Jurisdiction.

Buyer provides: A Settlement Payment comprising:</td></tr>
</table>

Annex 1

	• any LME Warrant for aluminium; • PLUS the premium cash as agreed at contract formation; • LESS the premium aluminium Free On Truck charge at the Warehouse where the LME Premium Warrant for aluminium is delivered.
Settlement Price	LME Settlement Price.
Currency Settlement	Through Secure Payment Systems.

Annex 1

2.3 LME Exchange Traded Futures

(a) Non-Ferrous Metals – (LMEminis)

Individual Metal parameters for Non-Ferrous Metals – LMEminis

Metal	Product ID (Code)	Lot Size
High Grade Primary Aluminium	MA	5 metric tonnes
Copper Grade A	MC	5 metric tonnes
Special High Grade Zinc	MZ	5 metric tonnes

Prompt Date Structure

Metal	Monthly
MA, MC, MZ	Monthly to 12 months

Common parameters for Non-Ferrous Metals (LMEminis)

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	USD = 0.01
Last Submission Date	The Last Submission Date is two (2) good LME Business Days prior to the Prompt Date.
Trade Submission	Any good LME Business Day up to 13:30 hours on the Last Submission Date.
Prompt Date	The Settlement Business Day on which the Contract is to be settled. (Prompt Date is the third (3rd) Wednesday of the relevant month.)
Closing Valuations	LME Closing Price. (Exclusive of the discount factor.)
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Financial – as a difference to the Settlement Price on the Expiry Date
Settlement Price	LME Settlement Price.
Currency Settlement	Through Secure Payment Systems.

(b) **Cash-Settled Futures: Non-Ferrous Metals**

(i) **Individual Metal parameters for Cash-Settled Futures – LME Aluminium Premium Duty Paid US Midwest**

Metal	Product ID (Code)	Lot Size
US Premium	UP	25 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
Aluminium (UP)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Aluminium Premium Duty Paid US Midwest

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.25 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 19:00 hours London Time.
Trade Submission	Any good LME Business Day up to 19:00 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Second Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for US Premium.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.

Annex 1

Settlement Type	Cash settlement.
Settlement Price	The Cash-Settled Future Final Settlement Price for US Premium, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

Annex 1

(ii) **Individual Metal parameters for Cash-Settled Futures – LME Alumina**

Metal	Product ID (Code)	Lot Size
Alumina	AM	50 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
Alumina (AM)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Alumina

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.25 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 16:00 hours London Time.
Trade Submission	Any good LME Business Day up to 16:00 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for Alumina.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

Annex 1

Settlement Price	The Cash-Settled Future Final Settlement Price for Alumina, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

(iii) **Individual Metal parameters for Cash-Settled Futures – LME Molybdenum**

[Contract not currently available]

Metal	**Product ID (Code)**	**Lot Size**
Molybdenum	MD	2205 lbs (pounds)

Prompt Date Structure *[Contract not currently available]*

Metal	**Daily**	**Weekly (Wednesdays)**	**Monthly (3rd Wednesday)**	**Monthly (last Business Day of the month)**
Molybdenum (MD)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Molybdenum *[Contract not currently available]*

Parameter	**Definition**
Settlement Currency	USD
Price Quotation	USD per lbs (pound).
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.05 / $0.01 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 13:00 hours London Time.
Trade Submission	Any good LME Business Day up to 13:00 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for Molybdenum.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

Annex 1

Settlement Price	The Cash-Settled Final Settlement Price for Molybdenum, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

Annex 1

(IV) Individual Metal parameters for Cash-Settled Futures – LME Cobalt

Metal	Product ID (Code)	Lot Size
Cobalt	CB	1 metric tonne

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
Cobalt (CB)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Cobalt

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $50.00 / $10.00 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 14:00 hours London Time.
Trade Submission	Any good LME Business Day up to 14:00 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for Cobalt.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

Annex 1

Settlement Price	The Cash-Settled Future Final Settlement Price for Cobalt, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

(v) **Individual Metal parameters for Cash-Settled Futures – LME Aluminium Premium Duty Unpaid European**

Metal	Product ID (Code)	Lot Size
European DUP Premium	EA	25 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
European DUP Premium (EA)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Aluminium Premium Duty Unpaid European

<table>
<tr><th>Parameter</th><th>Definition</th></tr>
<tr><td>Settlement Currency</td><td>USD</td></tr>
<tr><td>Price Quotation</td><td>USD per metric tonne.</td></tr>
<tr><td>Minimum Price Movement</td><td>
<table>
<tr><th>Venue</th><th>Outright</th><th>Carries</th></tr>
<tr><td>Ring</td><td>N/A</td><td>N/A</td></tr>
<tr><td>LMEselect</td><td>$0.50</td><td>$0.25</td></tr>
<tr><td>LME Inter-Office Market</td><td>$0.01</td><td>$0.01</td></tr>
</table>
</td></tr>
<tr><td>Last Submission Date</td><td>Last Business Day of the contract month until 15:00 hours London Time.</td></tr>
<tr><td>Trade Submission</td><td>Any good LME Business Day up to 15:00 hours on the Last Submission Date.</td></tr>
<tr><td>Prompt Date</td><td>The Prompt Date is the Last Submission Date (as set out above).</td></tr>
<tr><td>Cash Settlement</td><td>Settlement Business Day following the Prompt Date.</td></tr>
<tr><td>Closing Valuations</td><td>Cash-Settled Future Daily Settlement Price for European DUP Premium.</td></tr>
<tr><td>Margin Model</td><td>Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.</td></tr>
<tr><td>Settlement Type</td><td>Cash settlement.</td></tr>
</table>

Annex 1

Settlement Price	The Cash-Settled Future Final Settlement Price for European DUP Premium, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

Annex 1

(vi) **Individual parameters for LME Aluminium Premium Duty Paid European**

Metal	Product ID (Code)	Lot Size
European DP Premium	ED	25 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
European DP Premium (ED)	N/A	N/A	N/A	Front month to thirty six (36) months

Specific parameters for LME Aluminium Premium Duty Paid European

<table>
<tr><th>Parameter</th><th>Definition</th></tr>
<tr><td>Settlement Currency</td><td>USD</td></tr>
<tr><td>Price Quotation</td><td>USD per metric tonne.</td></tr>
<tr><td>Minimum Price Movement</td><td>
<table>
<tr><th>Venue</th><th>Outright</th><th>Carries</th></tr>
<tr><td>Ring</td><td>N/A</td><td>N/A</td></tr>
<tr><td>LMEselect</td><td>$0.50</td><td>$0.25</td></tr>
<tr><td>LME Inter-Office Market</td><td>$0.01</td><td>$0.01</td></tr>
</table>
</td></tr>
<tr><td>Last Submission Date</td><td>Last Business Day of the contract month until 15:00 hours London Time.</td></tr>
<tr><td>Trade Submission</td><td>Any good LME Business Day up to 15:00 hours London Time on the Last Submission Date.</td></tr>
<tr><td>Prompt Date</td><td>The Prompt Date is the Last Submission Date (as set out above).</td></tr>
<tr><td>Cash Settlement</td><td>Settlement Business Day following the Prompt Date.</td></tr>
<tr><td>Closing Valuations</td><td>Cash-Settled Future Daily Settlement Price for European Duty Paid Premium.</td></tr>
<tr><td>Margin Model</td><td>Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.</td></tr>
<tr><td>Settlement Type</td><td>Cash settlement.</td></tr>
</table>

Annex 1

Settlement Price	The Cash-Settled Future Final Settlement Price for European DP Premium, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

Annex 1

(vii) **Individual parameters for LME Aluminium UBC Scrap US**

Metal	Product ID (Code)	Lot Size
Aluminium UBC Scrap US	UC	25 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
Aluminium UBC Scrap US (UC)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Aluminium UBC Scrap US

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.25 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 19:00 hours London Time.
Trade Submission	Any good LME Business Day up to 19:00 hours London Time on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Second Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for LME Aluminium UBC Steel Scrap US.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

Annex 1

Settlement Price	The Cash-Settled Future Final Settlement Price for LME Aluminium UBC Scrap US, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

(viii) **Individual parameters for LME Lithium Hydroxide CIF**

Metal	Product ID (Code)	Lot Size
Lithium Hydroxide CIF	LH	1 metric tonne

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
Lithium Hydroxide CIF (LH)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for Lithium Hydroxide CIF

<table>
<tr><th>Parameter</th><th>Definition</th></tr>
<tr><td>Settlement Currency</td><td>USD</td></tr>
<tr><td>Price Quotation</td><td>USD per metric tonne.</td></tr>
<tr><td>Minimum Price Movement</td><td>
<table>
<tr><th>Venue</th><th>Outright</th><th>Carries</th></tr>
<tr><td>Ring</td><td>N/A</td><td>N/A</td></tr>
<tr><td>LMEselect</td><td>$10</td><td>$5</td></tr>
<tr><td>LME Inter-Office Market</td><td>$0.01</td><td>$0.01</td></tr>
</table>
</td></tr>
<tr><td>Last Submission Date</td><td>Last Business Day of the contract month until 16:00 hours London time.</td></tr>
<tr><td>Trade Submission</td><td>Any good LME Business Day up to 16:00 hours London Time on the Last Submission Date.</td></tr>
<tr><td>Prompt Date</td><td>The Prompt Date is the Last Submission Date (as set out above).</td></tr>
<tr><td>Cash Settlement</td><td>Settlement Business Day following the Prompt Date.</td></tr>
<tr><td>Closing Valuations</td><td>Cash-Settled Future Daily Settlement Price for Lithium Hydroxide CIF.</td></tr>
<tr><td>Margin Model</td><td>Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.</td></tr>
<tr><td>Settlement Type</td><td>Cash settlement.</td></tr>
</table>

Annex 1

Settlement Price	The Cash-Settled Future Final Settlement Price for LME Lithium Hydroxide CIF determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

Annex 1

(c) **Cash-Settled Futures: Ferrous Metals**

(i) **Individual Metal parameters for Ferrous Metals – LME Steel Scrap CFR Turkey**

Metal	**Product ID (Code)**	**Lot Size**
Steel Scrap	SC	10 metric tonnes

Prompt Date Structure

Metal	**Daily**	**Weekly (Wednesdays)**	**Monthly (3rd Wednesday)**	**Monthly (last Business Day of the month)**
Steel Scrap	N/A	N/A	N/A	Front month to thirty six (36) months

Specific parameters for LME Steel Scrap CFR Turkey

Parameter	**Definition**
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.25 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 16.30 hours London Time.
Trade Submission	Any good LME Business Day up to 16:30 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for LME Steel Scrap CFR Turkey.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.

