

To: All members and other interested parties

Ref: 25/083

Classification: Consultation Trading

Date: 30 April 2025

Subject: **CONSULTATION ON ENHANCING LIQUIDITY**

## Summary

1. The London Metal Exchange (the “**LME**” or the “**Exchange**”) is seeking the views of its Members and all other interested parties in respect of the introduction of certain proposed changes to the Rules and Regulations of the LME (the “**Rules**”), which relate to:
  - (i) the introduction of block thresholds for trading in the inter-office market;
  - (ii) the introduction of a prohibition on Pre-Trade Communications in relation to trades made in LMEselect; and
  - (iii) the introduction of a “Crossing Rule” in relation to trades executed in LMEselect;(the “**Consultation**”).

## Defined terms

2. Terms not otherwise defined in this notice (this “**Notice**”) shall have the meaning ascribed to them either in the current version of the LME Rulebook or in the indicative revisions to the Rulebook set out in Annex 2 of this Notice.

## Documents attached to this Notice

- Annex 1: Proposed list of LME Liquid Instruments and Minimum Volume Thresholds (draft)
- Annex 2: Redline of proposed amendments to the LME Rulebook
- Annex 3: Blocks Guidance (draft)
- Annex 4: Crossing Guidance (draft)

## Background

3. In the LME’s “White Paper on Enhancing Liquidity” published in September 2024 (the “**White Paper**”), the LME set out its vision to implement a set of initiatives in its continued efforts to modernise its markets.
4. This Consultation should be read in conjunction with Notice 25/082 (the “**Update Document**”). The Update Document outlines the LME’s more general roadmap of its modernisation measures and provides an update on all of the different initiatives that were described in the White Paper.
5. This Consultation covers a subset of the initiatives originally presented in the White Paper, together with a number of proposed Rulebook changes required to enact these changes if the LME were to proceed with any of the proposed initiatives. The initiatives presented in the Consultation complement one another and are intended to be delivered as a package to maximise their effectiveness. They also represent the next major step in the LME’s market modernisation journey.



6. This journey of modernisation started in 2017 when the LME published a discussion paper on the future move towards a more standardised market structure (the “**Strategic Pathway**”). As a result of the Strategic Pathway document, the LME implemented a number of measures to support liquidity on its electronic market including notably (i) a tick size review; (ii) implied pricing on LMEselect and (iii) the introduction of TAS functionality.
7. In 2021, the LME issued the LME Discussion Paper on Market Structure (the “**2021 Discussion Paper**”). The 2021 Discussion Paper built on the work done in the 2017 Strategic Pathway and considered several structural changes to the LME. Part of the 2021 Discussion Paper considered how to support and increase liquidity on LMEselect by a combination of (1) fee changes, (2) light block rules, (3) a liquidity provider programme, (4) promotion of enhanced transparency cross trade and (5) appropriate pre-execution communication rules.
8. The LME’s journey towards evolving its market structure continued in March 2023 with the publication of the Action Plan to Strengthen the LME Group’s Markets (the “**Action Plan**”). The Action Plan reconfirmed the LME’s commitment to the market structure evolution plans laid out in the 2021 Discussion Paper. More recently in 2024, the LME successfully introduced the Additional VWAP Closing Price methodology.
9. All of these different initiatives embody the LME’s desire over time to standardise and modernise its markets, make them stronger and more transparent, and promote deep and resilient liquidity in its electronic market, whilst simultaneously protecting the unique features of its market that serve the physical metal communities.
10. It is the LME’s belief that increased levels of liquidity in its central order book will result in greater transparency and achieve greater price competition and support best execution, which ultimately benefits the market as a whole.

### **Market engagement**

11. The White Paper made clear that it was neither a discussion paper nor a formal consultation, but a means for the LME to convey to the LME community its proposed direction of travel to further evolve and modernise the structure of its markets.
12. The LME sought technical feedback on a number of proposals in the White Paper and established the Blocks Working Group (“**BWG**”) in order to discuss the technical feasibility of certain of these proposals and for Members to raise any questions or concerns with such technical aspects.
13. The LME also sought feedback in respect of the White Paper in general and conducted an extensive market engagement exercise (including bilateral Member meetings, Client meetings and engagement with a number of industry bodies and associations).
14. These discussions, either through the BWG or bilaterally with Members and other market participants have helped the LME progress its thinking and shape the proposals being consulted on in this Notice and the associated draft pieces of guidance.
15. As noted above, a more in-depth explanation as to the changes that were made to the LME’s original thinking in the White Paper is set out in the Update Document.
16. The LME welcomes the continued engagement with Members, Clients and the broader market throughout the consultation period. The LME will duly consider all of the feedback received during the consultation period before making any decision whether to proceed with the proposals being consulted on.
17. If any of the proposals set out in this Consultation are taken forward, the LME envisages continuing its broad market engagement, including with Independent Software Vendors (ISVs), other vendors and any other relevant stakeholders, in order to discuss the technical steps necessary to implement and timescales for doing so.



## Objectives of the proposed measures

18. As explained in the White Paper and in line with the other objectives outlined there, the key objective of the LME's package of measures presented in this Consultation is to increase liquidity in the central electronic venue to support better execution for end clients. Maximising centralised liquidity is also aligned to the LME's core regulatory requirements to maintain fair, orderly and efficient markets and to ensure orderly pricing and effective settlement of contracts.
19. This follows a key recommendation that was made in the Independent Review of Events in the Nickel Market in March 2022 which was to "*over time, provide a clear vision of the future of market structure at the LME and LME Clear, including its venues, fee structure, clearing model and market access*" and to "*where possible – without significant loss of functionality to existing participants – commit to measures that would standardise the market structure with global peers to enable participation and consequent growth in liquidity*".
20. More broadly, the introduction of the proposals would enhance the LME's ability to support the market integrity objective of UK regulators set out in Financial Services and Markets Act 2000 ("**FSMA**").

## The Proposals

21. The LME is consulting on a number of proposed Rulebook changes required to enact these proposals if the LME decided to proceed with any of the proposals set out below. A draft of the indicative Rulebook changes can be found in Annex 2.
22. The proposed MVT and Crossing Rules would each have associated technical guidance. The LME is providing a draft of these pieces of technical guidance in this Consultation in order for Members and the wider market to give informed consideration and response to this Consultation.

### 1. The Minimum Volume Threshold Rule for trading in the inter-office market

23. Minimum volume thresholds for trades privately negotiated outside of the electronic order book before being registered and cleared by the exchange are standard features of listed derivatives markets, helping to deliver increased price competition in the more transparent venue for trades below the threshold. The LME is therefore proposing to implement a new rule imposing block thresholds (called minimum volume thresholds or the "**MVT Rule**") for trading in the inter-office market.
24. The objectives of the MVT Rule are to (i) increase price competition in the central order book for trades below the minimum volume thresholds (i.e small volume trades), and (ii) increase liquidity for small volume trades in the central order book.
25. The proposed MVT Rule in the inter-office market combined with the Crossing Rule on LMEselect (more on that proposal below) intend to allow client orders below the threshold to benefit from potential price improvements while still delivering trade certainty.
26. As noted in the Update Document, the initial set of LME Liquid Instruments would consist of monthly outright (or 3-month) contracts out to month 6, and any spreads where both legs involve a monthly contract out to month 6 or the 3-month contract for Aluminium, Copper, Zinc, Nickel and Lead futures only (excluding LME Options TAPOs, MAFs etc). LME Liquid Instruments would apply to Member-to-Member trades and Member-to-Client trades. It would apply only to trades executed in USD. In order to support the physical market, the MVT Rule would not apply to daily prompts or spreads where one leg is a daily prompt. The MVT Rule would also not apply to cash outright trades, or spread trades from cash to other prompt dates in order to support the cash price.
27. The LME received feedback in relation to the potential impact of block thresholds on Members' ability to guarantee Closing Price orders to Clients (so called "**market-on-close**" or "**MOC**" business). However, where a Trade-at-settlement ("**TAS**") contract exists, the LME considers that this can be used throughout the day to expose such orders to greater price competition and increased transparency. Therefore the LME proposes that the MVT Rule would not apply to MOC business in instruments for which there are no TAS contracts, but, where a TAS contract exists, any MOC business would be in scope of the MVT Rule and would have to be crossed through the relevant TAS orderbook.
28. In terms of the levels at which the blocks should be set, the White Paper included an indicative level of 10 lots across all base metals. The original quantitative analysis that drove that indicative level was



based on the set of instruments out to month 12, and was adjusted based on expert judgment the LME had undertaken at the time. We received extensive feedback on this point in response to the White Paper. That feedback was consistent in suggesting greater differentiation between metals although differed between groups of participants who expressed different views as to whether, for example, a particular threshold should be higher or lower.

29. The LME has carefully considered all the feedback provided on the scope and levels of the MVT. It has taken this into account when setting out the proposed parameters (see Annex 1). The LME considers that ultimately the MVT parameters require it to exercise expert judgment by balancing the competing views provided in the responses to the White Paper, its own technical analysis and relevant factors including the simplicity of the framework on the one hand and an appropriate level of differentiation between metals to reflect their individual characteristics on the other. The parameters now proposed reflect this careful balancing exercise which it has undertaken.
30. This is highlighted to market participants and stakeholders so that they can consider this for the purposes of preparing their responses: while the LME will approach its final decision following the Consultation with an open mind, any further submissions on the scope and level of the MVT should focus on material issues or unintended consequences associated with them, and need to be backed by strong and compelling evidence. For the avoidance of doubt, the market should not assume that there will be future consultations on any revisions to the parameters of the MVT if the LME decides to implement it following the Consultation; nothing in this Consultation should be taken as indicating such an intention or commitment on the part of the LME.
31. The LME is currently minded to allow greater granularity between metals and, taking into account factors such as bid/ask spreads, size in the book, average trade size and notional size, is indicatively proposing block levels of 15 lots for Aluminium, 10 lots for Copper, Zinc and Lead and 5 lots for Nickel.
32. In the same vein, the LME attaches a draft of the technical guidance on the MVT Rule (the “**Blocks Guidance**”) that should be read in conjunction with the Consultation in Annex 3. For the avoidance of doubt, if the MVT Rule were to be implemented there should be no assumption that there will be future consultations on revisions to this guidance. Moreover, the parameters set out in Annex 1 would be subject to regulatory approval.

**(a) Proposed Rulebook changes**

33. The proposed MVT Rule would prohibit the execution in the inter-office market of Agreed Trades in LME Liquid Instruments which are below the minimum volume thresholds. In general, such trades would have to be executed in LMEselect (or in the Ring).
34. As shown in Annex 1, the LME would publish by way of Notice the list of LME Liquid Instruments in scope of the MVT Rule as well as the associated thresholds.
35. Broadly (and subject to the exceptions and exemptions set out below), an Agreed Trade would be capable of execution in the inter-office market **only if**:
  - (a) The Agreed Trade is in an LME Liquid Instrument and is:
    - equal to or above the minimum volume thresholds, or
    - is below the minimum volume thresholds but benefits from exceptions or exemptions (more on this below);
  - OR
  - (b) the Agreed Trade is **not** in an LME Liquid Instrument, i.e. it is not in a Contract and/or maturity in scope of the MVT Rule;
  - OR
  - (c) the MVT Rule has been expressly temporarily disapplied by the LME for all market participants (e.g. an operational issue with LMEselect).



36. The proposed rule would prohibit Members and RIBs from aggregating their trades in LME Liquid Instruments in order to meet or exceed the Thresholds, to avoid the circumvention of the rule.
37. The LME proposes two **exceptions** to the application of the MVT Rule:
- where a Member wishes to agree a trade with a Client ("**Client Trade**"), the Member may agree the Client Trade on the inter-office market if before doing so, it has first executed an equivalent trade in LMEselect in the exact same instrument(s) (the combination of) which results in a position equivalent to the Client Trade; or
  - where a Member would have first executed in LMEselect an Agreed Trade in compliance with a specified method of crossing (see below), the Member would then be allowed to execute the Agreed Trade in the inter-office market.
38. In addition, the MVT Rule would be subject to **further (limited) technical exemptions**. These technical exemptions would be set out in the Blocks Guidance.
39. The LME would have a power to temporarily disapply the MVT on a discretionary basis for the whole market. The LME expects to use this power in exceptional circumstances only, in order to ensure the orderly functioning of its markets, for instance in case of an incident impacting trading on LMEselect, by provisionally re-routing all orders to the inter-office market whilst resolving the incident. Members and market participants would be notified of the temporary disapplication appropriately.
40. The proposed MVT Rule would require consequential amendments to Regulations 2.5 (*Execution of trades in the inter-office market*), 2.8 (*Pre-Execution Checks*), 2.10 (*Contingent Agreement to Trade*), 2.11 (*Give-Ups*) 2.12 (*Requirements for Registered Intermediating Brokers*) and 3.12 (*Agreed Trades as Gross Transactions*) in the Trading Regulations of the LME Rulebook ("**Part 3**").
41. Members would continue to maintain full audit and transaction history for all trades and orders. However, to make this obligation clear, the LME proposes to introduce a rule requiring Members to keep accurate, complete and accessible documentary evidence showing their continued compliance with the MVT Rule (Regulation 3.7 (*Maintenance of Records*) in Part 3).
42. The LME proposes new definitions in the LME Glossary (in Part 1) for the purposes of the proposed MVT Rule.