Annex 1

Settlement Type	Cash settlement.
Settlement Price	The Cash-Settled Future Final Settlement Price for LME Steel Scrap CFR Turkey, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

Annex 1

(ii) **Individual Metal parameters for Ferrous Metals – LME Steel Scrap CFR India**

Metal	Product ID (Code)	Lot Size
Steel Scrap CFR India	SI	10 Metric Tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
Steel Scrap CFR India	N/A	N/A	N/A	Front month to 15 months

Specific parameters for LME Steel Scrap CFR India

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.25 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 16:30 hours London Time.
Trade Submission	Any good LME Business Day up to 16:30 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for LME Steel Scrap CFR India
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

Annex 1

Settlement Price	The Cash-Settled Future Final Settlement Price for LME Steel Scrap CFR India, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

Annex 1

(iii) **Individual Metal parameters for Ferrous Metals – Steel Scrap CFR Taiwan**

Metal	Product ID (Code)	Lot Size
Steel Scrap (HMS 80:20)	ST	10 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
Steel Scrap (HMS 80:20)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for Steel Scrap CFR Taiwan

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.25 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 09:00 hours London Time.
Trade Submission	Any good LME Business Day up to 09:00 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for Steel Scrap CFR Taiwan
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

Annex 1

Settlement Price	The Cash-Settled Future Final Settlement Price for Steel Scrap CFR Taiwan, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

Annex 1

(iv) **Individual Metal parameters for Ferrous Metals – LME Steel Rebar FOB Turkey**

Metal	Product ID (Code)	Lot Size
Steel Rebar	SR	10 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly 3rd Wednesday)	Monthly (last Business Day of the month)
Steel Rebar	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Steel Rebar FOB Turkey

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.25 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 16:30 hours London Time.
Trade Submission	Any good LME Business Day up to 16:30 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for LME Steel Rebar FOB Turkey.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

Annex 1

Settlement Price	The Cash-Settled Future Final Settlement Price for LME Steel Rebar FOB Turkey, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

(v) **Individual Metal parameters for Ferrous Metals – LME Steel HRC N. America**

Metal	Product ID (Code)	Lot Size
HRC N. America	HU	10 short tons

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
HRC N. America (HU)	N/A	N/A	N/A	Front month to fifteen (15) months

Specific parameters for LME Steel HRC N. America

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per short ton.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.25 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 19:00 hours London Time.
Trade Submission	Any good LME Business Day up to 19:00 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Second Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for HRC N. America.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

Annex 1

Settlement Price	The Cash-Settled Future Final Settlement Price for HRC N. America, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

(vi) **Individual Metal parameters for Ferrous Metals – LME Steel HRC FOB China**

Metal	Product ID (Code)	Lot Size
HRC FOB China	HC	10 metric tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
HRC FOB China (HC)	N/A	N/A	N/A	Front month to thirty six (36) months

Specific parameters for LME Steel HRC FOB China

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.50 / $0.25 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	Last Business Day of the contract month until 10:30 hours London Time.
Trade Submission	Any good LME Business Day up to 10:30 hours on the Last Submission Date.
Prompt Date	The Prompt Date is the Last Submission Date (as set out above).
Cash Settlement	Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for HRC FOB China.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

Annex 1

Settlement Price	The Cash-Settled Future Final Settlement Price for HRC FOB China, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

Annex 1

(vii) **Individual Metal parameters for Ferrous Metals – LME Steel HRC NW Europe**

Metal	Product ID (Code)	Lot Size
HRC NW Europe	HN	10 Metric Tonne

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (last Business Day of the month)
HRC NW Europe	N/A	N/A	N/A	Front month to 15 months

Specific parameters for LME Steel HRC NW Europe

<table>
<tr><th>Parameter</th><th>Definition</th></tr>
<tr><td>Settlement Currency</td><td>USD</td></tr>
<tr><td>Price Quotation</td><td>USD per metric tonne.</td></tr>
<tr><td>Minimum Price Movement</td><td>
<table>
<tr><th>Venue</th><th>Outright</th><th>Carries</th></tr>
<tr><td>Ring</td><td>N/A</td><td>N/A</td></tr>
<tr><td>LMEselect</td><td>$0.50</td><td>$0.25</td></tr>
<tr><td>LME Inter-Office Market</td><td>$0.01</td><td>$0.01</td></tr>
</table>
</td></tr>
<tr><td>Last Submission Date</td><td>Last Business Day of the contract month until 16:30 hours London Time.</td></tr>
<tr><td>Trade Submission</td><td>Any good LME Business Day up to 16:30 hours on the Last Submission Date.</td></tr>
<tr><td>Prompt Date</td><td>The Prompt Date is the Last Submission Date (as set out above).</td></tr>
<tr><td>Cash Settlement</td><td>Settlement Business Day following the Prompt Date.</td></tr>
<tr><td>Closing Valuations</td><td>Cash-Settled Future Daily Settlement Price for LME Steel HRC NW Europe</td></tr>
<tr><td>Margin Model</td><td>Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.</td></tr>
<tr><td>Settlement Type</td><td>Cash settlement.</td></tr>
</table>

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Settlement Price	The Cash-Settled Future Final Settlement Price for LME Steel HRC NW Europe, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

(viii) Individual Metal parameters for Ferrous Metals – LME Steel HRC Shanghai

Metal	Product ID (Code)	Lot Size
LME Steel HRC Shanghai	HS	10 Metric Tonnes

Prompt Date Structure

Metal	Daily	Weekly (Wednesdays)	Monthly (3rd Wednesday)	Monthly (on a specific Prompt Date)
LME Steel HRC Shanghai	N/A	N/A	N/A	Front month to twelve (12) months

Specific parameters for LME Steel HRC Shanghai

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	**Venue** / **Outright** / **Carries** Ring / N/A / N/A LMEselect / $0.25 / $0.25 LME Inter-Office Market / $0.01 / $0.01
Last Submission Date	The Prompt Date.
Trade Submission	Trading shall cease at 08:00. Transactions executed prior to the cessation of trading may be submitted for registration up to 10:00 of the same Business Day.
Prompt Date	The Prompt Date shall be as defined in the LME Rules.
Cash Settlement	Settlement Business Day following the Prompt Date.
Closing Valuations	Cash-Settled Future Daily Settlement Price for LME Steel HRC Shanghai.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Cash settlement.

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Settlement Price	The Cash-Settled Future Final Settlement Price for LME Steel HRC Shanghai, determined in accordance with the LME Rules.
Metal Settlement	N/A
Currency Settlement	Through Secure Payment Systems.

(d) **LME Index *[Contract not currently available]***

The LME Rules (and in particular the "Special Contract Rules for the Construction of the Index" and the notices issued by the LME under the LME Rules) provide the weightings for the various constituent metals of the Index and provide the methodology for the calculation of the Index value.

Prompt Date Structure

Product ID (Code)	Monthly
MX	Monthly to twelve (12) months

Parameters

Parameter	Definition
Lot Size	USD10.00 per Index point
Settlement Currency	USD
Price Quotation	Index points.
Minimum Price Movement	0.01 Index point
Last Submission Date	The Last Submission Date is the Prompt Date.
Trade Submission	Any good LME Business Day up to 17:15 hours on the Last Submission Date.
Prompt Date	The second (2nd) Wednesday of the expiry month, which is a Settlement Business Day. Where such day is not a Settlement Business Day, the relevant provisions of the LME Rules shall apply to determine the valid Prompt Date.
Closing Valuations	LME Closing Price.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Financial – as a difference to the Index Settlement Price on the Prompt Date
Settlement Price	LME Index Settlement Price, (ISP). (Note: ISP is based on Closing Price valuations and not morning Ring closes.)
Currency Settlement	Through Secure Payment System on the next good LME Settlement Business Day after the Prompt Date

2.4 LME Exchange Traded European Options

Note – Until further notice, LME Exchange Traded American Options shall only be tradeable as USD-denominated Contracts. As a result, any references within this Product Specification to non-USD Settlement Currencies, Minimum Strike Price Movements and Minimum Premium Price Movements should be disregarded until such time as non-USD LME Exchange Traded American Option may be made available for trading again.

Individual Metal parameters

Metal	Product ID (Code)	Lot Size
Aluminium Alloy	AA	20 metric tonnes
High Grade Primary Aluminium	AH	25 metric tonnes
North American Special Aluminium Alloy (NASAAC)	NA	20 metric tonnes
Copper Grade A	CA	25 metric tonnes
Primary Nickel	NI	6 metric tonnes
Standard Lead	PB	25 metric tonnes
Tin	SN	5 metric tonnes
Special High Grade Zinc	ZS	25 metric tonnes

Prompt Date Structure

Metal	Monthly
AH, CA	Monthly to sixty-three (63) months
AA, NA, NI, ZS	Monthly to twenty-seven (27) months
PB, SN	Monthly to fifteen (15) months

Common Parameters

Parameter	Definition
Option Type	European, Physically Settling, Premium Up-front
Settlement Currency	EUR, GBP, JPY or USD
Price Quotation	USD per metric tonne.

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Minimum EUR & USD Strike Price Movements for all metals	EUR/USD 25 for strikes from EUR/USD 25 to EUR/USD 9,975 EUR/USD 50 for strikes from EUR/USD 10,000 to EUR/USD 19,950 EUR/USD 100 for all strikes over EUR/USD 20,000
Minimum GBP Strike Price Movements	GBP 25 for strikes for AH, AA, NA & CA GBP 20 for strikes for PB & ZS GBP 50 for strikes for NI & SN
Minimum JPY Strike Price Movements	JPY 10,000 for strikes from JPY 10,000 to JPY 390,000 JPY 20,000 for all strikes over JPY 400,000 For AH, AA, NA, CA & ZS JPY 5,000 for strikes from JPY 5,000 to JPY 245,000 JPY 10,000 for all strikes over JPY 250,000 For PB JPY 20,000 for all strikes over JPY 20,000 For NI & SN
Minimum Premium Price Movement	For trades in EUR, GBP or USD = 0.01 For trades in JPY = 10.
Last Submission Date (the Last Trading Day under the LME Rules)	The Last Submission Date is one (1) good LME Business Day prior to the Expiry Date.
Trade Submission	Any good LME Business Day up to 18:15 hours on the Last Submission Date.
Premium Settlement Date	For trades in EUR, GBP or USD, first (1st) good LME Business Day after the Trade Date. For trades in JPY, second (2nd) good LME Business Day after the Trade Date.
Premium Settlement	Through Secure Payment System.
Closing Valuations	LME Closing Price.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C
Exercise Type	Automatic. Exercise creates between the Member and LME Clear an Open Contract representing an LME Exchange Traded Forward at the Strike Price for Prompt Date on the third (3rd) Wednesday of the month of the Expiry Date of the original Option Contract.
Exercise Reference Price	The Settlement Price for the Metal Option identified as the "Exercise Reference Price" in accordance with the LME Rules.
Expiry Date & Time	The Expiry Time (as defined in the LME Rules) on the LME Business Day that is the first (1st) Wednesday of the month in which the Prompt Date for the underlying LME Exchange Traded Forward falls or, in the case of a postponement by the LME in accordance with the LME Clear Rules, such other time specified by the LME or LME Clear, as applicable.
Underlying Instrument	The LME Exchange Traded Forward for Prompt Date the third (3rd) Wednesday of the relevant month (being the month in which the option is exercised), subject to the provisions of the LME Rules regarding the determination of valid Prompt Dates.

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2.5 LME Exchange Traded Average Price Options (TAPOs)

Individual Metal parameters

Metal	Product ID (Code)	Lot Size
Aluminium Alloy	AA	20 metric tonnes
High Grade Primary Aluminium	AH	25 metric tonnes
North American Special Aluminium Alloy (NASAAC)	NA	20 metric tonnes
Copper Grade A	CA	25 metric tonnes
Primary Nickel	NI	6 metric tonnes
Standard Lead	PB	25 metric tonnes
Tin	SN	5 metric tonnes
Special High Grade Zinc	ZS	25 metric tonnes

Prompt Date Structure

Metal	Monthly
AH, CA	Monthly to sixty-three (63) months
AA, NA, NI, ZS	Monthly to twenty-seven (27) months
PB, SN	Monthly to fifteen (15) months

Common Parameters

Parameter	Definition
Option Type	European, Physically Settling, Premium Up-front
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Strike Price Movements	USD 1.00
Minimum Premium Price Movement	USD 0.01
Last Submission Date	The Last Submission Date is one (1) good LME Business Day prior to the Expiry Date.

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Trade Submission	Any good LME Business Day up to 18:15 hours on the Last Submission Date.
Premium Settlement Date	First (1st) good LME Business Day after the Trade Date.
Premium Settlement	Through Secure Payment System.
Closing Valuations	LME Closing Price.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C. (Please refer to Rule 6).
Exercise Type	Automatic – all Positions that are USD0.01 or greater in the money when compared to the Option Exercise Reference Price will be exercised automatically by LME Clear at the Expiry Time.
Exercise Reference Price	Monthly Average Settlement Price (MASP).
Expiry Date & Time	15:00 hours on the Declaration Day as defined in the LME Rules.
Underlying Instruments	Pair of LME Exchange Traded Forwards for Prompt Date the second (2nd) good LME Business Day of the month following the month of the Expiry Date. These Forwards are equal and opposite in all respects except one is created at the MASP and one is created at the Strike Price of the original option Position. In the case of an exercised Call Option the Taker will buy the Position from the Granter at the Strike Price and sell the position to the Granter at the MASP. In the case of an exercised Put Option the Taker will sell the Position to the Granter at the Strike Price and buy the Position from the Granter at the MASP.

2.6 LME Exchange Traded Monthly Average Futures

Individual Metal parameters

Metal	Product ID (Code)	Lot Size
Aluminium Alloy	OL	20 metric tonnes
High Grade Primary Aluminium	OA	25 metric tonnes
North American Special Aluminium Alloy (NASAAC)	OM	20 metric tonnes
Copper Grade A	OC	25 metric tonnes
Primary Nickel	ON	6 metric tonnes
Standard Lead	OP	25 metric tonnes
Tin	OS	5 metric tonnes
Special High Grade Zinc	OZ	25 metric tonnes

Prompt Date Structure

Metal	Monthly
AH, CA	Monthly to sixty-three (63) months
AA, NA, NI, ZS	Monthly to twenty-seven (27) months
PB, SN	Monthly to fifteen (15) months

Common Parameters

Parameter	Definition
Settlement Currency	USD
Price Quotation	USD per metric tonne.
Minimum Price Movement	USD = 0.01
Last Submission Date	The Last Submission Date is the last good LME Business Day of the month that the Contract is due to expire.
Trade Submission	Any good LME Business Day up to 13:30 hours on the Last Submission Date.
Prompt Date	The second (2nd) Business Day of the month following the tradeable month, provided that such day is a Settlement Business Day. Where such day is not a Settlement Business Day, the

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	relevant provisions of the LME Rules shall apply to determine the valid Prompt Date.
Closing Valuations	LME Notional Average Price, (NAP).
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Settlement Type	Financial – as a difference from the Monthly Average Settlement Price (MASP) for the relevant tradeable month for the relevant underlying metal.
Settlement Price	LME Monthly Average Settlement Price, (MASP).
Currency Settlement	Through Secure Payment System.

3. LMEPRECIOUS PRODUCTS

3.1 General

(a) The Approved Transaction Platform for all Transactions in LMEprecious Products is LMEsmart.

(b) USD is the nominated Base Currency for LMEprecious Products.

3.2 LMEprecious Futures

Prompt Date Structure for LMEprecious Futures

Metal	Daily	Monthly (third (3rd) Wednesday)	Calendar Quarterly (third (3rd) Wednesday of the last calendar month of the relevant Calendar Quarter)	Notes
AU, AG	Each Daily Date from T+1 to T+25 (as determined in accordance with the LME Rules)	Each Monthly Date from M1 to either M24 or M25 (as determined in accordance with the LME Rules)	Each of the twelve (12) Quarterly Dates following the Monthly Dates (as determined in accordance with the LME Rules)	The terms T*n*, Daily Date, M*n*, Monthly Date, Calendar Quarter and Quarterly Date shall be as defined in the LME Rules The Prompt Date structure specified in this table is more specifically described in the LME Rules

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(a) **LMEprecious Gold Future**

Parameter	Definition	
Product ID (Code)	AU	
Settlement Currency	USD	
Lot Size	100 fine troy ounces	
Underlying Metal/Contract	Loco London Fine Gold (995.0)	
Price Quotation	USD per fine troy ounce	
Minimum Price Movement	LMEselect $0.100 per fine troy ounce – outright $0.001 per fine troy ounce - Carries	LME Inter-Office Market $0.001 per fine troy ounce – outright or Carries
Last Submission Date	The Last Submission Date is one (1) good LME Business Day prior to the Prompt Date.	
Trade Submission	On a normal good LME Business Day between 01:00 hours - 20:00 hours and the Last Submission Date is one (1) good LME Business Day prior to the Prompt Date between 01:00 hours - 16:00 hours.	
Prompt Date Structure	The Settlement Business Day on which the Contract is to be settled, as specified in the table "Prompt Date Structure for LMEprecious Futures" and the LME Rules.	
Closing Valuations	LMEprecious Daily Settlement Price, as defined and determined in accordance with the LME Rules.	
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C. Following the determination of the LMEprecious Final Settlement Price for on the Business Day prior to settlement of the Contract, LME Clear shall collect Cash Contingent Variation Margin from the Member to cover the period until the settlement of the Contract actually occurs.	
Settlement Type	Physical	
Settlement Price	LMEprecious Final Settlement Price, as defined and determined in accordance with the LME Rules.	
Metal Settlement	Seller transfers unallocated Gold to LME Clear account at its Precious Metal Clearer, and buyers receive unallocated Gold from LME Clear account at their Precious Metal Clearer	

(b) **LMEprecious Silver Future**

Parameter	Definition	
Product Code	AG	
Settlement Currency	USD	
Lot Size	5000 troy ounces	
Underlying Metal/Contract	Loco London Fine Silver (999.0)	
Price Quotation	USD per troy ounce	
Minimum Price Movement	LMEselect $0.00500 per troy ounce – outright $0.00001 per troy ounce - carries	LME Inter-Office Market $0.00001 per troy ounce – outright or carries
Last Submission Date	The Last Submission Date is one (1) good LME Business Day prior to the Prompt Date.	
Trade Submission	On a normal good LME Business Day between 01:00 hours - 20:00 hours and the Last Submission Date is one (1) good LME Business Day prior to the Prompt Date between 01:00 hours - 16:00 hours.	
Prompt Date Structure	The Settlement Business Day on which the Contract is to be settled, as specified in the table "Prompt Date Structure for LMEprecious Futures" and the LME Rules.	
Closing Valuations	LMEprecious Daily Settlement Price, as defined and determined in accordance with the LME Rules.	
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C. Following the determination of the LMEprecious Final Settlement Price for on the Business Day prior to settlement of the Contract, LME Clear shall collect Cash Contingent Variation Margin from the Member to cover the period until the settlement of the Contract actually occurs.	
Settlement Type	Physical	
Settlement Price	LMEprecious Final Settlement Price, as defined and determined in accordance with the LME Rules.	
Metal Settlement	Seller transfers unallocated Silver to LME Clear account at its Precious Metal Clearer, and buyers receive unallocated Silver from LME Clear account at their Precious Metal Clearer	

3.3 **LMEprecious Options**

Individual Precious Metal parameters

Contract	Metal	Underlying LMEprecious Future	Product ID (Code)	Lot Size
LMEprecious Gold Option	Gold	LMEprecious Gold Future	AU	100 fine troy ounces

LMEprecious Silver Option	Silver	LMEprecious Silver Future	AG	5000 troy ounces

Prompt Date Structure for LMEprecious Options

Metal	Monthly
AU, AG	Monthly to twenty four (24) months, as determined in accordance with the LME Rules

Common Parameters

Parameter	Definition
Option Type	European, Physically Settling, Premium Up-front
Settlement Currency	USD
Price Quotation	USD per troy ounce.
Minimum Strike Price Movements	Gold: $5 per fine troy ounce Silver: $0.25 per troy ounce
Minimum Premium Price Movement	Gold: $0.01 per fine troy ounce Silver: $0.001 per troy ounce
Last Submission Date (the Last Trading Day under the LME Rules)	The Last Submission Date is one (1) good LME Business Day prior to the Expiry Date.
Trade Submission	Any good LME Business Day up to 20:00 hours on the Last Submission Date.
Premium Settlement Date	Prior to 12:00 on the first (1st) good LME Business Day after the trade date.
Premium Settlement	Through Secure Payment System.
Daily closing prices	LMEC pricing model using LME option volatilities as an input.
Margin Model	Initial Margin and Variation Margin calculated in accordance with the methodology specified in Clearing Procedure Part C.
Exercise Type	Automatic. Exercise creates between the Member and LME Clear an Open Contract representing an LMEprecious Future at the Strike Price for Prompt Date on the third Wednesday of the month of the Expiry Date of the original Option Contract.
Exercise Reference Price	The Settlement Price for the LMEprecious Option identified as the "Exercise Reference Price", in accordance with the LME Rules.
Expiry Date & Time	15:02 hours on the LME Business Day falling two (2) good LME Business Days prior to the third (3rd) Wednesday of the month in which the Prompt Date for the underlying LMEprecious Future falls or, in the case of a postponement by the LME in accordance with the LME Rules, such other time specified by the LME.
Underlying Instruments	LMEprecious Future in the same Precious Metal for Prompt Date the third (3rd) Wednesday of the relevant month (being the month in

	which the option is exercised), subject to the provisions of the LME Rules regarding the determination of valid Prompt Dates.