**(b) Questions**

**Q.1:** Do you agree with the LME's approach to introducing an MVT Rule in the inter-office market? If not, please explain why.

**Q.2:** Do you agree with the two proposed Rulebook exceptions to the MVT Rule? If not, please explain why.

**Q.3:** Are there any other relevant factors that you think the LME should consider in relation to the introduction of an MVT in the inter-office market? (including any views on the proposed parameters in Annex 1)

**Q.4:** Are there any *alternative* or *additional* measures to the proposed introduction of the MVT Rule the LME should consider?

More generally, the LME invites the provision of relevant analysis or underlying documentary evidence in relation to its proposal to introduce an MVT Rule in the inter-office market, including when responding to any of these questions.

**2. The Prohibition on Pre-trade Communications on LMEselect**

43. The proposed prohibition on Pre-Trade Communications before trading on LMEselect seeks to align the LME Rulebook with prohibitions which are standard in other peer venues in relation to electronic trading and seeks to reinforce the prevention of market abuse on LMEselect.



**(a) Proposed Rulebook changes**

44. The proposed rule would introduce a prohibition on Pre-Trade Communications in LMEselect. This is standard across most peer markets.
45. The objective of the proposed rule is to prevent improperly pre-arranged or pre-negotiated trades on LMEselect. Where Pre-Trade Communications are permitted in relation to Agreed Trades, the proposed new rule clarifies that such communications must not breach market abuse legislation and ensures that the price quoted for the potential or future Agreed Trade is at Fair Market Value.
46. The draft rule clarifies that the prohibition on Pre-Trade Communications does not apply to Agreed Trades made in the inter-office market, or to Agreed Trades made in LMEselect where the Member has utilised the Crossing Rule.
47. The draft rule also provides that Regulations 12.3 and 12.4A(a) in Part 3 (which impose a duty on LMEselect Participants to maintain the anonymity of LMEselect trading activity) are to be disapplied where a trader enters an order into LMEselect in accordance with the Crossing Rule and has engaged in Pre-Trade Communications with another LMEselect Participant prior to the cross. For the avoidance of doubt, traders would remain bound at all times by the duty to maintain the confidentiality of the identity of their counterparties when making use of the Crossing Rule.
48. The LME proposes to make consequential amendments to Regulation 12.7 of the Membership Regulations (“**Part 2**”) to expressly prohibit in Members from entering an order in LMEselect in breach of the Pre-Trade Communications prohibition. Such prohibited communications would be characterised as an Act of Misconduct under the LME Rulebook under proposed new Regulation 13.2(j) Part 2.
49. As a consequence of introducing a prohibition on Pre-Trade Communications, the LME is proposing to make a minor glossary change to the words used in the Rulebook to describe the Fixed Price Auction process: pre-trade communications made in the context of a PTT Order would be referred to as “Pre-Trade Execution Communication” to distinguish them from the new proposed rule prohibiting “Pre-Trade Communications” on LMEselect. To be clear, the LME is not proposing to change any aspects of the Fixed Price Auction process for now.
50. Finally, the LME proposes to introduce a new rule requiring Members to keep accurate, complete and accessible documentary evidence showing their continued compliance with the prohibition on Pre-Trade Communications (please see the proposed changes to Regulation 3.7 Part 3 on the *Maintenance of Records*).

**(b) Questions**

**Q.5:** Do you agree with the proposed prohibition on Pre-Trade Communications on LMEselect as a matter of principle? If not, please explain why.

**Q.6:** Do you agree with the principle of an exception such that Pre-Trade Communications on LMEselect are permitted if the Member crosses an order on LMEselect which is in line with the Crossing Guidance? If not, please explain why.

**Q.7:** Do you think the scope of the exception is appropriate? If not, please explain why.

More generally, the LME invites the provision of relevant analysis or underlying documentary evidence in relation to its proposal to introduce a Prohibition of Pre-Trade Communications on LMEselect.

**3 The Crossing Rule**

51. As outlined in the White Paper, alongside the MVT Rule, the LME proposes to introduce a Crossing Rule applicable to LMEselect.
52. The Crossing Rule would aim at supporting Members’ ability to offer risk prices in sub-MVT trades. The proposal is seeking to align the LME Rules applicable to LMEselect with peer markets which have mechanisms by which trades can be bilaterally negotiated, and then exposed to the central electronic venue to maximise price competition and transparency.



**(a) Proposed Rulebook changes**

53. The Crossing Rule would enable Members, if they decide to utilise it, to cross in LMEselect an order resulting from (permitted) Pre-Trade Communications in accordance with the methods of crossing as specified by the LME in the Crossing Guidance. To cross, all orders entered on LMEselect would be entered at the clean price (that is net of commissions, credit charges and or fees).
54. A simple way of thinking about the proposed Crossing Rule is that it would act as an exception to the proposed prohibition on Pre-Trade Communications on LMEselect and the proposed MVT Rule. More specifically:
- (a) First, as an exception to the proposed prohibition on Pre-Trade Communications on LMEselect, the Crossing Rule would allow Members to pre-negotiate a trade bilaterally with their counterpart before inputting their order on LMEselect (and then execute the Agreed Trade in the inter-office market).
  - (b) Second, as an exception to the MVT Rule, where the Member would have first executed in LMEselect an Agreed Trade in compliance with a specified method of crossing, the Member would then be permitted to execute the Agreed Trade in the inter-office market even where that Agreed Trade is below the Threshold.
55. After having published the White Paper, as explained in the Update Document, the LME received feedback (in the BWG and bilaterally) that it should offer both automated and manual crossing functionalities. In response to this feedback, the LME is looking at technical solutions to offer an automated crossing functionality to the market, should it decide to go forward with the Crossing Rule proposal. The draft Crossing Guidance clarifies that DEA Clients would be able to manually cross their orders. For automated crosses however, the LME proposes to limit its availability to Members.
56. The proposed Crossing Rule, if introduced, would require consequential changes to Regulation 3.12 (*Agreed Trades as Gross Transactions*) in Part 3.
57. The Crossing Rule would also require consequential changes to Regulation 12.11 (*Order routing services (Direct Electronic Access)*) in Part 3 to clarify that the LMEselect Participants offering order-routing facilities to Clients shall ensure that their Client comply with the LME's Crossing Guidance.
58. The LME also proposes to introduce a new rule requiring Members to keep accurate, complete and accessibly documentary evidence showing their continued compliance with the Crossing Rule (please see the proposed changes to Regulation 3.7 Part 3 on the *Maintenance of Records*).
59. Finally, the LME attaches a draft of the technical guidance on the Crossing Rule (the “**Crossing Guidance**”) in Annex 4 to set out its thinking to date in this area. For the avoidance of doubt, should the Crossing Rule be adopted, there should be no assumption that there will be future consultations on revisions to this guidance.

**(b) Questions**

**Q.8:** Do you agree with the overall approach to implement the proposed Crossing Rule? If not, please explain why.

**Q.9:** Do you agree that manual crosses should be open to both Members and DEA Clients but that automated crosses (referred to as “the LMEselect Crossing Order Type” in the draft Crossing Guidance) should be limited to Members only, and not be extended to DEA Clients? If not, please explain why.

**Q.10:** In your opinion are there any *alternative* or *additional* measures to the proposed introduction of a Crossing Rule the LME should consider?

More generally, the LME invites the provision of relevant analysis or underlying documentary evidence in relation to its proposal to introduce a new Crossing Rule on LMEselect.

**The Consultation process and timelines**

60. The Consultation is open to all interested parties, including, without limitation, Members, Clients of Members and Affiliates of Members.



61. Formal responses should be submitted in writing. This Consultation will remain open for responses until close of business on **13 June 2025**. The LME shall not be under any obligation to consider responses submitted after this time. The LME will take into account all responses received by the closing date.
62. Any market participant wishing to ask questions or to seek clarification on any issue covered by the Consultation, is asked to contact [market.engagement@lme.com](mailto:market.engagement@lme.com). Any interested party wishing to submit a response to the Consultation is asked to send it to [consultation@lme.com](mailto:consultation@lme.com).
63. Although the LME will consider responses submitted in any format, it would be helpful if respondents could reply to the numbered Consultation questions set out in this Notice.
64. The LME may need to share responses received with regulatory authorities, members of its group, and its legal or other professional advisors, or as required by law. Anonymised responses (verbatim or paraphrased) may be included in the Decision Notice stating the outcome of this Consultation. Apart from this, all responses will be treated in confidence.
65. Prior to becoming effective, any regulatory approvals that are required in respect of the proposals will be sought, and the implementation of any changes is subject to any relevant regulatory approvals.
66. Following consideration of any responses and following the close of this Consultation, the LME may implement:
  - (a) in respect of any or all of the proposals, that proposal, a modified version of that proposal;
  - (b) any alternative measures; or
  - (c) no measures.
67. Following this Consultation and once any required regulatory approvals are obtained, the LME will advise the market via one or more Notices when, if any, relevant changes will take effect.

#### **Benefits and unintended consequences**

68. The LME acknowledges that there may be some short-term costs incurred by Members and other users of the LME's prices in complying, or otherwise in connection, with the proposals and associated Rulebook amendments set out in this Consultation. This Consultation, as reflected by the questions posed, aim at gathering more information on these costs and the LME invites the provision of evidence of such costs. More generally, the LME believes that such costs would be outweighed by the benefits to the market as a whole arising from greater transparency and that the proposals are justified and serve the best interests of the membership and the LME ecosystem as a whole, and in ensuring that the LME continues to comply with its regulatory obligations.
69. The LME has not yet identified any unintended consequences not set out in this Consultation as a result of any of the proposals or related Rulebook amendments. However, the LME is interested in the views of respondents to this Consultation in this regard.

**Jamie Turner**  
**COO and Head of Trading**

cc: Board directors  
All committees

# LME Liquid Instruments and Minimum Volume Thresholds (draft)



# 1 Introduction

The purpose of this document is to provide an indicative draft of the potential Minimum Volume Thresholds (“MVT”) and outline the contracts to which they would be applicable to (“LME Liquid Instruments”). It should be read in conjunction with the Consultation Notice 25/083 (the “Consultation”) and the proposed amendments to the LME Rulebook. This document forms part of the set of supporting documentation provided to assist the market in assessing the full impact of the potential introduction of the minimum volume threshold rules (the “MVT Rule”).

For the avoidance of doubt, there should be no assumption that there will be future consultations on revisions to the parameters of the MVT Rule if the LME were to decide to implement it following the consultation. Nothing in this document should be taken as indicating such future intention or commitment on the part of LME. Contracts, prompt dates and figures are provided on an indicative basis only.

# 2 LME Liquid Instruments

As proposed in the Consultation, LME Liquid Instruments would refer to the Contract and Prompt Date subject to a Minimum Volume Threshold as determined by the Exchange and published by Notice or otherwise from time to time.

The initial LME Liquid Instruments where the MVT would be applicable would be comprised of a set of instruments involving a limited number of prompt dates<sup>1</sup> on the most liquid base metals<sup>2</sup> contracts:

- monthly outright (or 3-month) contracts out to month 6,
- any spreads where both legs involve a monthly contract out to month 6 or the 3-month contract

The MVT Rule would only apply to a limited set of prompts and instruments<sup>3</sup>, as summarised below:

	Aluminium, Copper, Lead, Zinc, Nickel (USD futures)
Monthly outrights (M1,M2....M6)	✓
3M outright	✓
Any spread between 3M and any monthly from M1-M6 (and between those monthlies)	✓

<sup>1</sup> The prompt dates include: M1-M2, M1-M3, M1-M4, M1-M5, M1-M6, M2-M3, M2-M4, M2-M5, M2-M6, M3-M4, M3-M5, M3-M6, M4-M5, M4-M6, M5-M6, M1-3M, M2-3M, M3-3M, 3M-M3, 3M-M4, M4-3M, 3M-M5, 3M-M6.

<sup>2</sup> Aluminium, Copper, Zinc, Lead, Nickel futures only for Member-to-Member trades and Member-to-Client trades in USD.

<sup>3</sup> Not applicable to Tin, Cobalt, Aluminium Alloy, NASAAC, Cash settled contracts, premiums, MAFs, Options, and cash outright trades, or spread trades from cash to other prompt dates in order to support the cash price.



### 3 Minimum Volume Thresholds

The proposed levels at which the MVT would be set on the LME Liquid Instruments set out below.

	Minimum Volume Threshold
Aluminium	15
Copper	10
Lead	10
Zinc	10
Nickel	5

The LME reserves the right to update these figures from time and time by Notice.

# Redline of proposed amendments to the LME Rulebook



## PART 1: DEFINITIONS AND GENERAL RULES

*All definitions below are new*

“Data Agreement”	has the meaning set out in the Financial OTC Booking Fee Policy;
“Crossing Rule”	has the meaning set out in Regulation 2.4A of Part 3 of these Rules;
“Fair Market Value”	an Agreed Trade which is fair and reasonable for a trade of that kind and size at the relevant time and in view, but without limitation, of: (a) the size of the trade; (b) the circumstances of the market for the Contract or of the parties to the trade; or (c) the prices and sizes of other transactions in the same Contract Executed on one or more of the Execution Venues operated by the Exchange;
“LME Liquid Instrument”	means the Contract and Prompt Date subject to a Minimum Volume Threshold as determined by the Exchange from time to time;
“Minimum Volume Threshold” or “MVT”	the minimum number of lots in respect of a Contract that can be submitted as an Agreed Trade for Execution in the inter-office market, as determined by the Exchange and published by Notice or otherwise from time to time;
“Pre- Trade Communications”	any discussion on the direction, size or price of a potential or future Agreed Trade;
“Relevant OTC Contract”	has the meaning set out in the Financial OTC Booking Fee Policy;
“Threshold”	has the same meaning as “Minimum Volume Threshold”;

*Definitions below are amended. New text is underlined and in red font, deleted text is showed as strikethrough.*

“Customer”	a person that initiates <del>p</del> Pre- <del>t</del> Trade <u>Execution</u> <del>e</del> Communications with a Member, and/or requests a quote from a Member, or a person in respect of which a Member initiates <del>p</del> Pre- <del>t</del> Trade <u>Execution</u> <del>e</del> Communications, and including:  another Member; or  a Client;
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"Pre- Trade Execution  
Communication"

has the meaning set out in Regulation 2.15.6 of the Trading  
Regulations;



## PART 2 – MEMBERSHIP, ENFORCEMENT AND DISCIPLINE

*New text is underlined and in red font, deleted text is showed as strikethrough.*

### 12. PROVISION OF INFORMATION AND OBLIGATIONS OF MEMBERS

[...]

12.7 No Member shall:

- (a) manipulate or attempt to manipulate the market or any prices, indices or benchmarks set or otherwise published by the Exchange;
- (b) engage in or attempt to engage in insider dealing;
- (c) create or attempt to create a disorderly market; ~~or~~
- (d) enter an order in LME Select where the Member has beforehand engaged in Pre-Trade Communications except as permitted in Regulation 2.2A of Part 3 of these Rules; or
- ~~(d)~~(e) knowingly facilitate, fail to take reasonable steps to prevent or assist its Clients, or any other person, to do any of (a), (b), ~~or~~(c) or (d) above.

[...]

### 13. INVESTIGATIONS INTO SUSPECTED ACTS OF MISCONDUCT

[...]

13.2 An Act of Misconduct is:

- (a) any violation or attempted violation of the Rules or participation in conduct by a third party which would be a violation or attempted violation of the Rules if that third party were subject to the Rules;

[...]

- (i) a failure to comply with a direction of the Exchange as to the apportionment of liability for the registration fee pursuant to the LME's complaints procedure; ~~and~~
- (j) entering an order in LME Select where the parties have beforehand engaged in Pre-Trade Communications, except as permitted in Regulation 2.2A of Part 3 of these Rules; and

any other matter of which the Exchange may, from time to time, publish by way of Notice.



## PART 3 – TRADING REGULATIONS

*New text is underlined, deleted text is showed as strikethrough.*

[...]

### 2.2 Contract Formation

[...]

2.2.3 An Agreed Trade shall constitute:

- (a) [...]
- (b) in the case only of a PTT Order, the agreement of the parties to Pre- Trade Execution Communications to initiate a Fixed Price Auction in respect of terms of a transaction that, were it to be matched pursuant to such Fixed Price Auction, would constitute an agreement within (a) above.

[...]

For the avoidance of doubt, the purpose of any reference in these Rules to an Agreed Trade falling within (b) above shall be to give rise to:

- (i) [...]; or
- (ii) where the Pre- Trade Execution Communications are made between a Registered Intermediary Broker and its Clients, an obligation on the RIB to (subject to the agreement of its Clients), submit the particulars of the IOM PTT Initiating Pair to the Matching System, for the purpose of obtaining the confirmation by the nominated Clearing Member(s) to the proposed Agreed Trade, and the consequent initiation of a Fixed Price Auction pursuant to which any PTT Orders may be made pre-trade transparent.

[...]

### **2.2A Pre-Trade Communications**

2.2A.1 Pre-Trade Communications:

- (a) shall be permitted in relation to Agreed Trades made in the inter-office market;
- (b) shall be permitted for PTT Orders; and
- (c) shall not be permitted in relation to Agreed Trades made in LME Select except where Members enter an order resulting from such communications in LME Select in accordance with one of the methods of crossing specified by the Exchange in Regulation 2.4A.

2.2A.2 Where Members engage in permitted Pre-Trade Communications, Members shall ensure that the price quoted for the potential or future Agreed Trade is at Fair Market Value.

2.2A.3 Where Pre-Trade Communications are permitted, a Member shall not:



- (a) engage in Pre-Trade Communications where to do so would breach market abuse legislation or any other applicable law or regulations;
- (b) disclose any information obtained in Pre-Trade Communications (or otherwise) or make any other use of such information or engage or attempt to engage in any other behaviour in breach of the Rules.

Breaches of relevant market abuse legislation or any other applicable laws or regulations shall constitute a breach of these Rules including as set out in Regulation 14.9.

#### 2.2A.4 Regulation 2.2A.1 shall not apply to:

- (a) communications between a Member and the Exchange; or
- (b) communications within a Member, provided that such communications comply with relevant market abuse legislation and any other applicable laws or regulations and the Rules.

[...]

## **2.4 Execution of trades in LME Select**

[...]

### **2.4A The Crossing Rule in LME Select**

2.4A.1 Members who have engaged in Pre-Trade Communications in compliance with Regulation 2.2A.1(c), shall enter the orders resulting from those communications into LME Select in accordance with the methods of crossing as specified by the Exchange from time to time in guidance published by Notice. For the purposes of complying with applicable pre-execution (price validation) checks, all orders entered on LME Select shall be entered at the clean price (that is net of commissions, credit charges and or fees).

2.4A.2 Members, who have crossed an Agreed Trade on LME Select in accordance with the methods of crossing specified by the Exchange, may subsequently submit an Agreed Trade for Execution in the inter-office market as permitted by Regulation 2.5A.3 (b).

2.4A.3 Regulations 12.3 and 12.4A(a), but only where these Regulations impose a duty on LME Select Participants to maintain the anonymity of LME Select trading activity, shall not apply where a LME Select Participant has entered an order into LME Select in accordance with a method of crossing as specified by the Exchange and has engaged in Pre-Trade Communications with another LME Select Participant prior to the cross. To be clear, a LME Select Participant remain bound at all times by the duty to maintain the confidentiality of the identity of its counterparty under Regulations 12.3 and 12.4A(a) including when making use of the Crossing Rule.

Regulation 2.4A shall be known as the ‘Crossing Rule’.

## **2.5 Execution of trades in the inter-office market**

2.5.1 Where an Agreed Trade is made in the inter-office market, otherwise than when it is made by a Registered Intermediating Broker, the following process shall apply.

- (a) Upon the agreement of an Agreed Trade in the inter-office market, the parties to the Agreed Trade shall become bound to a Contingent Agreement to Trade.



(b) The Contingent Agreement to Trade shall comply with Regulation 2.5A.

~~(b)(c)~~ The obligations of the parties to the Contingent Agreement to Trade shall be as specified in Trading Regulation 2.10 below.

[...]

2.5.2 Where an Agreed Trade is arranged in the inter-office market by a Registered Intermediating Broker, the following process shall apply:

(a) The Registered Intermediating Broker shall act as agent for each of its Clients, for the purposes of agreeing the Agreed Trade between such Clients.

(b) A Contingent Agreement to Trade shall comply with Regulation 2.5A.

~~(b)(c)~~ Upon agreement of the particulars of the Agreed Trade by each Client, the Registered Intermediating Broker shall, using the Matching System RIB Screen, submit such particulars to the Clearing Member nominated by each Client as being responsible for the clearing of the Contracts that will arise upon Execution of the Agreed Trade.

[...]

## **2.5A Minimum Volume Threshold (Execution of trades in the inter-office market)**

2.5A.1 An Agreed Trade subject to a Minimum Volume Threshold shall not and cannot be Executed in the inter-office market where it is below that Threshold. For the avoidance of doubt, an Agreed Trade may be executed in the inter-office market where it is subject to a Minimum Volume Threshold and it is equal to or above that Threshold.

2.5A.2 Members and Registered Intermediating Brokers cannot aggregate Agreed Trades to circumvent the prohibition in Regulation 2.5A.1, including without limitation:

(a) individual Agreed Trades from the same Client which have been aggregated where any such trade is below the Minimum Volume Threshold; or

(b) individual Agreed Trades from separate Clients which have been aggregated where any such trade is below the Minimum Volume Threshold; or

(c) an order from the same Client at or above the Minimum Volume Threshold which has been split into several orders where any of the resulting Agreed Trades are individually below the Minimum Volume Threshold;

For the avoidance of doubt, individual Agreed Trades may be aggregated pursuant to one of the exceptions set out in Regulation 3.12 (a) and (b) and executed in the inter-office market only where each component order of the Agreed Trade (including any adjustment of the Prompt Date under Regulation 3.12(b)) is equal to or above the Minimum Volume Threshold.

2.5A.3 Regulation 2.5A.1 shall not apply to an Agreed Trade in an LME Liquid Instrument where that Agreed Trade is below the Threshold and:

(a) where a Member wishes to trade with a Client, before submitting the Agreed Trade in the inter-office market, the Member shall have first executed an equivalent trade to the Agreed Trade in LME Select in the exact same instrument(s) in compliance with Regulation 3.12(b); or



- (b) where, before submitting the Agreed Trade for Execution in the inter-office market, the Member shall have first executed an Agreed Trade in LME Select in compliance with a method of crossing specified by the Exchange in Regulation 2.4A.

2.5A.4 The Exchange may specify one or more exemptions to the application of Regulation 2.5A.1 which it shall publish in guidance or otherwise from time to time.

2.5A.5 The Exchange may, in its sole discretion and in any circumstance, disapply Regulation 2.5A.1 on a temporary basis for any purpose, with immediate effect and at any point in time.

[...]

## **2.8 Pre-Execution Checks**

2.8.1 The Exchange and/or the Clearing House will conduct the following checks prior to allowing an Agreed Trade made in LME Select or the inter-office market to be Executed:

- (a) the Agreed Trade is for a valid Contract, including having a valid Prompt Date (if applicable);

[...]

(f) in respect of an Agreed Trade made in the inter-office market, the Agreed Trade complies with Regulation 2.5A;

(f)(g) the transaction details identifying the correct position keeping account(s) at the Clearing House to which the resulting Cleared Contracts should be allocated have been entered into the Matching System;

[...]

## **2.10 Contingent Agreement to Trade**

2.10.-1 A Contingent Agreement to Trade shall comply with Regulation 2.5A.

2.10.1 The terms of a Contingent Agreement to Trade shall be as set out below:

[...]

[...]

## **2.11 Give-Ups**

2.11.1 In the event that a Member agrees an Agreed Trade that is to be the subject of a give-up, such Member must comply with such technical, procedural and timing requirements as may be specified in Administrative Procedures, including any requirements relating to: (i) the specification of the accounts at the Clearing House to which the Cleared Contract(s) resulting from the Execution of the Agreed Trade should be allocated; and (ii) any subsequent cancellation or reversal of such Cleared Contract(s) upon acceptance of the give-up by another Clearing Member. For the avoidance of doubt, any Agreed Trade that is to be subject of a give-up shall comply with Regulation 2.5A.

[...]

## **2.12 Requirements for Registered Intermediating Brokers**

2.12.1 The following requirements apply to Registered Intermediating Brokers and Agreed Trades and Contracts arranged by Registered Intermediating Brokers.

2.12.2 Registered Intermediating Brokers shall be permitted to arrange Agreed Trades only in the inter-office market and if the Agreed Trades comply with Regulation 2.5A above. Registered



Intermediating Brokers shall not be permitted to arrange Agreed Trades in the Ring, or through the facilities of LME Select.

- 2.12.3 Registered Intermediating Brokers may not arrange, or submit to the Matching System, any Agreed Trade the execution of which would result in such Registered Intermediating Broker becoming a counterparty to any resulting Contract (including as a Client of any other Member).

[...]

## **2.15 Pre-Trade Transparency for inter-office market trades: Fixed Price Auction**

- 2.15.1 A Member must not make a PTT Order otherwise than pursuant to the initiation of a Fixed Price Auction, in accordance with the requirements of Regulation 2.15.8 below. For the avoidance of doubt, a PTT Order shall comply with Regulation 2.5A.
- 2.15.2 An Out of Scope Order or a PTT Exempt Order shall not be subject to the Pre-Trade Transparency Requirements and shall not be required to be made transparent pursuant to a Fixed Price Auction.

[...]

### **Pre-Trade Trade Execution Communications in relation to PTT Orders**

2.15.6 In the event that a Member:

- (a) enters into pre-execution communications with a Customer that is a Member, in relation to a trade for the Member's own account in the inter-office market; or
- (b) enters into pre-execution communications with a Customer that is not a Member, or receives a request for a quote from such a Customer for a trade that is not an order that is received for execution in the Ring or on LME Select pursuant to an order-routing facility and governed by Trading Regulations 2.7 or 12.9 to 12.15; or
- (c) is a Registered Intermediating Broker and receives a request for a quote from a Customer for a trade,

(such pre-trade execution communications or request for a quote, pursuant to (a) or (b) above, being a "**Pre-Trade Execution Communications**"), then such Member shall not, in the course of such Pre-Trade Execution Communications:

- (i) make a PTT Order; or
- (ii) in the case of a Registered Intermediary Broker, submit a PTT Order to the Matching System,

unless it first agrees to (or, in the case of a RIB, agrees with both of its Clients to) initiate a Fixed Price Auction, in accordance with the process set out in Regulation 2.15.8 below. For the purposes of this Rule 2.15, "**pre-execution communications**" shall mean communications for the purpose of discerning interest in the execution of a trade in a Contract in the inter-office market, prior to the agreement of an Agreed Trade.