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Eligible Metal

Primary Aluminium (AH);

Grade A Copper (CA);

Lead (PB);

Nickel (NI);

Tin (SN);

Zinc (ZS).

ANNEX 2 – ELIGIBLE CURRENCIES, COLLATERAL AND HAIRCUTS

Details of the eligible currencies, collateral and haircuts are available at the following link:

http://www.lme.com/lme-clear/collateral-management/

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ANNEX 3 – FEES AND CHARGES

LME Clear's fees and charges are available at the following link:

https://www.lme.com/Trading/Access-the-market/Fees)

ANNEX 4 – LIST OF AVAILABLE REPORTS

The content of this Annex shall be as set out on the Website:

LME Clear reports | London Metal Exchange

ANNEX 5 – MARGIN PARAMETERS

The content of this Annex shall be as set out on the Website.

ANNEX 6 – CLIENT BUSINESS TERMS

Part A

Client Acknowledgement Form

This Client Acknowledgement Form is entered into as an agreement between:

(A): _____ (entity name)

_____ (registered office address)

(the "**Client**")

and

(B): _____ (entity name)

_____ (registered office address)

(the "**Member**")

for the benefit of the Member and LME Clear Limited, a company incorporated in England and Wales (registered number 07611628), whose registered office is at 10 Finsbury Square, London EC2A 1AJ ("**LME Clear**").
Date: _____

1. **BACKGROUND**

1.1 The Member has agreed to clear trades with the Client that are effected on The London Metal Exchange or entered into a matching system operated by The London Metal Exchange. Such trades are subject to clearing by the appointed clearing house for The London Metal Exchange, LME Clear.

1.2 Terms defined in the rulebook of LME Clear (the "**Rules**") shall have the same meaning in this document.

2. **ACKNOWLEDGEMENT**

2.1 In agreeing to the use by the Member of LME Clear for the clearing of trades between the Client and the Member, the Client acknowledges and agrees with the Member (on behalf of itself and any Indirect Client in respect of which any Client Account is to be established by the Member for such Client) that:

(a) in the event that LME Clear issues a Default Notice in respect of the Member, in accordance with Rule 10, LME Clear shall be entitled to act in accordance with its powers in Rule 10 and that:

(i) where the Client has submitted an Automatic Porting Designation Document in accordance with Rule 5 or a Porting Request Notice in accordance with Rule 10, LME Clear may seek to transfer any Open Contract relating to the Client (and any Indirect Client) and any associated Collateral to the Member Transferee nominated by the Client;

(ii) where permitted by Applicable Law and where LME Clear is not prevented from doing so by a court order or legal restriction applying to LME Clear, LME Clear may seek to deliver any surplus amount or Collateral on the Client Account to which the Client has been allocated to the Client subject to and in accordance with Rule 10.5.1(c);

(iii) LME Clear shall be entitled to rely on the information provided by the Member in relation to the Client and the Positions and Collateral relating to such Client;

(iv) LME Clear shall not be obliged to implement, or to act on any request to implement, the provisions of Rule 10.7 in respect of any Client Account the event that:

(1) LME Clear is not in receipt of complete and validly executed Automatic Porting Designation Documents or Porting Request Notices in respect of every Client allocated to the Client Account;

(2) a Member Transferee does not consent to the Transfer within the Porting Election Period in accordance with Rule 10.7;

(3) the Client (or any other Client allocated to that Client Account) is not an Identified Client, unless such Client becomes an Identified Client prior to the end of the Porting Election Period and all other conditions set out in Rule 10.7 and Default Procedure D are satisfied; or

(4) any condition to the Transfer, as set out in Rule 10.7 or Default Procedure D is not satisfied;

(b) the Client has read and understands the provisions applicable to Client Accounts set out in the Rules and Client Accounts set out in the Rules, including in particular Rules 2.1, 2.3, 5, 10.5, 10.7 and 10.8 and Default Procedure D, and acknowledges and agrees that:

(i) the Rules form a contract between the Member and LME Clear;

(ii) the services provided by LME Clear in respect of any Client Account are governed by and subject to the Rules;

(iii) save in relation to the Client Direct Posting Structure, neither the Client nor any Indirect Client have any contractual relationship with LME Clear under the Rules;

(iv) LME Clear has no obligation to act on any instruction or request made by the Client or any Indirect Client and the Client and any Indirect Client have no rights against LME Clear to enforce any provision of the Rules, save in the case of the Client to the extent specified in Rule 2.1.5 and in relation to the Client Direct Posting Structure;

(v) save in relation to the Client Direct Posting Structure, any Collateral held by LME Clear shall be held in accordance with Rule 8 and the Client and any Indirect Client shall have no right to, or interest in, any such Collateral or any right to direct LME Clear to take or refrain from taking any action in relation to such Collateral, save in the case of the Client in the limited circumstances specified in Rule 10.7;

(vi) the provisions and protections of the CASS Rules shall not apply in respect of any monies held in, or recorded to, any Client Account; and

(vii) to the extent that LME Clear has any liability to the Client pursuant to the third party rights granted pursuant to Rule 2.1.5, the limitations on LME Clear's liability as set out in Rule 2.3 and Rule 10.7.14 shall apply to limit any such liability as if all references in such Rules to "the Member" were replaced with "the Client or Indirect Client";

(viii) the Client and any Indirect Client will not, by any act or omission, cause the Member or any other person to breach any Rule;

(c) it is the responsibility of the Client and the Member, and any Indirect Client, to agree the form of Client Account to be established in respect of the Client at LME Clear and LME Clear shall have no responsibility, or liability, to the Client, any Indirect Client, the Member or any third party for the Account structure maintained by the Member with LME Clear;

(d) save to the extent specified in Rules 2.1.5 and 2.3.4, LME Clear shall not be liable for any losses, damages, claims, liabilities, costs or expenses (whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or any other legal theory) arising from or in connection with any actions which LME Clear may take in accordance with its rights and obligations in relation any Client Account in Rule 10; and

(e) it has considered whether or not to require the Member to execute a security agreement governed by English law in favour of LME Clear as its security trustee to facilitate in certain circumstances the procedures described in paragraphs 2.1(a)(i) and (ii) above and, where the Member has agreed (at its request) to execute such a security agreement, it has received a copy of it and agrees with the Member and LME Clear to be bound by its terms.

2.2 Where the Member establishes an Indirect Individual Segregated Client Account, an Indirect Net Omnibus Segregated Client Account, or an Indirect Gross Omnibus Segregated Client Account for the Client in respect of any Indirect Client(s), the Client agrees that it shall, prior to the commencement of any clearing activity through the Clearing System in respect of that indirect Client:

(a) provide a copy of this Client Acknowledgement Form to such Indirect Client(s); and

(b) notify such Indirect Client(s) that by entering into any Transaction that is to be subject to clearing through the Clearing System, such Indirect Client(s) shall irrevocably agree to the terms set out in this Client Acknowledgement Form.

2.3 The Member and the Client agree that, in the event that LME Clear requests a copy of this document from either the Member or the Client, such party shall promptly provide such copy to LME Clear.

2.4 The Member and the Client agree that the acknowledgements and agreements set out in paragraphs 2.1, 2.2 and 2.3 are intended to confer benefits on, and be enforceable by, LME Clear and, accordingly, LME Clear may rely upon and enforce such acknowledgements and agreements in accordance with the Contracts (Rights of Third Parties) Act 1999 (as amended from time to time).

2.5 Notwithstanding paragraph 2.4 above and for the avoidance of doubt, these Client Business Terms are not intended to create any obligations by, or rights against, LME Clear for the benefit of any person (including any Member, Client or Indirect Client), whether in contract, tort or pursuant to any other legal theory.

3. **MANDATORY CCP PROVISIONS APPLICABLE TO THE DIRECT POSTING CLIENTS**

3.1 The Posting Client agrees with the Member that:

(a) the Posting Client has read and understands the provisions applicable to the Client Direct Posting Structure and agrees that it will comply with the Rules, to the extent that they apply to the Posting Client; and

(b) if the Member is required to pay any sum of money to LME Clear as a result of any failure by the Posting Client to comply with this paragraph 3.1, the scope of any indemnity in favour of the Member in the contractual arrangements in place between the Member and the Posting Client that govern the provision of Client Business by the Member to the Posting Client (the "**Client Clearing Agreement**") shall extend to such breach for the benefit of the Member. If there is no such indemnity, the Posting Client shall immediately pay an amount equal to the sum of money the Member is required to pay to LME Clear on demand from the Member.

3.2 The Member agrees with the Posting Client that:

(a) it will put in place a process for notifying the Posting Client of:

(i) any changes to the Rules that relate to the Client Direct Posting Structure; and

(ii) any action (including a suspension of the Member) that would prevent or restrict the Member from performing its role as Member providing Client Business to the Posting Client; and

(b) it will assist the Posting Client to:

(i) deliver Warrant Collateral to LME Clear; and

(ii) receive returns of LME Warrant Collateral from LME Clear, in each case through LMEsword in accordance with the Rules and the LMEsword Regulations and Operating Procedures in accordance with the standard of care provided for in the Client Clearing Agreement.