2.15.7 [...]

## **2.15.8 The Fixed Price Auction**

The following process must be applied where matching PTT Orders (an "**IOM PTT Initiating Pair**") are received by the Matching System pursuant to Regulation 2.15.7 above.



[...]

(c) [...]

(ii) In the case of:

- (1) an IOM PTT Initiating Pair resulting from Pre- Trade Execution Communications falling within Regulation 2.15.6(a) above either or both of the Members that submitted the IOM PTT Initiating Pair may remove their side of IOM PTT Initiating Pair from the Matching System; and
- (2) an IOM PTT Initiating Pair resulting from Pre-Trade Execution Communications within Regulation 2.15.7(b) above, the Member that input both sides of the IOM PTT Initiating Pair may withdraw such IOM PTT Initiating Pair from the Matching System by withdrawing both sides of the IOM PTT Initiating Pair,

[...]

### 3. THE MATCHING SYSTEM AND RECORDING OF TRADES

[..]

#### 3.5 Deadlines

3.5.1 [...]

(c) where the Agreed Trade is made in the inter-office market and has been arranged by a Registered Intermediating Broker:

[...]

(iii) for the avoidance of doubt, where the Agreed Trade is comprised of PTT Orders, the time of "agreement" specified in (i) and (ii) above, shall be construed to mean the time that the Registered Intermediating Broker is in receipt of Pre- Trade Execution Communications that would, subject to the subsequent approval of the Clearing Member(s), constitute an IOM PTT Initiating Pair,

[...]

#### 3.7 Maintenance of Records

3.7.1 Every Trading Member and Registered Intermediating Broker shall keep such records, with such content and in such form, as may be required to demonstrate compliance by the Member with the Rules.

In particular, Trading Members shall keep accurate, complete and accessibly formatted records of all Agreed Trades and resulting Contracts and such records shall include the following details:-

(a) name of the other party;

[...]

(n) evidence of compliance with Regulations 2.2A, 2.4A and 2.5A;

[...]

#### 3.12 Agreed Trades as Gross Transactions



Each Member shall ensure that the details of each Agreed Trade arranged in the inter-office market that is input by or on behalf of the Member into the Matching System shall constitute the details of a single, distinct transaction, without the application of any netting, compression or aggregation by the Member of multiple transactions or Agreed Trades, except where:

- (a) the Member has aggregated Agreed Trades representing either multiple buy or multiple sell transactions (being transactions in the same direction) for a single Client and/or
- (b) where Agreed Trades representing multiple buy or multiple sell transactions (being transactions in the same direction) for a single Client have their Prompt Date adjusted to another date in compliance with the Rules and in particular Regulation 2.5A.

For the exceptions in (a) and (b) above to apply, a Member shall ensure that each Agreed Trade made in the inter-office market complies with Regulation 2.4A and Regulation 2.5A.

For the avoidance of doubt, this provision is without prejudice to the ability of a Member to participate in the OTC Backloading Service in accordance with the Matching Rules and the Clearing House Rules.

[...]

## **12. DEALINGS ON LME SELECT**

[...]

### **Order routing services (Direct Electronic Access)**

12.11 LME Select Participants offering order-routing facilities to Clients must:

- (a) comply with the relevant requirements under MiFID II regarding the provision of Direct Electronic Access services, as they apply to Direct Market Access and Sponsored Access arrangements (and in relation to Sponsored Access, including but not limited to, article 22 of the MiFID II Algorithmic Trading RTS);
- (b) ensure that Clients using their order-routing services comply with MiFID II and all relevant Rules, including without limitation ensuring that Clients only make use of the Crossing Rule as specified by the Exchange from time to time;
- (c) meet all of the applicable requirements prescribed by the Exchange for providing order-routing services, including conditions and requirements established by Notice, as amended by the Exchange from time to time; and
- (d) where relevant, observe the requirements relating to Members from jurisdictions other than the UK, specified by way of Notice in accordance with Regulation 12.6(j) of the Membership Regulations

[...]

# Blocks Guidance (draft)



# 1 Legal Disclaimer

This guidance is not part of Consultation 25/083 and is provided in proposed draft form to provide market users as much information as possible to understand how the introduction of Minimum Volume Thresholds (“MVT”) may be practically implemented and to assist Members and others in understanding the practical and operational impact of the implementation of the proposed changes. The LME may amend this guidance as and when necessary, at any point in time without further consultation. In the case of any discrepancies between the description of the Rules in this document and the Rules themselves, the Rules prevail.

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### 3 Introduction

As described in Consultation Notice 25/083 (the “**Consultation**”), the LME is consulting on a number of measures for which various additional supporting documentation will be made available. This document is a technical guidance document (the “**Blocks Guidance**”) and forms part of the supporting documentation and is provided to support market understanding of the proposed introduction of the minimum volume threshold rules (the “**MVT Rule**”) (also known as Block rules on other markets). It should be read in conjunction with the Consultation and reflects the discussions in the Block Working Group (“**BWG**”) and other broad market engagement. This guidance is being provided at an early stage to support the market in understanding how the MVT Rule may technically be delivered should the LME proceed with its introduction. Whilst the LME is not formally seeking specific views on the Blocks Guidance, the LME welcomes any views on the technical solutions proposed.

### 4 Scope

The proposed MVT Rule prohibits the execution in the inter-office market of Agreed Trades in instruments in scope of the MVT Rule which are below the MVT. The main exclusion to this rule is where a Member is trading with a Client and, before submitting the Agreed Trade for execution in the inter-office market, has executed an equivalent trade to the Agreed Trade (**Equivalent Trade to the Client Trade**) in LMEselect. This exception and other exemptions (described in section 6.1 and 6.2 below) will be identified and validated upon submission to LMEsmart by introducing a new set of Trade Category values which will be introduced in addition to the existing Trade Category values (see section 6.2 below). The LME will outline the specific instruments and thresholds to which the MVT Rule applies via Notice. The thresholds themselves will be applied per metal the calibration of which is described in section 5 below.

For the purpose of this document, trade scenarios are defined using similar descriptions used in the Consultation and Rulebook i.e. they describe an Agreed Trade as either being with a Client (**Client Trade**) or with another Member (**Member-Member inter-office Trade**) and, where the Client Trade is executed on LMEselect, it is described as the Equivalent Trade to the Client Trade. (See example ‘MVT Example 1’)

#### 4.1 In scope of the MVT Rule

The MVT Rule will apply to Agreed Trades submitted to LMEsmart that are:

- 1) Futures
- 2) Inter-office trades
- 3) Member-to-member trades
- 4) Member-to-client trades
- 5) Aluminium, Copper, Zinc, Nickel, and Lead futures
- 6) Monthly outright contracts out to month 6 initially

- 7) 3-month outright contract
- 8) Any spreads where both legs involve:
  - a. a monthly contract out to month 6 or
  - b. the 3-month contract
- 9) 'Current' or 'historic' Price Type

## 4.2 Out-of-Scope of the MVT Rule

This is not an exhaustive list of out-of-scope items but provides additional clarity for the avoidance of doubt.

The MVT will not apply to trades submitted to LMEsmart that are:

- 1) Trades executed on the Ring or LMEselect
- 2) Daily prompt dates (outright)
- 3) Spreads where one leg is a daily prompt or cash
- 4) Any spreads where one or more legs is not a monthly or a 3-month
- 5) Cash outright contracts
- 6) Tin, Cobalt, Alloy, NASAAC, Cash settled futures, premiums, Options, TAPOs, MAFs
- 7) Cancels and reversal/corrections
- 8) 'Historic' Price Type
- 9) The following trade categories and post-trade functions:
  - a. Give-Up Executor/Give-Up Clearer trades
  - b. OTC Bring On
  - c. OTC Take Off
  - d. Financing
  - e. Exception Reportable
  - f. Exception Non-Reportable
  - g. Transfer

MVT criteria will be applied prior to the assessment of the pre-trade LIS thresholds the logic for which will be unaffected by the implementation of MVT.

## 5 MVT Calibration

The initial calibration of MVT has been determined by analysing the volume, the bid ask spreads and top of book liquidity for the contracts for which the thresholds are being applied. This analysis, and Member feedback, has been used to determine the calibration of the MVT across the various metals.

The LME will continue to develop its thinking relating to the calibration of MVT and will monitor markets with a view to any possible recalibration of the MVT at least every 12 months, with the possibility for ad hoc review should it be deemed appropriate.

## 6 MVT Rule

The MVT Rule will prohibit the execution in the inter-office market of Agreed Trades in instruments in scope of the MVT which are below the MVT except where a Member is trading with a Client and, before submitting the Client Trade for execution in the inter-office market, has executed an

Equivalent Trade to the Client Trade in LMEselect in the exact same instrument or a set of instruments the combination of which results in a position equivalent to the Client Trade, or, where other exemptions to this rule apply (see section 6.2 below).

An Agreed Trade would only be capable of execution in the inter-office market if:

- it is in scope of the MVT Rule and is equal to or above the MVT (see '*MVT Example 2*')  
OR
- it is in scope of the MVT Rule and is below the MVT but benefits from an exception (described further in section 6.1 below)  
OR
- it is in scope of the MVT Rule and is below the MVT but benefits from an exemption (described further in section 6.2 below)  
OR
- it is out of scope of the MVT Rule (see '*MVT Example 3*')  
OR
- the MVT Rule have been expressly disapplied by the LME on a temporary basis, for instance because of an operational issue with LMEselect (described further in section 6.2.6.3 and 6.2.6.4 below).

For trades in scope of the MVT Rule, Members and RIBs would be prohibited from aggregating their trades to meet or exceed the MVT threshold.

For a partial fill in the inter-office market (where the Equivalent Trade to the Client Trade has not been executed on LMEselect), the partial fill must adhere to the MVT Rule

For examples and further description of aggregation and partial fills see section 6.3 and 6.4 below.

## **6.1 Exceptions**

As described above, there will be two exceptions to the application of the MVT Rule:

### **6.1.1 Executing an Equivalent Trade to the Client Trade in LMEselect**

Where a Member agrees a trade with a Client and the Member has executed an Equivalent Trade to the Client Trade against resting order(s) in LME Select in the exact same instrument(s) (the combination of which results in a position equivalent to the Client Trade), the Member can submit the Client Trade on LMEsmart.

To allow the LME to identify these trades for circumvention of the MVT Rule, the Client Trade must be submitted with the Trade Category 'Normal' and the Venue 'Select' (see '*MVT Example 4*').

### **6.1.2 Crossing an Equivalent Trade to the Client Trade in LMEselect**

Where a Member agrees a trade with a Client and the Member has executed an Equivalent Trade to the Client Trade in LME Select in compliance with a specified method of crossing (see Crossing Rules) in the exact same instrument(s) (the combination of which results in a position equivalent to the Client Trade), the Member can submit the Client Trade on LMEsmart.

To allow the LME to identify these trades for circumvention of the MVT Rule, the Client Trade must be submitted with the Trade Category 'Normal' and the Venue 'Select' (See 'MVT Example 5').

## 6.2 Exemptions

The LME has identified a number of specific use cases where the application of the MVT Rule will be subject to a number of technical exemptions where below MVT trades will be allowed to be submitted to LMEsmart. Consequently, the LME is proposing to introduce a set of new Trade Categories to allow the identification of these exemptions. LMEsmart will reject upon submission any trades submitted that are within scope of the MVT Rule and do not benefit from an exemption (See 'MVT Example 6 & 7').

### 6.2.1 Trade Categories

A new set of trade categories will be introduced to allow for the submission of trades that are exemptions to the MVT Rule. These will be in addition to the existing trade categories. All trade categories are defined in section 14 of the Matching Rules and a summary is provided in the Appendix of this document.

These new trade categories will give the LME sufficient detail upon submission to LMEsmart to allow the identification of trades that are within scope of the MVT Rule but which will benefit from an exemption.

The following table provides a summary of the proposed new trade categories.

Trade Category	Description of Exemption
ETR Allocation	To be used where the Member has executed an Equivalent Trade(s) to the Client Trade(s) in the exact same instrument(s) on LME Select and the Members operational processes require the trade to be booked with Venue Inter-office
Option Delta Hedge	To be used to identify an option delta hedge booked alongside an option, where that future is below MVT.
Strip	To be used to identify a Strip trade where one or more legs has a volume below MVT.
IOT Allocation	To be used for sub-allocations of the Client trade which are split across more than one sub-account of the same client <i>(Note: This should not be used for an Inter-office allocation where the original Equivalent Trade to the Client Trade was below MVT)</i>
MVT Exempt	To be used: <ol style="list-style-type: none"> <li>1) in relation to various scenario not covered by the Trade Categories above<sup>1</sup></li> <li>2) when LMEselect is closed</li> <li>3) when LMEselect is unavailable for any other reason</li> <li>4)</li> </ol>

1 – See section 6.2.6 for additional examples

### **6.2.2 Trade Category - ETR Allocation**

Trade Category 'ETR Allocation' has been added to allow Members who have executed the Equivalent Trade to the Client Trade in LMEselect to book Client Trades in LMEsmart which are below MVT but where the Member's business processes require the Venue to be populated with "Inter-office". In these instances, the Member can use the Trading Category 'ETR Allocation' on the Client Trade submitted to LMEsmart. This will allow the LME to monitor that the Equivalent Trade to the Client Trade has been executed on LMEselect and is an exemption to the MVT Rule. (See example '*MVT Example 8, 9, & 10*)

### **6.2.3 Trade Category – Option Delta Hedge**

Trade Category 'Option Delta Hedge' has been added to allow Members to submit in LMEsmart the futures delta hedge of an option delta hedge trade below MVT. In these instances, the Member can use the Trade Category of 'Option Delta Hedge' on the futures delta hedge submitted to LMEsmart. (See example '*MVT Example 11*'). This allows the LME to monitor the trade as an exemption.

### **6.2.4 Trade Category - Strip**

Trade Category 'Strip' has been added to allow Members to submit a strip trade in LMEsmart where one or more individual leg volumes are below the MVT. (See example '*MVT Example 12*')

A Strip will be defined as more than two legs where each leg is a 3<sup>rd</sup> Wed in the same metal in ascending order in the same direction. The legs of a Strip do not have to be the same price or volume or consecutive. See table below for examples of valid and invalid strips.



Description	Leg 1	Leg 2	Leg 3	Leg 4	Valid Strip	Rationale
<2 legs, ascending order, same direction	Buy Jun25 Vol: 11	Buy Jul25 Vol: 11	Buy Aug25 Vol: 11	-	✓	A valid strip but outside the scope of MVT as all leg volumes are above the MVT
<2 legs, ascending order, same direction	Buy Mar25 Vol: 2	Buy Apr25 Vol: 3	Buy Jun25 Vol: 4	Buy Jul25 Vol: 5	✓	A valid strip and in scope of MVT as at least one leg vol is below MVT. Trade Category 'Strip' should be used.
<2 legs, ascending order, same direction	Buy Mar25 Vol: 9	Buy May25 Vol: 12	Buy Jun25 Vol: 12	Buy Jul25 Vol: 13	✓	A valid strip and in scope of MVT as at least one leg vol is below MVT. Trade Category 'Strip' should be used.
<2 legs, ascending order, same direction	Buy Mar25 Vol: 3	Buy Jun25 Vol: 3	Buy 25 Vol: 3	-	✓	A valid strip and in scope of MVT as at least one leg vol is below MVT. Trade Category 'Strip' should be used.
<2 legs, ascending order, same direction	Q2 Average (Apr25) Vol: 5 Price 9000	Q2 Average (May25) Vol: 5 Price 9005	Q2 Average (Jun25) Vol: 5 Price 9010	-	✓	A valid strip and in scope of MVT as at least one leg vol is below MVT. Trade Category 'Strip' should be used.
<2 legs, not ascending order, same direction	Buy Jun25 Vol: 2	Buy Aug25 Vol: 5	Buy Jan26 Vol: 2	Buy Dec25 Vol: 5	✗	Invalid - the legs are not in ascending order
<2 legs, ascending order, not same direction	Buy Jun25 Vol: 5	Sell Jul25 Vol: 8	Buy Aug25 Vol: 10	-	✗	Invalid - the legs are not all in the same direction
Not <2 legs, ascending order, same direction	Buy Jun25 Vol: 10	Buy Jul25 Vol: 10	-	-	✗	Invalid - there are only 2 legs



### 6.2.5 Trade Category – IOT Allocation

The Trade Category 'IOT Allocation' should be used where the Equivalent Trade to the Client Trade has been executed inter-office above the MVT and the Member is splitting the Client Trade across several sub-accounts of the same client below MVT. (See example '*MVT Example 13*')

Trade Category 'IOT Allocation' should **not** be used where the Equivalent Trade to the Client Trade has been executed inter-office below the MVT and the Member is splitting the Client Trade across several sub-accounts of the same client below MVT as the Equivalent Trade to the Client Trade is below MVT. This would be in breach of the MVT Rules. (See example '*MVT Example 14*')

Trade Category 'IOT Allocation' should **not** be used where the Equivalent Trade to the Client Trade has been executed on LMEselect above or below the MVT and the Member is splitting the Client Trade across several sub-accounts of the same client below MVT. This would be in breach of the MVT Rules. In this instance the Member should use the Trade Category 'ETR Allocation'. (See example '*MVT Example 15*')

Trade Category 'IOT Allocation' should **not** be used for Member-to-Member trades. This would be in breach of the MVT Rules. Such trades will be rejected upon submission to LMEsmart. (See example '*MVT Example 16*')

### 6.2.6 Trade Category - MVT Exempt

The Trade Category MVT Exempt should be used in the following situations:

1. For trades that are below the MVT but where the execution in the inter-office market is exempt from the MVT Rule:
  - a. Cash and Adjust (See example below)
  - b. MOC (See example below)
2. For trades that are below the MVT between 19:00 and 20:00 when LMEselect is unavailable. (See example below)
3. If LMEselect is unavailable for any other reason (See example below)

The following examples provide additional detail regarding business scenarios where the trade category MVT Exempt would be used:

#### 6.2.6.1 Cash and Adjust

The Trade Category 'MVT Exempt' should be used when a client executes a trade in the Cash prompt in the Ring below MVT threshold and requests an adjustment to a future tenor that is in scope of MVT Rule. (See example '*MVT Example 17*')

#### 6.2.6.2 Market on Close

The Trade Category 'MVT Exempt' should be used when a client trades an adjustment basis the close below MVT (See example '*MVT Examples 18 to 23*')

### 6.2.6.3 LMEselect Closed

LMEsmart is open outside the opening hours of LMEselect. In these instances, Members are unable to execute the Equivalent to the Client trade on LMEselect and so can use the Trade Category 'MVT Exempt' to submit below MVT trades in LMEsmart. (See example '*MVT Example 24*')

### 6.2.6.4 LMEselect Unavailable

If LMEselect is unavailable for any reason and the MVT Rules have not been disappplied by the LME, the Member will be unable to execute the Equivalent Trade to the Client Trade on LMEselect. In these circumstances the Member can use the Trade Category 'MVT Exempt' to submit below MVT trades in LMEsmart. (See example '*MVT Example 25*')

## 6.3 Aggregation

As described in the updated Rulebook, individual Agreed Trades may be aggregated pursuant to one of the exceptions set out in Regulation 3.12 (a) and (b) and executed in the inter-office market only where each component order of the Agreed Trade (including any adjustment of the Prompt Date under Regulation 3.12(b)) is equal to or above the Minimum Volume Threshold.

For clarification, the following examples give some further details of aggregation that are allowed:

- 1) Aggregated trades from the same Client where Equivalent Trades to the Client Trades have been executed on LMESelect representing either multiple buy or multiple sell transactions (being transactions in the same direction) aggregated above block and booked into the Client account ✓ (See example '*MVT Example 26*')
- 2) Client trading DEA aggregating multiple buy or sell transactions (being transactions in the same direction) aggregated above block and booked into the Client account ✓ (See example '*MVT Example 27*')
- 3) Aggregated trades from the same Client executed Inter-office (each individual trade or fill must be above MVT) and aggregated above block and booked into the Client account ✓ (See example '*MVT Example 28*')
- 4) Client executes a number of trades in one prompt in one direction (e.g. 3month, adhering to the MVT Rule) then adjusts the aggregate volume to another prompt (the adjustment spread trade must be above MVT) and booked into the Client account ✓ (See example '*MVT Example 29*')

For clarification, the following give some further examples of aggregation that are NOT allowed:

- 1) A number of below MVT Inter-office trades aggregated (the total being above or below MVT) and booked into the Client account ✗ (See example '*MVT Example 30*')
- 2) Client executes a number of trades in one prompt in one direction (e.g. 3month, in-breach of the MVT Rule) then adjusts the aggregate volume to another prompt (where the adjustment spread trade is above or below MVT) and booked into the Client account ✗ (See example '*MVT Example 31*')

- 3) Individual Agreed Trades from separate Clients which have been aggregated where any such trade is below the MVT ✘ (See example '*MVT Example 32*')

#### **6.4 Partial fill in the inter-office market**

Members can partially execute Client orders above or below the MVT on LMEselect on an agency basis. Members can also partially execute Client orders above the MVT Inter-office on an agency basis. However, Members cannot partially execute Client orders below the MVT Inter-office on an agency basis – these would need to be executed on LMEselect. See example '*MVT Example 33*')

#### **6.5 Crossing Trade Identification**

Members should ensure that the Client Account Code, Order Origination Trader and any other required fields are correctly populated on the client side of the cross to ensure these trades can be identified as cross trades.

#### **6.6 Linking Trade Components**

Linking trade components refers to the linkage between the Client Trade(s) submitted to LMEsmart and the Equivalent Trade(s) to the Client Trade(s) executed on LMEselect. (See example '*MVT Example 34*')

The LME is not at this point mandating how participants link trades, but Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent Trade to the Client Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange (as described in *insert section* of the LME Matching Rules).

In the future the LME may look to mandate trade linking and may use either an existing field such as the TradeLinkID field which exists for this purpose for Members for whom the LME must transaction report or introduce a new field to facilitate this.

## 7 Appendix

### 7.1 Abbreviations

Name	Description
BWG	Block Working Group
IO	Inter-office
TC	Trade Category
MVT	Minimum Volume Threshold
MOC	Market on Close

### 7.2 Venue Field Description

#### 7.2.1 LMEsmart Fix Spec defines the VenueID as:

- 0 – Inter-office
- 1 – Ring
- 2 – Select
- 3 – Basis Ring

#### 7.2.2 LMEsmart GUI defines Venue as:

- Telephone (equivalent to Inter-office)
- Ring
- Select

### 7.3 Example Diagrams

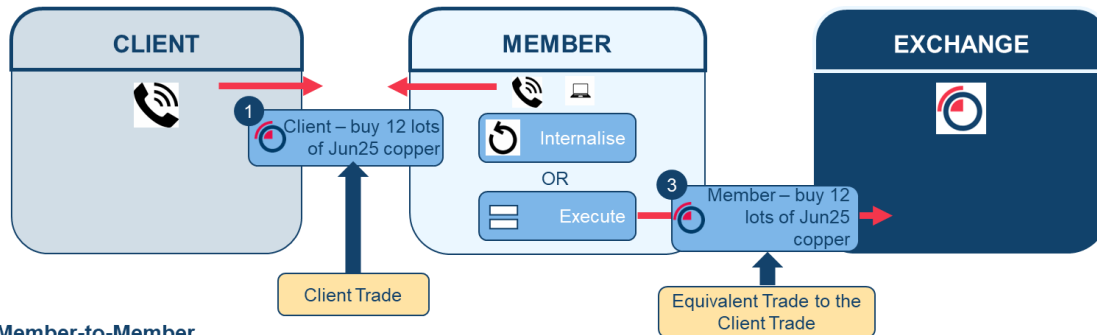
#### Section 4: Scope Example

# MVT Example 1

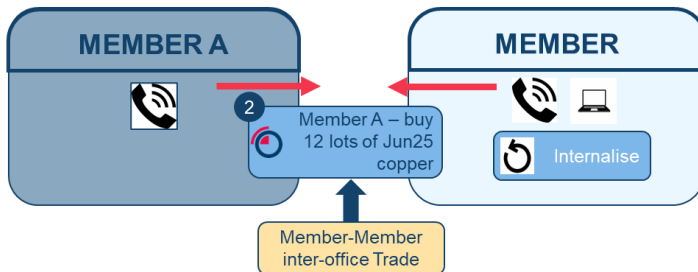
## Example of an Agreed Trade and an Equivalent Trade to the Client Trade

An Agreed Trade can be with a Client ① (described as the "Client Trade"), or with another Member ② (which is described as the "Member-Member" inter-office Trade). These are booked in LMEsmart. The execution of an Agreed Trade with a Client on LMEselect ③ is described as the "Equivalent Trade to the Client Trade".