3.3 Any entitlement of the Member under the Client Clearing Agreement to place restrictions on, or requirements in relation to:

(a) the amount and type of collateral;

(b) any haircuts, multipliers or similar requirements, including an entitlement to value any such collateral at any value, including zero; and

(c) concentration risk or diversification requirements,

in each case, relating to collateral that the Posting Client may deliver to the Member in respect of Transactions, shall apply also to LME Warrants provided by way of collateral under the Client Direct Posting Structure.

3.4 The Member and the Posting Client agree that, subject to paragraph 3.3 above, the value of each LME Warrant delivered by the Posting Client to LME Clear and held by LME Clear as collateral under the Client Direct Posting Structure shall satisfy any demand by the Member to the Posting Client to provide collateral under the Client Clearing Agreement up to the value of the relevant LME Warrant.

3.5 If at any time the Posting Client fails to pay an amount of money due to the Member under the Client Clearing Agreement or any event occurs that would allow the Member to declare an event of default or termination event (howsoever described) under the Client Clearing Agreement, in each case after the expiry of any applicable grace period, the Member shall be entitled to demand that LME Clear pays to the Member any amount due but unpaid from the Posting Client to the Member under the Client Clearing Agreement under Rule 8.11.1 (up to the maximum amount permitted under that rule) and retain that amount for its own account. Any amount so received shall discharge to the same extent the amount due from the Posting Client to the Member under the Client Clearing Agreement.

3.6 If the Member makes a demand under paragraph 3.5 above and receives the amount demanded from LME Clear and either (i) the Member was not entitled to make such demand or (ii) the Member receives an amount that is greater than the amount due from the Posting Client to the Member under the Client Clearing Agreement, then the Member shall immediately following demand from the Posting Client pay to the Posting Client, in the case of (i), the amount so received and, in the case of (ii) the surplus so received.

3.7 If at any time LME Clear makes a claim against the Posting Client under Rule 8.10.1 and enforces its Security Interest created by the Posting Client Security Document over any LME Warrant Collateral provided by the Posting Client as collateral for the Member's obligations to LME Clear, the Member shall immediately following demand from the Posting Client pay to the Posting Client an amount equal to the purchase price incurred by the Posting Client in purchasing replacement LME Warrant Collateral that is as near as practicable equivalent to the LME Warrant Collateral subject to the enforcement of the Security Interest and not returned to the Posting Client (or where and to the extent that the proceeds of such enforcement are not otherwise returned to, or accounted for the benefit of, the Client), together with any additional costs necessarily and directly incurred in connection with such purchase or, if and to the extent that no such replacement purchase is made, an amount equal to the market value of any such LME Warrant Collateral that is not so purchased by the Posting Client or otherwise returned to the Posting Client (or where and to the extent that the proceeds of such enforcement are not otherwise returned to, or accounted for the benefit of, the Client).

4. **GOVERNING LAW**

This form of acknowledgement and any obligations (whether contractual or non-contractual) connected with it are governed by English law.

This form of acknowledgment has been entered into on the date stated at the beginning of this document.

Signed for the Client:	**Signed for the Member:**
_____	_____
(Client Name)	(Member Name)

Annex 6

By: _____	By: _____
(Authorised Signature)	(Authorised Signature)
_____	_____
(Print Name and Title	(Print Name and Title)

Annex 6

PART B
MANDATORY CCP PROVISIONS

This Part B of Annex 6 of the Rules specifies those provisions that are mandatory for inclusion in the terms of Transactions between a Member and their respective Clients. These terms will take precedence over any other provisions in any contractual clearing arrangement between a Member and its Client. A Member that executes a Client Acknowledgement Form in the form prescribed in Part A of this Annex 6 shall not be required to comply with this Part B of this Annex 6.

These Mandatory CCP Provisions will be set out on the Website. A Member may incorporate the Mandatory CCP Provisions into its contractual terms with its Clients either directly or by reference.

1. **Mandatory CCP Provisions Applicable to All Clients**

1.1 In agreeing to the use by the Member of LME Clear for the clearing of trades between the Client and the Member, the Client acknowledges and agrees with the Member (on behalf of itself and any Indirect Client in respect of which any Client Account is to be established by the Member for such Client) that:

(a) in the event that LME Clear issues a Default Notice in respect of the Member, in accordance with Rule 10, LME Clear shall be entitled to act in accordance with its powers in Rule 10 and that:

(i) where the Client has submitted an Automatic Porting Designation Document in accordance with Rule 5 or a Porting Request Notice in accordance with Rule 10, LME Clear may seek to transfer any Open Contract relating to the Client (and any Indirect Client) and any associated Collateral to the Member Transferee nominated by the Client;

(ii) where permitted by Applicable Law and where LME Clear is not prevented from doing so by a court order or legal restriction applying to LME Clear, LME Clear may seek to deliver any surplus amount or Collateral on the Client Account to which the Client has been allocated to the Client subject to and in accordance with Rule 10.5.1(c);

(iii) LME Clear shall be entitled to rely on the information provided by the Member in relation to the Client and the Positions and Collateral relating to such Client;

(iv) LME Clear shall not be obliged to implement, or to act on any request to implement, the provisions of Rule 10.7 in respect of any Client Account in the event that:

(1) LME Clear is not in receipt of complete and validly executed Automatic Porting Designation Documents or Porting Request Notices in respect of every Client allocated to the Client Account;

(2) a Member Transferee does not consent to the Transfer within the Porting Election Period in accordance with Rule 10.7;

(3) the Client (or any other Client allocated to that Client Account) is not an Identified Client, unless such Client becomes an Identified Client prior to the end of the Porting Election Period and all other conditions set out in Rule 10.7 and Default Procedure D are satisfied; or

(4) any condition to the Transfer, as set out in Rule 10.7 or Default Procedure D is not satisfied;

(b) the Client has read and understands the provisions applicable to Client Accounts set out in the Rulebook, including in particular Rules 2.1, 2.3, 5, 10.5, 10.7 and 10.8 and Default Procedure D, and acknowledges and agrees that:

(i) the Rules form a contract between the Member and LME Clear;

(ii) the services provided by LME Clear in respect of any Client Account are governed by and subject to the Rules;

(iii) save in relation to the Client Direct Posting Structure, neither the Client nor any Indirect Client have any contractual relationship with LME Clear under the Rules;

(iv) LME Clear has no obligation to act on any instruction or request made by the Client or any Indirect Client and the Client and any Indirect Client have no rights against LME Clear to enforce any provision of the Rules, save in the case of the Client to the extent specified in Rule 2.1.5 and in relation to the Client Direct Posting Structure;

(v) save in relation to the Client Direct Posting Structure, any Collateral held by LME Clear shall be held in accordance with Rule 8 and the Client and any Indirect Client shall have no right to, or interest in, any such Collateral or any right to direct LME Clear to take or refrain from taking any action in relation to such Collateral, save in the case of the Client in the limited circumstances specified in Rule 10.7;

(vi) the provisions and protections of the CASS Rules shall not apply in respect of any monies held in, or recorded to, any Client Account;

(vii) to the extent that LME Clear has any liability to the Client pursuant to the third party rights granted pursuant to Rule 2.1.5, the limitations on LME Clear's liability as set out in Rule 2.3 and Rule 10.7.14 shall apply to limit any such liability as if all references in such Rules to "the Member" were replaced with "the Client or Indirect Client"; and

(viii) the Client and any Indirect Client will not, by any act or omission, cause the Member or any other person to breach any Rule;

(c) it is the responsibility of the Client and the Member, and any Indirect Client, to agree the form of Client Account to be established in respect of the Client at LME Clear and LME Clear shall have no responsibility, or liability, to the Client, any Indirect Client, the Member or any third party for the Account structure maintained by the Member with LME Clear;

(d) save to the extent specified in Rules 2.1.5 and 2.3.4, LME Clear shall not be liable for any losses, damages, claims, liabilities, costs or expenses (whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or any other legal theory) arising from or in connection with any actions which LME Clear may take in accordance with its rights and obligations in relation to any Client Account in Rule 10; and

(e) it has considered whether or not to require the Member to execute a security agreement governed by English law in favour of LME Clear as its security trustee

to facilitate in certain circumstances the procedures described in paragraphs 1.1(a)(i) and (ii) above and, where the Member has agreed (at its request) to execute such a security agreement, it has received a copy of it and agrees with the Member and LME Clear to be bound by its terms.

1.2 Where the Member establishes an Indirect Individual Segregated Client Account, an Indirect Net Omnibus Segregated Client Account, or an Indirect Gross Omnibus Segregated Client Account for the Client in respect of any Indirect Client(s), the Client agrees that it shall, prior to the commencement of any clearing activity through the Clearing System in respect of that indirect Client:

(a) provide a copy of either these Mandatory CCP Provisions or the Client Acknowledgement Form (as applicable) to such Indirect Client(s); and

(b) notify such Indirect Client(s) that by entering into any Transaction that is to be subject to clearing through the Clearing System, such Indirect Client(s) shall irrevocably agree to the terms set out in these Mandatory CCP Provisions or the Client Acknowledgement Form (as applicable).

1.3 The Member and the Client agree that, in the event that LME Clear requests from either the Member or the Client or evidence, satisfactory to LME Clear that the Member and the Client have agreed to be bound by these Mandatory CCP Provisions, such party shall promptly provide such evidence to LME Clear.

1.4 The Member and the Client agree that the acknowledgements and agreements set out in paragraphs 1.1, 1.2 and 1.3 are intended to confer benefits on, and be enforceable by, LME Clear and, accordingly, LME Clear may rely upon and enforce such acknowledgements and agreements in accordance with the Contracts (Rights of Third Parties) Act 1999 (as amended from time to time).

1.5 Notwithstanding paragraph 1.4 above and for the avoidance of doubt, these Mandatory CCP Provisions are not intended to create any obligations by, or rights against, LME Clear for the benefit of any person (including any Member, Client or Indirect Client), whether in contract, tort, warranty, strict liability, trust, breach of statutory duty or to any other legal theory.

1.6 These Mandatory CCP Provisions and any obligations (whether contractual or non-contractual) connected with it are governed by English law.