### Member-to-Client



### Member-to-Member

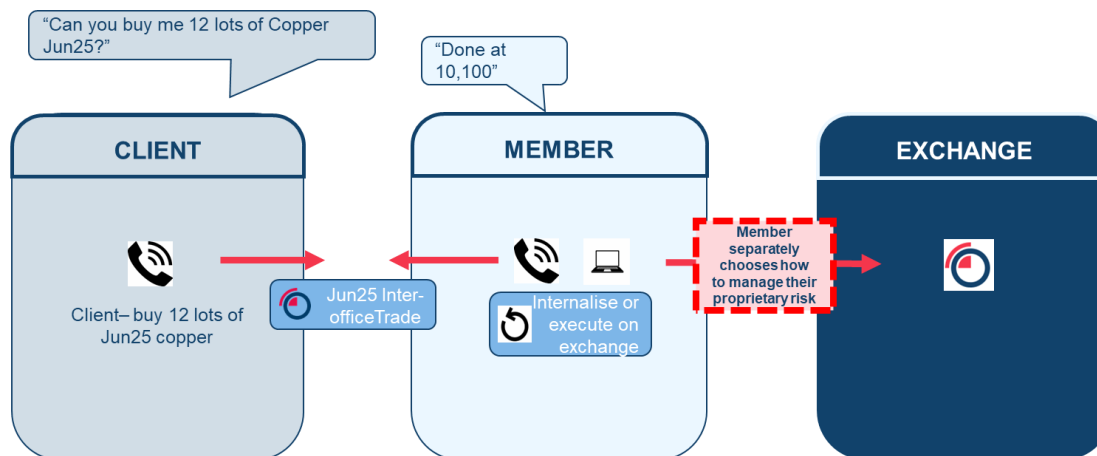


## Section 6: MVT Rule Examples (section 6)

# MVT Example 2

## In scope of the MVT Rule and the Agreed Trade is above MVT

Example: Executing the monthly in Copper in a size above MVT<sup>1</sup>



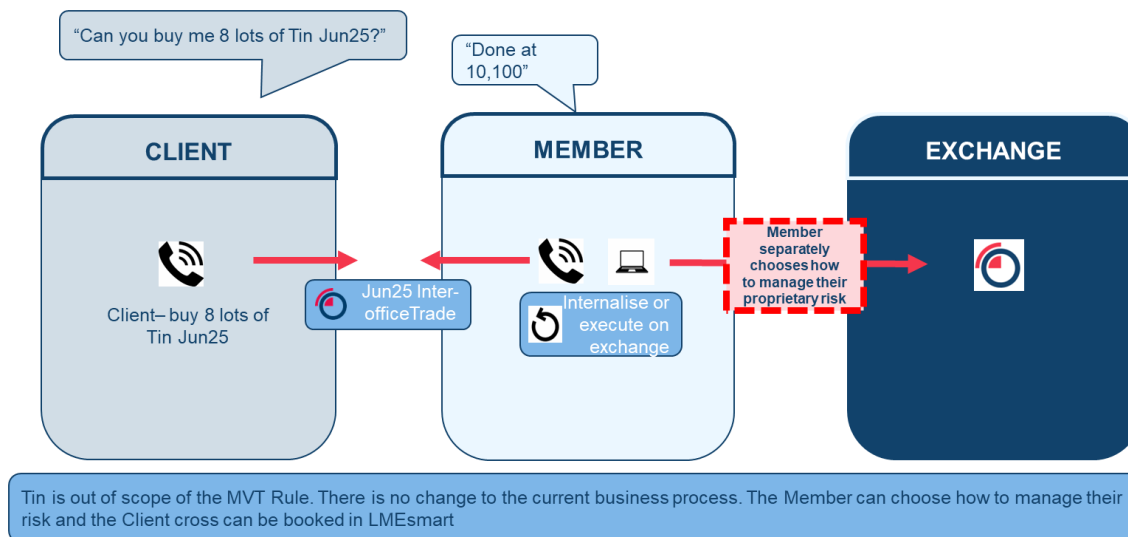
Copper Jun25 is in scope of the MVT Rule but the volume of the Agreed Trade is above the MVT. There is no change to the current business process. The Member can choose how to manage their risk and the Client Trade can be booked in LMEsmart

1 - MVT is assumed to be 10 for the purpose of this example

## MVT Example 3

A contract and/or maturity out of scope of the MVT Rule

Example: Executing a monthly in Tin



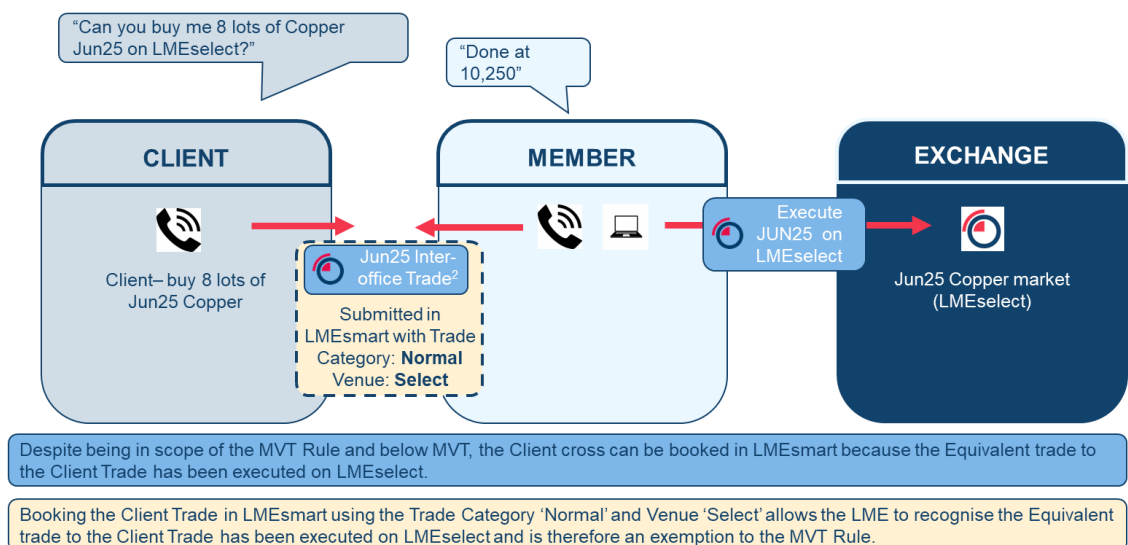
## Section 6.1: Exceptions

### Section 6.1.1: Executing an Equivalent Trade to the Client Trade in LMEselect Examples

## MVT Example 4

Executing an Equivalent Trade to the Client Trade on LMEselect using the Trade Category 'Normal'

Example: Executing the monthly in Copper below the MVT<sup>1</sup> where the Equivalent trade to the Client Trade has been executed on LMEselect and the Client Trade has been booked in LMEsmart using the Trade Category 'Normal' and Venue 'Select'.



1 - MVT is assumed to be 10 for the purpose of this example

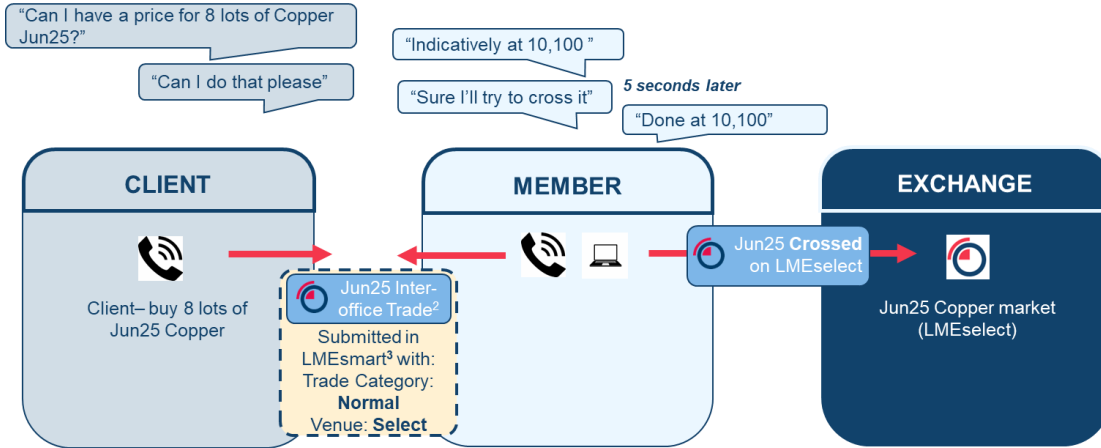
2 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent Trade to the Client Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange

## Section 6.1.2: Crossing an Equivalent Trade to the Client Trade in LMEselect Examples

### MVT Example 5

#### Crossing an Equivalent Trade to the Client Trade on LMEselect using the Trade Category 'Normal'

Example: Executing the monthly in Copper below MVT<sup>1</sup> where the Equivalent trade to the Client Trade has been Crossed on LMEselect and the Client Trade has been booked in LMEsmart using the Trade Category 'Normal'<sup>1</sup> and Venue 'Inter-office'.



Despite being in scope of the MVT Rule and below MVT, the Client trade can be booked in LMEsmart as the Equivalent trade to the Client Trade has been executed on LMEselect.

Booking the Client Trade in LMEsmart using the Trade Category 'Normal' and Venue 'Select' allows the LME to recognise the Equivalent trade to the Client Trade has been executed on LMEselect and is therefore an exemption to the MVT Rule.

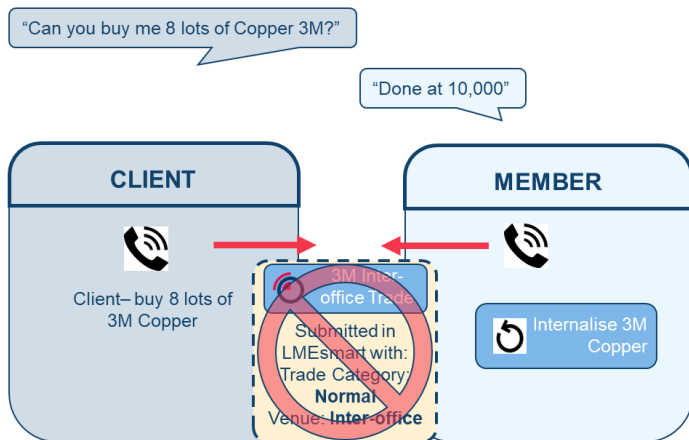
1 - MVT is assumed to be 10 for the purpose of this example  
 2 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent Trade to the Client Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange  
 3 - The client cross can be booked with embedded commission

## Section 6.2: Exemptions

### MVT Example 6

#### Trade Category Normal - Rejection

Example: Executing 3M in Copper below the MVT<sup>1</sup> where the Equivalent trade to the Client Trade has been internalised and the Client Trade has been booked in LMEsmart using the Venue 'Inter-office' and Trade Category 'Normal'.



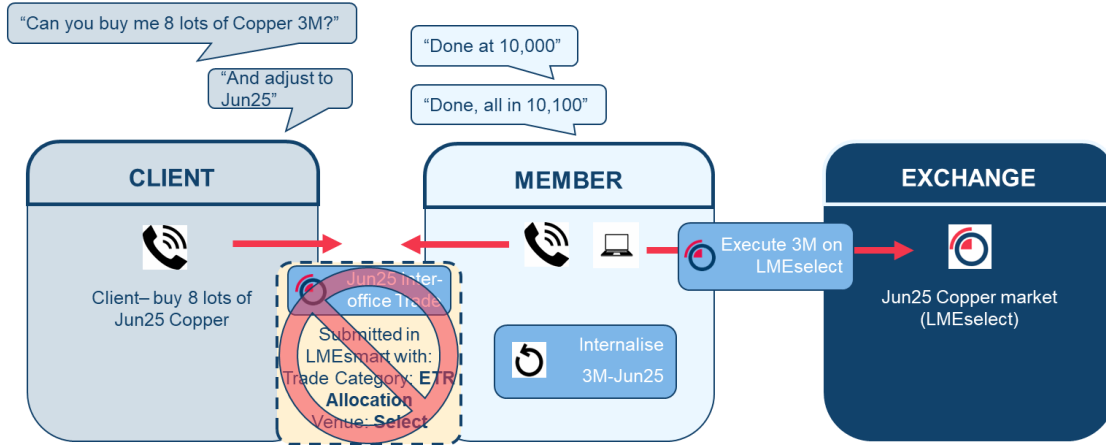
'Normal' Trade Category cannot be used because the Equivalent Trades to the Client Trade was not executed on LMEselect. This will be rejected upon submission to LMEsmart.

1 - MVT is assumed to be 10 for the purpose of this example

# MVT Example 7

## Trade Category ETR Allocation - Rejection

Example: Working the 3M then adjusting in Copper below MVT<sup>1</sup> where not all of the Equivalent trades to the Client Trades (3M and 3M-Jun25) have been executed on LMEselect and the Client Trade has been booked in LMEsmart using the Trade Category 'ETR Allocation'.



ETR Allocation trade category cannot be used because not all of the equivalent trades to the client trade have been executed on LMEselect.

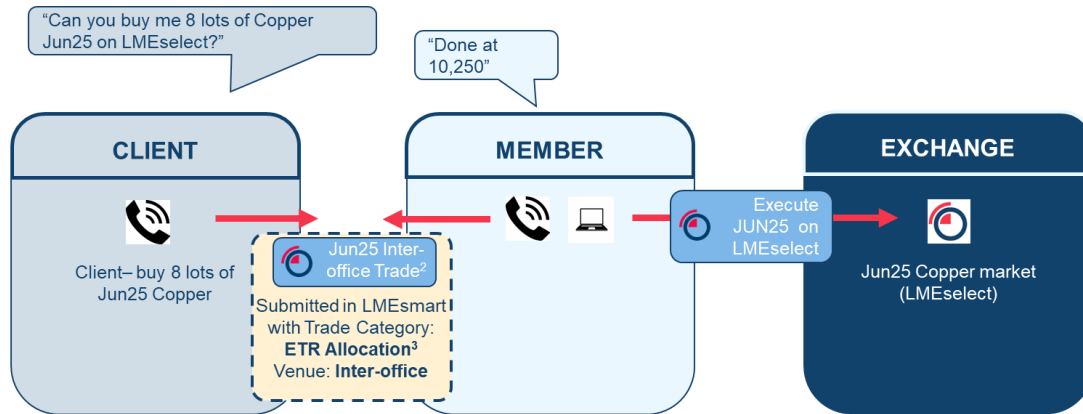
1 - MVT is assumed to be 10 for the purpose of this example

## Section 6.2.2 Trade Category – ETR Allocation

# MVT Example 8

## Executing an Equivalent Trade to the Client Trade on LMEselect using Trade Category 'ETR Allocation'

Example: Executing the monthly in Copper below the MVT<sup>1</sup> where the Equivalent trade to the Client Trade has been executed on LMEselect and the Client Trade has been booked in LMEsmart using the Venue 'Inter-office' and Trade Category 'ETR Allocation'.



Despite being in scope of the MVT Rule and below MVT, the Client cross can be booked in LMEsmart as the Equivalent trade to the Client Trade has been executed on LMEselect.

Booking the Client Trade in LMEsmart using the Trade Category 'ETR Allocation' allows the LME to recognise the Equivalent trade to the Client Trade has been executed on LMEselect and is therefore an exemption to the MVT Rule despite the Venue being populated as 'Inter-office'.

1 - MVT is assumed to be 10 for the purpose of this example

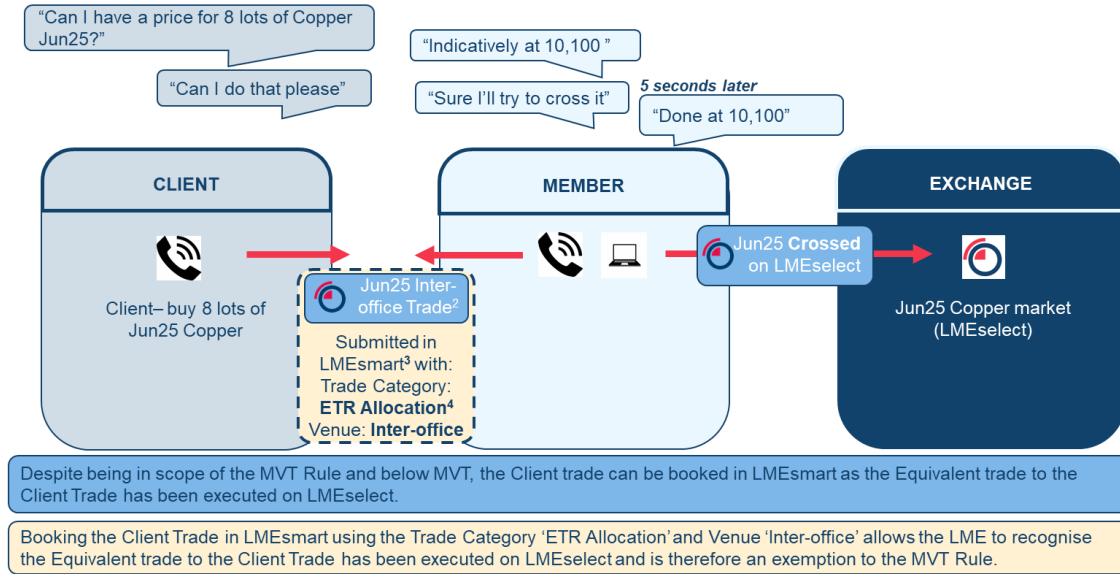
2 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent Trade to the Client Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange

3 - Trade Category 'ETR Allocation' can only be used where Venue is 'Inter-office'. Venue 'Select' and Trade Category 'ETR Allocation' will be rejected upon submission

# MVT Example 9

## Crossing an Equivalent Trade to the Client Trade on LMEselect using Trade Category 'ETR Allocation'

Example: Executing the monthly in Copper below MVT<sup>1</sup> where the Equivalent trade to the Client Trade has been Crossed on LMEselect and the Client Trade has been booked in LMEsmart using the Trade Category 'Normal'<sup>1</sup> and Venue 'Inter-office'.

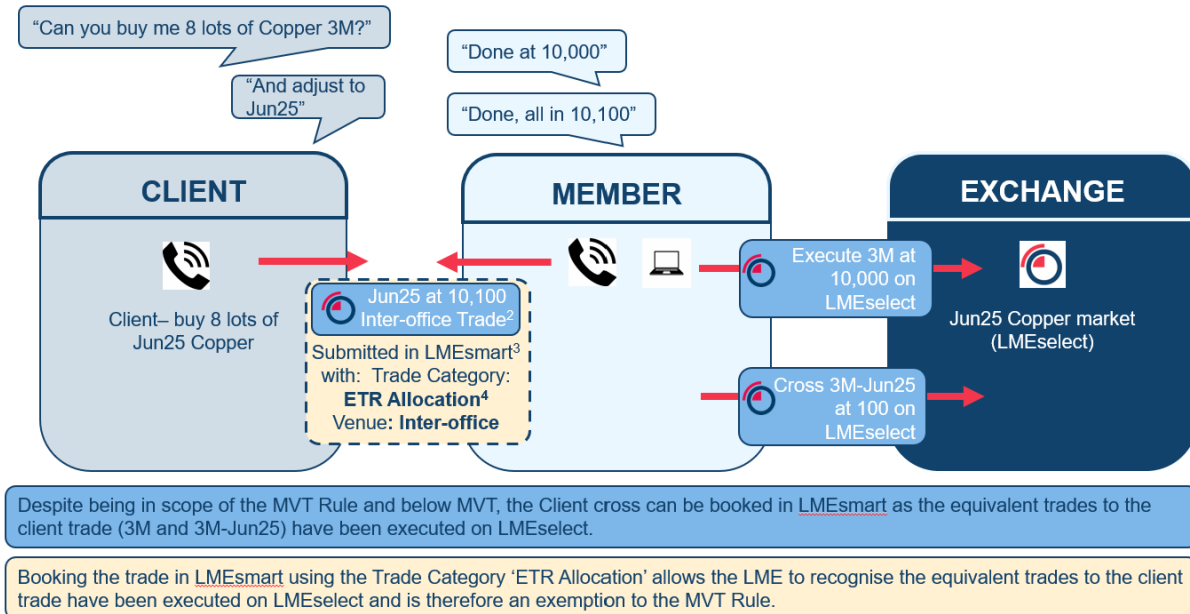


1 - MVT is assumed to be 10 for the purpose of this example  
 2 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent Trade to the Client Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange  
 3 - The client cross can be booked with embedded commission  
 4 - Trade Category 'ETR Allocation' can only be used where Venue is 'Inter-office. Venue 'Select' and Trade Category 'ETR Allocation' will be rejected upon submission

# MVT Example 10

## Executing an adjustment using Trade Category - ETR Allocation

Example: Working the 3M in Copper below MVT<sup>1</sup> then adjusting where the Equivalent Trades to the Client Trade (3M and 3M-Jun25) have been executed or crossed on LMEselect and the Client Trade has been booked in LMEsmart using the Trade Category 'ETR Allocation'.



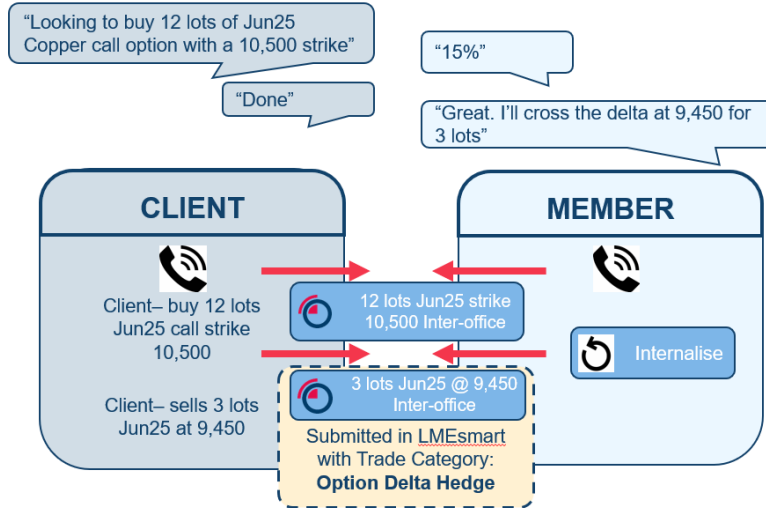
1 - MVT is assumed to be 10 for the purpose of this example  
 2 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent Trade to the Client Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange  
 3 - The client cross can be booked with embedded commission  
 4 - Trade Category 'ETR Allocation' can only be used where Venue is 'Inter-office. Venue 'Select' and Trade Category 'ETR Allocation' will be rejected upon submission

## Section 6.2.3 Trade Category – Option Delta Hedge Examples

### MVT Example 11

#### Trade Category – Option Delta Hedge

Example: Executing an options trade in [LMEsmart](#) where the futures hedge is below MVT<sup>1</sup> using the Trade Category 'Option Delta Hedge'



Client Trades which are the futures delta hedge of an option delta hedge can be booked in [LMEsmart](#) below the MVT by using the Trade Category 'Option Delta Hedge'

Booking the trade in [LMEsmart](#) using the Trade Category 'Option Delta Hedge' allows the LME to recognise the trade as an exemption to the MVT Rule.

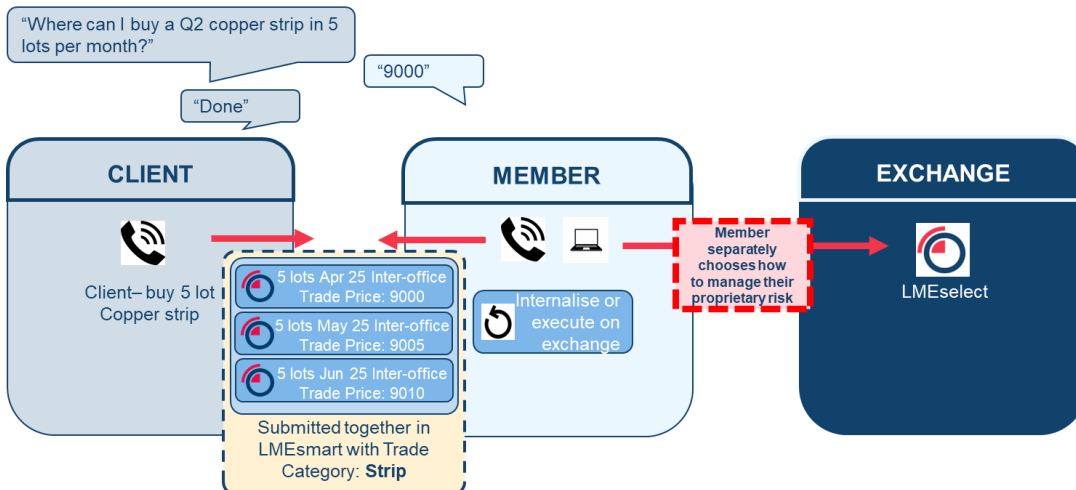
1 - MVT is assumed to be 10 for the purpose of this example

## Section 6.2.4: Trade Category - Strips Examples

### MVT Example 12

#### Trade Category – Strip

Example: Booking a Copper strip in [LMEsmart](#) with leg volumes below MVT<sup>1</sup> using the Trade Category 'Strip'.



Strips where one or more individual leg volumes are below the MVT can be submitted in [LMEsmart](#) as individual submissions using the Trade Category 'Strip'

Booking the trade in [LMEsmart](#) using the Trade Category 'Strip' allows the LME to recognise the trade as an exemption to the MVT Rule.

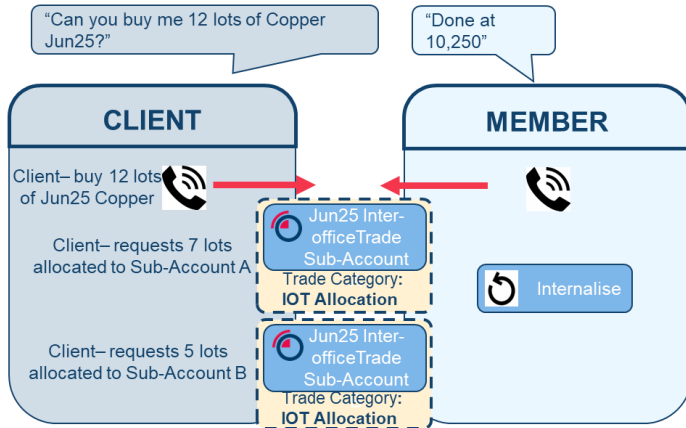
1 - MVT is assumed to be 10 for the purpose of this example

## Section 6.2.5 Trade Category - Allocations Split Examples

### MVT Example 13

#### Trade Category – IOT Allocation

Example: Executing the monthly in Copper below MVT<sup>1</sup> where the Equivalent trade to the Client Trade has been traded inter-office above MVT and the Client asked for the Trade to be split across 2 sub-accounts of the same Client below MVT and the subsequent below MVT Client Trades are booked in LMEsmart with the Trade Category 'IOT Allocation'.



Despite being in scope of the MVT Rule and below MVT, the Client crosses can be booked in LMEsmart as the Equivalent trade to the Client Trade is above MVT.

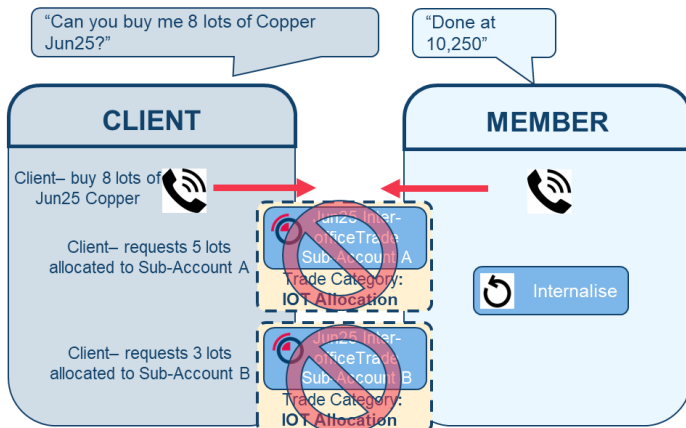
Booking the trade in LMEsmart using the Trade Category 'IOT Allocation' allows the LME to recognise the Equivalent trade to the Client Trade is above MVT and therefore the below MVT allocations are exempt from the MVT Rule.