2. MANDATORY CCP PROVISIONS APPLICABLE TO THE DIRECT POSTING CLIENTS

2.1 The Posting Client agrees with the Member that:

(a) the Posting Client has read and understands the provisions applicable to the Client Direct Posting Structure and agrees that it will comply with the Rules, to the extent that they apply to the Posting Client; and

(b) if the Member is required to pay any sum of money to LME Clear as a result of any failure by the Posting Client to comply with this paragraph 2.1, the scope of any indemnity in favour of the Member in the contractual arrangements in place between the Member and the Posting Client that govern the provision of Client Business by the Member to the Posting Client (the "**Client Clearing Agreement**") shall extend to such breach for the benefit of the Member. If there is no such indemnity, the Posting Client shall immediately pay an amount equal to the sum of money the Member is required to pay to LME Clear on demand from the Member.

2.2 The Member agrees with the Posting Client that:

(a) it will put in place a process for notifying the Posting Client of:

(i) any changes to the Rules that relate to the Client Direct Posting Structure; and

(ii) any action (including a suspension of the Member) that would prevent or restrict the Member from performing its role as Member providing Client Business to the Posting Client; and

(b) it will assist the Posting Client to:

(i) deliver LME Warrant Collateral to LME Clear; and

(ii) receive returns of LME Warrant Collateral from LME Clear, in each case through LMEsword in accordance with the Rules and the LMEsword Regulations and Operating Procedures in accordance with the standard of care provided for in the Client Clearing Agreement.

2.3 Any entitlement of the Member under the Client Clearing Agreement to place restrictions on, or requirements in relation to:

(a) the amount and type of collateral;

(b) any haircuts, multipliers or similar requirements, including an entitlement to value any such collateral at any value, including zero; and

(c) concentration risk or diversification requirements,

in each case, relating to collateral that the Posting Client may deliver to the Member in respect of Transactions, shall apply also to LME Warrant Collateral provided by way of collateral under the Client Direct Posting Structure.

2.4 The Member and the Posting Client agree that, subject to paragraph 2.3 above, the value of LME Warrant Collateral delivered by the Posting Client to LME Clear and held by LME Clear as collateral under the Client Direct Posting Structure shall satisfy any demand by the Member to the Posting Client to provide collateral under the Client Clearing Agreement up to the value of the relevant LME Warrant Collateral.

2.5 If at any time the Posting Client fails to pay an amount of money due to the Member under the Client Clearing Agreement or any event occurs that would allow the Member to declare an event of default or termination event (howsoever described) under the Client Clearing Agreement, in each case after the expiry of any applicable grace period, the Member shall be entitled to demand that LME Clear pays to the Member any amount due but unpaid from the Posting Client to the Member under the Client Clearing Agreement under Rule 8.11.1 (up to the maximum amount permitted under that rule) and retain that amount for its own account. Any amount so received shall discharge to the same extent the amount due from the Posting Client to the Member under the Client Clearing Agreement.

2.6 If the Member makes a demand under paragraph 2.5 above and receives the amount demanded from LME Clear and either (i) the Member was not entitled to make such demand or (ii) the Member receives an amount that is greater than the amount due from the Posting Client to the Member under the Client Clearing Agreement, then the Member shall immediately following demand from the Posting Client pay to the Posting Client, in the case of (i), the amount so received and, in the case of (ii) the surplus so received.

2.7 If at any time LME Clear makes a claim against the Posting Client under Rule 8.10.1 and enforces its Security Interest created by the Posting Client Security Document over any LME Warrant Collateral provided by the Posting Client as collateral for the Member's obligations to LME Clear, the Member shall immediately following demand from the Posting Client pay to the Posting Client an amount equal to the purchase price incurred by the Posting Client in purchasing replacement LME Warrant Collateral that is as near as practicable equivalent to the LME Warrant Collateral subject to the enforcement of the Security Interest and not returned to the Posting Client (or where and to the extent that the proceeds of such enforcement are not otherwise returned to, or accounted for the benefit of, the Client), together with any additional costs necessarily and directly incurred in connection with such purchase or, if and to the extent that no such replacement purchase is made, an amount equal to the market value of any such LME Warrant Collateral that is not so purchased by the Posting Client or otherwise returned to the Posting Client (or where and to the extent that the proceeds of such enforcement are not otherwise returned to, or accounted for the benefit of, the Client).

3. EXPLANATION OF RULES REFERENCED IN PARAGRAPH 1.1(B)

Set out below is a brief summary of the general content of the Rules listed in paragraph 1.1(b) above as being particularly relevant to Clients. Each Member, Client and Indirect Client should read the actual text of these Rules in order to understand the basis on which they are intended to operate.

Rule	Description
2.1 (*Rules as a Binding Agreement*)	Sets out the basis on which the Rules create rights and obligations between LME Clear and the Member. Sets out the limited basis on which the Client may benefit from rights under the Rules.
2.3 (*Liability and Indemnity*)	Sets out the limitations of LME Clear's liability to its Members in respect of any matter governed by the Rules, including in relation to the clearing of business for Clients of Members.
5 (*Client Business and Portability Arrangements*)	Sets out the basis on which Members may establish and maintain Client Accounts in respect of its Clients and the arrangements to be established in respect of such Client Accounts in order to support the Porting Process.
10.5 (*Treatment of Different Types of Account*)	Sets out the basis on which different types of Account will be treated in the event of a Member becoming a Defaulting Member, including the basis on which LME Clear may return any surplus amount or Collateral standing to the credit of a Client Account directly to the Client(s) allocated to that Account.
10.7 (*Portability of Client Accounts*)	Sets out the basis on which LME Clear will exercise its powers to transfer the Positions and Collateral allocated to a Client Account to a Member Transferee in the event that the original Member becomes a Defaulting Member.
10.8 (*Final Settlement of Unported Client Accounts*)	Sets out the basis on which LME Clear will determine a final net sum in respect of a Client Account following the application of the default management process to that Client Account.

Annex 6

Default Procedure D (*Porting Procedure*)	Sets out the documentary requirements for the establishment of arrangements in support of the Automatic Porting Process, together with the basis on which LME Clear will apply the Porting Process to Client Accounts.

Annex 7

ANNEX 7 – DELIVERY TIMETABLES

The content of this Annex shall be as set out on the Website.

ANNEX 8 – AUCTION PROCESS

1. INTRODUCTION

1.1 This Annex is supplementary to the auction process requirements specified in Default Procedure C:6.3 (*Auction for LME Base Products and LMEprecious Products*) and forms part of the procedures referred to in Default Procedure C:6.3(b).

1.2 Members must comply with the requirements specified in this Annex where LME Clear conducts an auction in accordance with Default Procedure C:6.3.

2. TIMESCALES FOR EVALUATION OF AUCTION PORTFOLIO AND SUBMISSION OF BIDS

2.1 Prior to the auction of an Auction Portfolio, LME Clear shall Notify non-defaulting Members of:

(a) the timescales within which non-defaulting Members should evaluate the Auction Portfolio; and

(b) the deadline(s) by which any bids should be submitted to LME Clear.

LME Clear will aim to provide such Notification on the Business Day prior to the auction, but reserves the right to provide such Notification at a different time where LME Clear determines such timing to be appropriate or necessary to increase the likelihood of achieving a successful auction.

2.2 LME Clear may, at any time prior to expiry of the relevant timescales or deadlines specified pursuant to paragraph 2.1 above, extend such timescales or deadlines, by issuing a Notice specifying the details of such extension.

3. ACCEPTABLE AUCTION PRICE

3.1 When determining the acceptable auction price for the purposes of Default Procedure Part C:6.5(c), LME Clear may consider the following factors:

(a) the size of the Auction Portfolio relative to the market;

(b) the current mark-to-market; and

(c) the likely risk premium required by an auction participant.

4. STATUS OF SUBMITTED BIDS

Any bid submitted to LME Clear by a non-defaulting Member shall be binding on the Member until the winner of the auction is declared by LME Clear, such that:

(a) the final bid submitted within the time period specified in the Notice referred to in paragraph 2.1 above shall be binding on the Member and cannot be revoked; and

(b) in the event that the bid is the successful and is accepted by LME Clear, the Member must pay to LME Clear the price specified in the bid, in exchange for receipt of the Auction Portfolio (and, where appropriate, any associated Collateral in accordance with Default Procedure C:6.3(b)).

5. PROCESS FOR SUBMITTING BIDS

All bids in respect of an Auction Portfolio must be submitted in accordance with the process specified in the Notice relating to the Auction Portfolio (being the Notice issued pursuant to

paragraph 2.1 above). In the ordinary course of events, non-defaulting Members will be required to submit bids via the LMEmercury GUI.

6. **BIDS THAT ARE NOT RECEIVED**

In the event that LME Clear does not receive a bid from a non-defaulting Member, including where a non-defaulting Member has attempted to submit a bid but such bid is either not received by, or accessible by, LME Clear personnel (whether due to any technological error, outage or incapacity, or otherwise):

(a) LME Clear shall have no responsibility for, shall not be treated as having received, and shall have no obligation to subsequently receive, any such bid; and

(b) the non-defaulting Member shall be treated as not having submitted a bid (including, where applicable, for the purposes of the application of the juniorisation principles in Default Procedure C:6.6).

7. **AUTHORISATION FOR BIDS**

7.1 Any bid submitted by a non-defaulting Member must be submitted to LME Clear by:

(a) an Authorised Representative of such Member, using that Authorised Member's own user login to the LMEmercury GUI; or

(b) any other representative of the Member who is authorised to submit bids on behalf of the Member, using that individual's own user login to the LMEmercury GUI.

7.2 Following any bid submitted pursuant to paragraph 7.1 above LME Clear will liaise with an Authorised Representative of the Member in respect of any bid submitted via the LMEmercury GUI, unless LME Clear has been notified by an Authorised Representative of the name and contact details of any other persons that the Member has authorised to liaise with LME Clear in respect of such bid.

7.3 LME Clear shall be entitled to assume that any person who enters a bid via LMEmercury pursuant to paragraph 7.1 above, or who is notified to LME pursuant to paragraph 7.2 above shall be fully authorised by the Member to take represent the Member in respect of any matter relevant to the bid and the auction of the Auction Portfolio, including by taking binding decisions on behalf of the Member.

7.4 LME Clear shall be under no obligation to accept or treat as valid any bid that is purported to be submitted by a Member that does not comply with paragraph 7.1 above.

8. **COMMUNICATIONS IN RESPECT OF SUBMITTED BIDS**

8.1 LME Clear shall communicate with Members in respect of the auction of an Auction Portfolio by issuing Notices (which can include, for the avoidance of doubt, bilateral email communication where LME Clear considers appropriate).

8.2 In the event that LME Clear wishes to seek clarification from a Member of any matter relating to a bid submitted by such Member, LME Clear may contact an Authorised Representative of the Member or an alternative authorised individual using such contact details as the Member shall have specified in advance pursuant to paragraph 7.2.

8.3 Notwithstanding paragraphs 8.2 above, LME Clear shall have no obligation to contact any Member to seek clarification of any matter relating to a bid submitted by such Member.

9. **SPECIFICATION OF ENTRY CRITERIA**

When assessing a non-defaulting Member's satisfaction of the entry criteria for an auction, pursuant to Default Procedure C:6.4(b):

9.1 LME Clear shall assess a non-defaulting Member's creditworthiness for the purposes of Default Procedure C:6.4(b)(i) by reference to the minimum credit rating that LME Clear would require an applicant for Membership to satisfy in order to conduct the same types of business and to participate in the same Services as are conducted by, and participated in, by the non-defaulting Member;

9.2 In respect of the LMEprecious Service, LME Clear does not currently apply any criteria regarding the non-defaulting Member's history of Positions, for the purposes of Default Procedure C:6.4(b)(iii) and, accordingly, no such criteria will be applied so as to justify any exclusion from participation in an auction pursuant to Default Procedure C:6.4(c); and

9.3 In respect of the LME Base Service, the criteria for the purposes of Default Procedure C:6.4(b)(iii) is that the relevant non-defaulting Member has held a Position in respect of all Underlying Assets represented in the relevant Auction Portfolio within the 6 months immediately preceding the commencement of the relevant Default Period.

10. **BIDDERS FROM THE SAME GROUP**

10.1 In the event that two or more non-defaulting Members:

(a) are each required to submit a bid in accordance with Default Procedure C:6.4(~~d~~a); and

(b) are members of the same Group,

then such Members must submit identical bids and, in the event that such bids are successful:

(i) such Members must have determined among themselves which such Member shall be treated as the successful bidder that shall be required to pay for, and accept the Auction Portfolio;

(ii) (where there are two such Members within the same Group), the other Member shall be treated as the non-successful bidder that was closest to the successful bid for the purposes of the application of the juniorisation principles in Default Procedure C:6.6(b);

(iii) such Members must notify LME Clear of their agreed determination of the basis on which a successful bid should be allocated in accordance with paragraphs (i) and (ii) above;

(iv) where such Members fail to provide the notification required pursuant to paragraph (iii) above, LME Clear may determine how the successful bid should be allocated between such Members.

10.2 Where paragraph 10.1(a) and (b) apply, such non-defaulting Members may agree that one such Member shall submit a single bid to LME Clear through the LMEmercury GUI and that such bid will represent identical bids on behalf of all such non-defaulting Members. Where such Members so agree:

(a) in order for a single bid to represent identical bids on behalf of all such non-defaulting Members, an Authorised Representative of each such Member must

have notified LME Clear prior to closure of the auction of their intention to be represented by a single bid and indicating:

(i) which Member's bid should be taken to represent identical bids on behalf of all such non-defaulting Members' bids; and

(ii) the name and contact details of the authorised individual (in accordance with paragraph 7.2 above) to which communications may be sent by LME Clear in respect of such bid; and

(iii) the information specified in paragraph 10.1(iii)

(b) any such bid made by one such Member will be deemed to be effective to communicate the identical bids of all such Members, and shall be deemed to constitute a fully authorised and binding bid on behalf of each such Member;

(c) LME Clear shall be entitled to treat any communications in respect of such bid, between LME Clear and the individual specified in (a)(ii) above, as being effective to communicate with the duly authorised representative of each such Member, including for the purposes of paragraph 7 above; and

(d) for the avoidance of doubt, the notice provided to LME Clear pursuant to paragraph 10.2(a) must include the information specified in paragraph 10.1(iii) above (failing which LME Clear may apply paragraph 10.1(iv) above).

11. EXCLUSION FROM PARTICIPATION

11.1 Without limitation to LME Clear's discretion pursuant to Default Procedure C:6.4(c), LME Clear may determine that a non-defaulting Member should be excluded from being required to participate in an auction on the grounds that it does not have the operational capability or expertise to participate in the auction where such Member is able to demonstrate, to the satisfaction of LME Clear that:

(a) such Member or a related entity does not have the capability to manage its own Positions, as may be evidenced by the fact that it does not meet any of the following criteria:

(i) such Member regularly holds Positions in its House Account overnight in Eligible Products with the same Underlying Asset as the Eligible Products included in the Auction Portfolio;

(ii) such Member has, as a Client, a member of its Group which regularly holds open Positions overnight in Eligible Products with the same Underlying Asset as the Eligible Products included in the Auction Portfolio; or

(iii) such Member regularly holds Positions in any Client Account overnight in Eligible Products with the same Underlying Asset as the Eligible Products included in the Auction Portfolio which, in the event of the default of a Client allocated to such Client Account, would result in the Member needing to liquidate such Positions; or

(b) such Member is prevented by any Applicable Law binding on the Member from either participating in the auction or accepting the Auction Portfolio, or such participation or acceptance would constitute a breach by the Member of any Applicable Law binding on the Member (including for the avoidance of doubt, where a Member does not have the regulatory status which would permit it to participate or accept an Auction Portfolio under Applicable Law).

11.2 Any request by a Member for an exclusion from participation from an auction pursuant to Default Procedure C:6.4(c) must:

(a) clearly articulate in writing the grounds on which the Member considers that it should be excluded from the auction, which grounds must be based on one or more of the criteria specified in paragraph 11.1 above;

(b) be signed by an Authorised Representative of the Member;

(c) include supporting evidence to demonstrate that to LME Clear's satisfaction that the grounds for granting the exclusion are justified; and

(d) (where such request is based on the grounds specified in paragraph 11.1(b) above), be accompanied by a reasoned legal opinion demonstrating, to LME Clear's satisfaction, the basis on which such grounds are justified. LME Clear reserves the right to require that such legal opinion be provided by a reputable law firm with demonstrable expertise in the relevant field of law or regulation for the jurisdiction in which the legal or regulatory grounds are alleged to pertain. LME Clear may refuse to accept a legal opinion provided pursuant to this paragraph (d) in the event that LME Clear, in its absolute discretion, is not satisfied that the lawyer or law firm that has prepared the opinion has appropriate expertise in the relevant jurisdiction and/or field of law or regulation, or where LME Clear, in its absolute discretion, disagrees with the conclusions set out in the legal opinion.

11.3 LME Clear will exercise its discretion in Default Procedure Part C 6.4(d) to exclude a Member from the requirement to bid during a Default Period taking into account the following factors:

(a) the size of the Auction Portfolio; and/or

(b) whether the transfer of any Auction Portfolio to that Member would be in excess of LME Clear's risk tolerance for that Member.

11.4 LME Clear shall notify any Members excluded during the Default Period that they are no longer Mandatory Bidders prior to the disclosure of the Auction Portfolio. Such Members may still elect to become Voluntary Bidders in accordance with Default Procedure Part C 6.4(e) and the contents of the Auction Portfolio will then be disclosed to them in accordance with Default Procedure Part C 6.4(f) (however, Members should bear in mind that LME Clear may then exercise its discretion under Default Procedure Part C 6.4(d).

ANNEX 9 – ACCOUNT TRANSFER PROCESS

1. TYPES OF ACCOUNT TRANSFER

1.1 Inter-Member Transfer

A request for an Inter-Member Transfer may, without limitation, include a request in circumstances where the Requesting Member Transferor is:

(a) transferring its responsibilities for the clearing of Positions for one or more Clients to a Requesting Member Transferee; and/or

(b) withdrawing from Membership or terminating its participation in a Service and becoming a Client of a Requesting Member Transferee.

1.2 Inter-Account Transfer

A request for an Inter-Account Transfer may, without limitation, include a request in circumstances where the Origination Account is a Client Account and:

(a) a Client's Positions are to be transferred to another Client Account maintained by the Requesting Member in respect of such Client; or

(b) an Indirect Client intends to transfer its Indirect Clearing Arrangement from one Clearing Client of the Requesting Member to another Clearing Client of the Member, such that the Indirect Client's Positions are to be transferred:

(i) from a Client Account of the Member allocated to the transferor Clearing Client;

(ii) to a Client Account of the Member allocated to the transferee Clearing Client; or

(c) a Client intends to become an Indirect Client of another Client of the Requesting Member, such that the first Client's Positions are to be transferred:

(i) from the Client Account of the Member allocated to the first Client;

(ii) to a Client Account of the Member allocated to the transferee Client that is allocable to one or more Indirect Clients, including the first Client); or

(d) an Indirect Client intends to become a Client of the Member, such that the Indirect Client's Positions are to be transferred:

(i) from the Client Account of the Requesting Member allocated to a Client that is allocable to one or more Indirect Clients, including the transferring Indirect Client;

(ii) to a Client Account of the Requesting Member allocated to the transferring Indirect Client, as a Client of the Member.

1.3 Other Types of Transfer

For the avoidance of doubt, paragraphs 1.1 and 1.2 are examples of the types of Account Transfer that a Member may request. Nothing in Rule 6.13 or this Annex 9 shall prevent LME Clear from considering and/or giving effect to a request for an Account Transfer in circumstances other than those described in paragraphs 1.1 and 1.2 above.

2. **PROCEDURAL REQUIREMENTS FOR ACCOUNT TRANSFERS**

2.1 In respect of any Account Transfer:

(a) the Requesting Member(s) shall, upon submission to LME Clear of the Transfer Request Notice, be deemed to have made the statements and representations, and provided such confirmations, as are set out in Rule 6.13 and this Annex 9;

(c) the transfer will occur at the time and on the date agreed between LME Clear and the Requesting Member(s) and notified by LME Clear to the Requesting Member(s);

(d) only those Open Contracts and, where applicable, Collateral which are allocated to the Origination Account(s), detailed in the Transfer Request Notice, at such time will be capable of being transferred by LME Clear to the Destination Account(s);

(e) the transfer of the Open Contracts and, where applicable, Collateral and (where relevant) Default Fund Contribution shall be deemed to occur simultaneously and the transfer of each shall be conditioned on the transfer of the others; and

(g) the Requesting Member(s) hereby agree to sign any document and take any step which LME Clear may require at any time to give effect to any provision of Rule 6.13 and/or this Annex 9.

2.2 In respect of any Inter-Member Transfer, in addition to the requirements in paragraph 2.1 above:

(a) where a Default Fund Contribution is being transferred, and notwithstanding Rule 3.6.5, the effective date of termination of the Requesting Member Transferor's Membership will be as agreed between LME Clear and the Requesting Member Transferor in order to facilitate the transfer of the Default Fund Contribution to the Member transferee. Such date shall be the Termination Date for the purposes of the Rules. This provision shall constitute a waiver for the purposes of Rule 2.11.1 of any rights LME Clear would otherwise have had to insist that the Termination Date shall be determined in accordance with Rule 3.6.5; and

(b) if the transfer of the Open Contracts and, where applicable, Collateral and Default Fund Contribution by LME Clear is not fully effective or completed for any reason, LME Clear may give a notice to the Requesting Member Transferor and Requesting Member Transferee, whereupon (i) any transferring rights and obligations that have transferred shall be deemed not to have transferred (and if necessary be deemed to have been novated back to the Requesting Member Transferor) and (ii) non-cash Collateral shall be returned by a deemed application of the provisions (including the Release Clause, the Conveyance Clause and the Re-Pledge Clause) which relate to non-cash Collateral (with the identity of the Requesting Member Transferor and the Requesting Member Transferee being switched for the purposes of those provisions).

3. **CONFIRMATIONS BY REQUESTING MEMBERS FOR ALL ACCOUNT TRANSFERS**

Where a Requesting Member signs and submits (or, in the case of the Requesting Member Transferee for an Inter-Member Transfer permits the Requesting Member Transferor to submit) to LME Clear a Transfer Request Notice for an Account Transfer, such Requesting Member shall hereby be deemed, for the benefit of LME Clear, to:

(a) acknowledge and agree that the transfer is subject to the Rules including, but not limited to, the provisions of Rules 2.3, Rule 6.13 and this Annex 9 and to comply with such provisions;

(b) (where the Member is the Requesting Member Transferee under an Inter-Member Transfer), accept the transfer to it by way of novation of the transferring rights and obligations;

(c) represent and warrant to LME Clear that:

(i) it has taken or will take all necessary steps (in relation to itself or as between itself and any other Requesting Member) to ensure that the transfer is effective under Applicable Law;

(ii) all conditions applicable to such Account Transfer in Rule 6.13 and this Annex 9 shall be satisfied;

(iii) (where the transfer relates to Client Business) it has complied with, and shall continue to comply, with the requirements of Rule 6.13.8 (*Requesting Member Responsibility for Clients and Indirect Clients*);

(d) acknowledge and agree that the transfer (and any associated assignment and conveyance) will be effected by LME Clear in accordance with the Transfer Request Notice, Rule 6.13 and this Annex 9 (notwithstanding, in the case of an Inter-Member Transfer, the terms of any other agreement between the Requesting Members); and

(e) authorise and instruct LME Clear to make and, where necessary, to cause any securities intermediary or other person to make, all appropriate entries and registrations and to take all other actions to effect the transfers contemplated by such Transfer Request Notice.

4. **ADDITIONAL REQUIREMENTS FOR INTER-MEMBER TRANSFERS**

4.1 **Additional Conditions**

The Transfer-Specific Conditions for an Inter-Member Transfer are that:

(a) where the transfer is allocated to a Client Account and the Clients will become Clients of the Requesting Member Transferee:

(i) the transfer is reflected in a Client Account of the Requesting Member Transferee that is allocated to the same Client(s); and

(ii) there is no change to the identity of the Client(s) to which the relevant Contracts are allocated;

(b) where the transfer is allocated to a Client Account and the Requesting Member Transferor will become the Client of the Requesting Member Transferee:

(i) the transfer is reflected in a Client Account of the Requesting Member Transferee that is allocated to the Requesting Member Transferor as Client of the Requesting Member Transferor; and

(ii) there is no change to the identity of the Client(s) to which the relevant Contracts are allocated, save that such Client(s) may be regarded as Indirect Clients of the Requesting Member Transferee, subject to the selection of the appropriate type of Client Account by the Requesting Members;

(c) where the transfer is allocated to a House Account of the Requesting Member Transferor and the Requesting Member Transferor will become the Client of the Requesting Member Transferee, the transfer is reflected in a Client Account of the Requesting Member Transferee that is allocated to the Requesting Member Transferor as Client of the Requesting Member Transferee;

(d) both Requesting Members consent to such transfer;

(e) the Requesting Member Transferee is a non-defaulting Member; and

(f) where the Transfer Request Notice includes a request for a transfer of Collateral, immediately prior to the transfer of an Open Contract, no LME Warrant Collateral is associated with the transferring Contracts.

4.2 **Collateral Transfers: Confirmations by Requesting Member Transferor**

Where a Transfer Request Notice for an Inter-Member Transfer involves a transfer relating to any Collateral and/or any Default Fund Contribution:

(a) the Requesting Member Transferor shall hereby be deemed to:

(i) request that LME Clear transfers by way of novation all rights, liabilities and obligations of the Member transferor in the:

(1) Open Contracts and associated Positions;

(2) DCVM and/or CCVM;

(3) Cash Collateral;

(4) Gold Collateral; and

(5) Default Fund Contribution,

described in the Transfer Request Notice (the "**transferring rights and obligations**") to the Requesting Member Transferee that is the transferee named in such Transfer Request Notice;

(b) in relation to any Securities Collateral or Gold Collateral (detailed in the Transfer Request Notice) and with effect on LME Clear recording the transfer in its records, LME Clear shall be deemed to have released all its Security Interests in and in relation to the relevant Securities Collateral and Gold Collateral granted by the Requesting Member Transferor (this provision being the "**Release Clause**");

(c) in relation to any such Collateral, the Requesting Member Transferor shall hereby be deemed to confirm and represent to LME Clear that:

(i) with effect on LME Clear recording the transfer in its records, assigns by way of sale, transfers and conveys all right, title and interest of the Member Transferor in and to such Collateral (including, but not limited to, any beneficial interest and/or equity/right of redemption in respect thereof) (the "**non-cash Collateral rights**") to the Requesting Member Transferee free of any security, encumbrances, liens, security interests or other claims of any kind held by any person;

(ii) acknowledges and agrees that such Collateral shall immediately upon such assignment, transfer and conveyance be held by LME Clear solely on behalf of or in respect of (as applicable) the Requesting Member Transferee; and

(iii) for the avoidance of doubt, acknowledges and agrees that immediately upon such assignment, transfer and conveyance it shall have no right or entitlement to assert any claim over, or right, title or interest in or to, such Collateral,

(this provision being the "**Conveyance Clause**"); and

(d) in the event that:

(i) the Transfer Request Notice includes a request for a transfer of Open Contracts together with associated Collateral; and

(ii) any of the Collateral associated with such Open Contracts is LME Warrant Collateral,

then the Requesting Member Transferor must, prior to the submission of the Transfer Request Notice, substitute Cash Collateral, Securities Collateral or Gold Collateral for such LME Warrant Collateral and specify such substituted Collateral in the Transfer Request Notice submitted to LME Clear.

4.3 **Collateral Transfers: Confirmations by Requesting Member Transferee**

Where a Transfer Request Notice for an Inter-Member Transfer involves a transfer relating to any Collateral then, in relation to any Securities Collateral or Gold Collateral (each as detailed in the Transfer Request Notice), the Requesting Member Transferee shall hereby be deemed to:

(a) accept the assignment, transfer and conveyance to it of the Requesting Member Transferor's right, title and interest in and to such Collateral;

(b) acknowledge and agree that such Collateral shall immediately upon such assignment, transfer and conveyance be held by LME Clear solely on behalf of or in respect of (as applicable) the Requesting Member Transferee; and

(c) acknowledge and agree that, immediately upon such assignment, transfer and conveyance, all of the Requesting Member Transferee's right, title and interest in and to such Collateral will be subject to LME Clear's Security Interests under any relevant Security Documents entered into between the Requesting Member Transferee and LME Clear and shall otherwise be subject to the terms and conditions of all such Security Documents,

(this provision being the "**Re-Pledge Clause**")

Version	Summary	Version date
1.0	First published Version	7 August 2014
1.1	Minor changes to remove square brackets, delete references to OTC LOCO London Bullion Market Products prices and matching venue and clarify not an Eligible Product	19 September 2014
2	Changes to Rule 13 – close out netting	8 December 2014
3	Changes to Default Fund Floor; Default Procedure Part B; Minor Administrative Changes.	21 May 2015
4	Changes to incorporate Renminbi changes (subject to regulatory approval), as per version originally circulated on 03.11. 2014	25 June 2015
5	Changes to incorporate compression service and ferrous products	23 November 2015
5.1	Minor change to registered address	31 January 2016
6	Partial porting and clarification for jurisdictional opinion	8 August 2016
7	LMEprecious and Open Offer	5 June 2017
8	Auction process Annex	10 July 2017
9	Changes to incorporate Gross Omnibus Accounts and updates to auction process to reflect harmonisation across Services	27 November 2017
10	Changes to implement a Mandatory Auction Process to apply to both LME Base Metals and LMEprecious	17 January 2017
11	Changes to accommodate Inter-dealer Brokers, bridge entities, amended minimum capital requirements and other minor changes	12 November 2018
11.1	Changes to accommodate new mandatory auction tool	March 2019

12	Changes to incorporate changes relating to LME Warrant Collateral, Non-Default Account Transfer Mechanisms, Indirect Clearing Arrangements, Service Withdrawals and other minor changes	22 April 2019
13	SFD Change for Brexit	01 January 2021
14	LME warrants and electronic warranting process and other miscellaneous changes	01 March 2021
15	Miscellaneous Changes including Loss Allocation without an Auction	24 May 2021
16	New Futures Contract Specifications	19 July 2021
17	Miscellaneous including the Default Fund size and Client participation in auction	11 December 2023
18	Delivery Failure Prevention Service	01 January 2024
19	Default Fund Mutualisation Limit, Anti-procyclicality Measure and Miscellaneous	28 February 2025
20	Minimum Net Capital Requirement	12 May 2025
21	Triparty Service Changes	8 September 2025
22	Minor changes to collateral delivery timetable	31 October 2025
23	Changes to the business continuity rules relating to Options Contracts and other minor changes	17 March 2026
24	Minor changes to CNH lodgement and withdrawal timetable	22 June 2026
25	Options automated expiry changes	21 September 2026
26	Update to Contract Specifications	13 October 2026