1 - MVT is assumed to be 10 for the purpose of this example

### MVT Example 14

#### Trade Category – IOT Allocation

Example: Executing the monthly in Copper below MVT<sup>1</sup> where the Equivalent trade to the Client Trade has been traded Inter-office below MVT and the Client asked for the Trade to be split across 2 sub-accounts of the same Client below MVT.



The buy of 8 lots of Copper should be traded on LMEselect as it is below the MVT and booked using the Trade Category ETR Allocation to indicate the Equivalent Trade to the Client Trade was executed on LMEselect.

These trades should not be booked in LMEsmart as the Equivalent trade to the Client Trade is below MVT and is in scope of the MVT Rule.

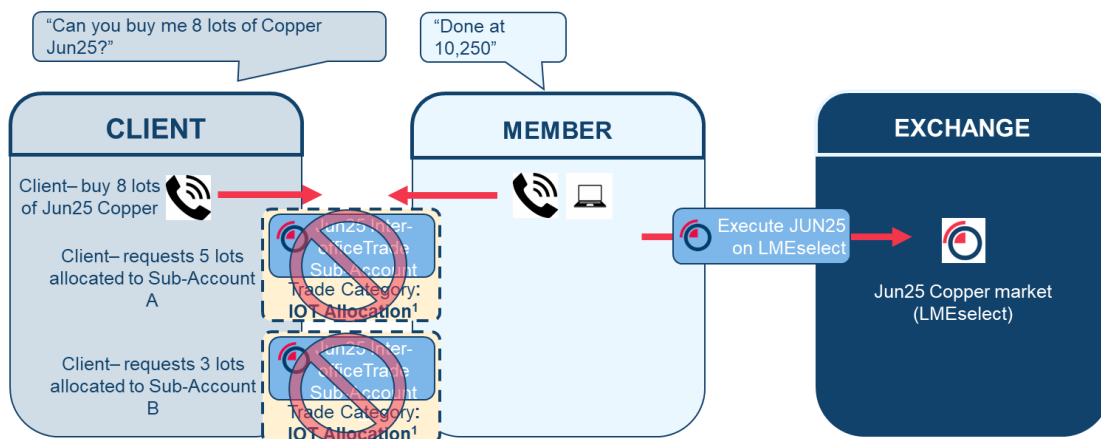
Booking the trade in LMEsmart using the Trade Category 'IOT Allocation' is not allowed as the Equivalent trade to the Client Trade is below MVT and is in scope of the MVT Rule.

1 - MVT is assumed to be 10 for the purpose of this example

# MVT Example 15

## Trade Category – IOT Allocation

Example: Executing the monthly in Copper below MVT<sup>1</sup> where the Equivalent trade to the Client Trade has been traded on LMEselect above or below MVT (this example shows below) and the subsequent below MVT Client Trades are booked in LMEsmart with the Trade Category 'IOT Allocation' (as the Client asked for the Trade to be split across 2 sub-accounts of the same Client below MVT).



These trades should be booked using Venue 'Select' and Trade Category 'Normal' or Venue 'Inter-office' and Trade Category 'ETR Allocation'.

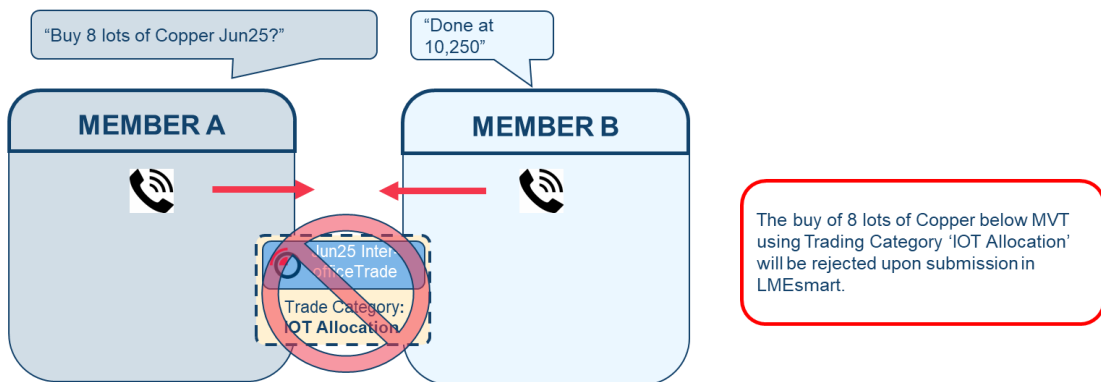
Booking the trade in LMEsmart using the Trade Category 'IOT Allocation' where the Equivalent Trade to the Market Trade has been executed on LMEselect is not allowed.

1 - MVT is assumed to be 10 for the purpose of this example

# MVT Example 16

## Trade Category – IOT Allocation

Example: Member trading with another Member below MVT<sup>1</sup> and then booking the Agreed trade in LMEsmart with Trade Category 'IOT Allocation'.



The buy of 8 lots of Copper below MVT using Trading Category 'IOT Allocation' will be rejected upon submission in LMEsmart.

Below MVT Member to Member trades should not be booked using the Trade Category 'IOT Allocation'. These will be rejected upon submission in LMEsmart.

Booking Member-to-Member trades in LMEsmart using the Trade Category 'IOT Allocation' is not allowed and will be rejected upon submission in LMEsmart.

1 - MVT is assumed to be 10 for the purpose of this example

## Section 6.2.6: Trade Category - MVT Exempt Examples

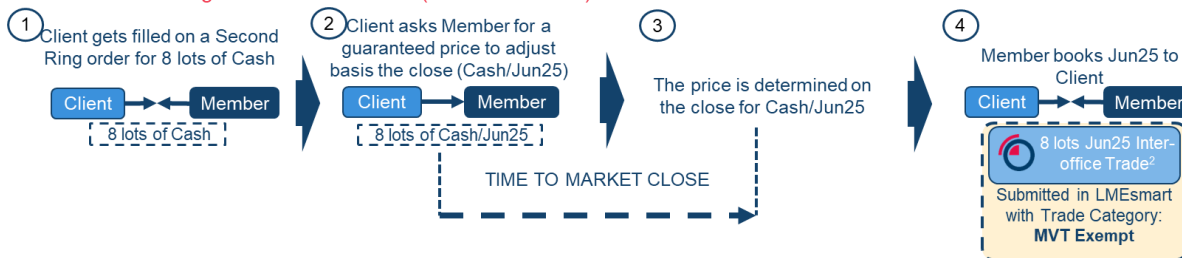
### Section 6.2.6.1: Cash and Adjust Examples

#### MVT Example 17

##### Using Trade Category 'MVT Exempt' for Cash and Adjust

Example: Client trades Cash and adjusts basis close below MVT<sup>1</sup>.

##### Guaranteed Closing Price order Scenario (Market on Close)



The Cash trade ① and Cash/Jun25 trade ② are out of scope of the MVT Rules. The resulting Jun25 Client cross ④ is in scope of the MVT Rules but is exempt.

Client cross can be booked in LMEsmart below MVT using the Trade Category 'MVT Exempt'.

1 - MVT is assumed to be 10 for the purpose of this example

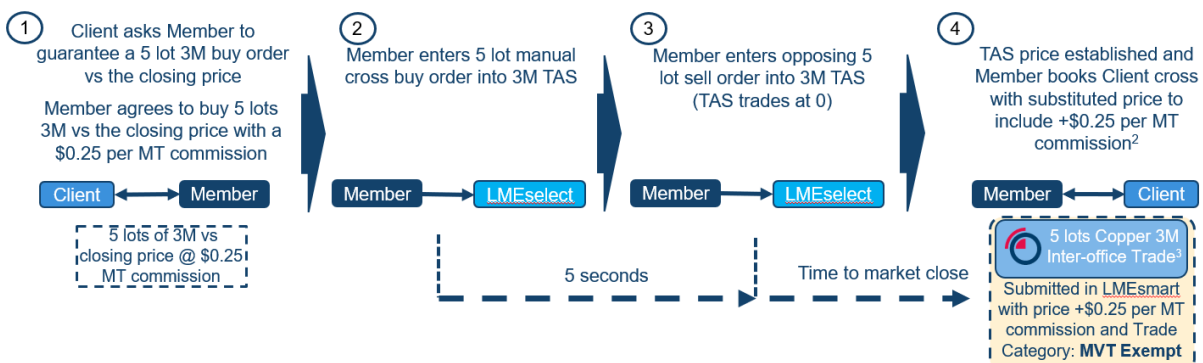
2 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent Trade to the Client Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange

### Section 6.2.6.2: Market on Close (MOC) Examples

#### MVT Example 18

##### Using Trade Category 'MVT Exempt' for MOC Orders

Example: Client trades 3M MOC below MVT<sup>1</sup> via TAS manual market cross where commission is added



The manual cross trade ② & ③ is out of scope of the MVT Rules. The resulting 3M Client cross ④ is in scope of the MVT Rules but is exempt.

Client cross can be booked in LMEsmart below MVT using the Trade Category 'MVT Exempt' with a price to include commission.

1 - MVT is assumed to be 10 for the purpose of this example

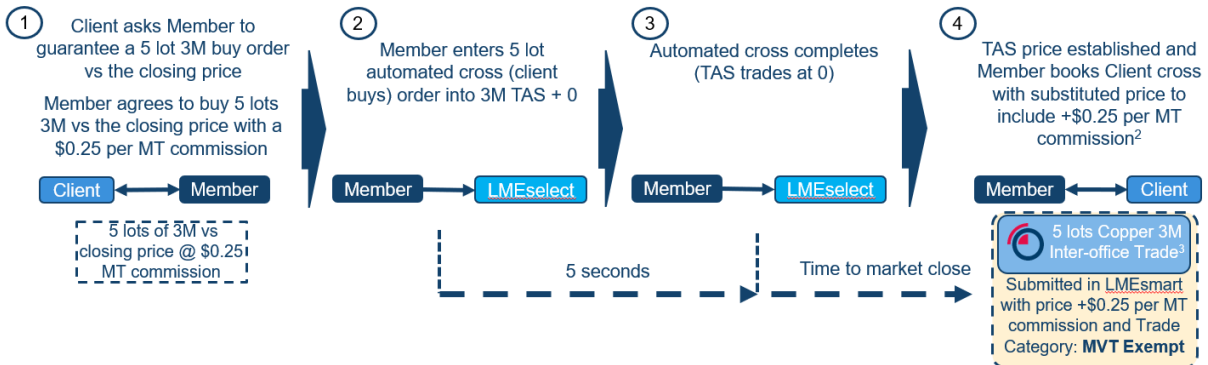
2 - The client cross can be booked with embedded commission

3 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent Trade to the Client Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange

# MVT Example 19

## Using Trade Category 'MVT Exempt' for MOC Orders

Example: Client trades 3M MOC below MVT<sup>1</sup> via TAS self-traded automated cross where commission is added



The automated cross trade ② & ③ is out of scope of the MVT Rules. The resulting 3M Client cross ④ is in scope of the MVT Rules but is exempt.

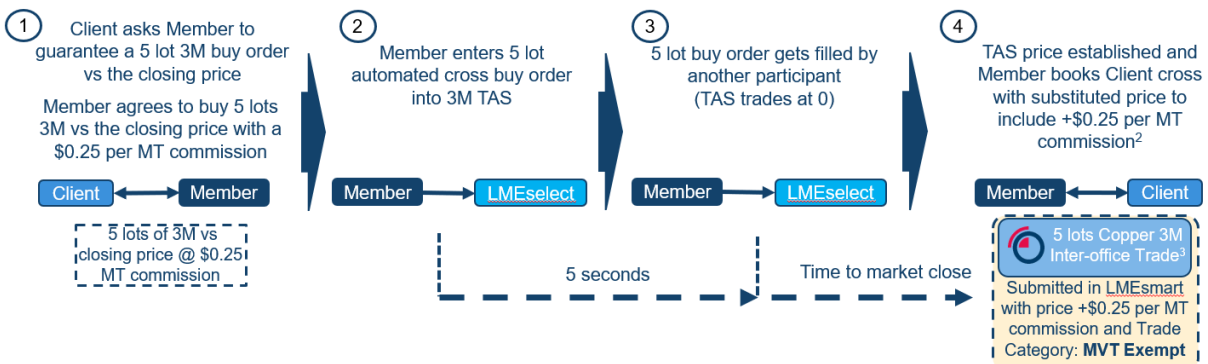
Client cross can be booked in LMEsmart below MVT using the Trade Category 'MVT Exempt' with a price to include commission.

1- MVT is assumed to be 10 for the purpose of this example  
 2 - The client cross can be booked with embedded commission  
 3 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent Trade to the Client Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange

# MVT Example 20

## Using Trade Category 'MVT Exempt' for MOC Orders

Example: Client trades 3M MOC below MVT<sup>1</sup> via TAS market traded automated cross which is filled by another participant and commission is added



The automated cross trade ② & ③ is out of scope of the MVT Rules. The resulting 3M Client cross ④ is in scope of the MVT Rules but is exempt.

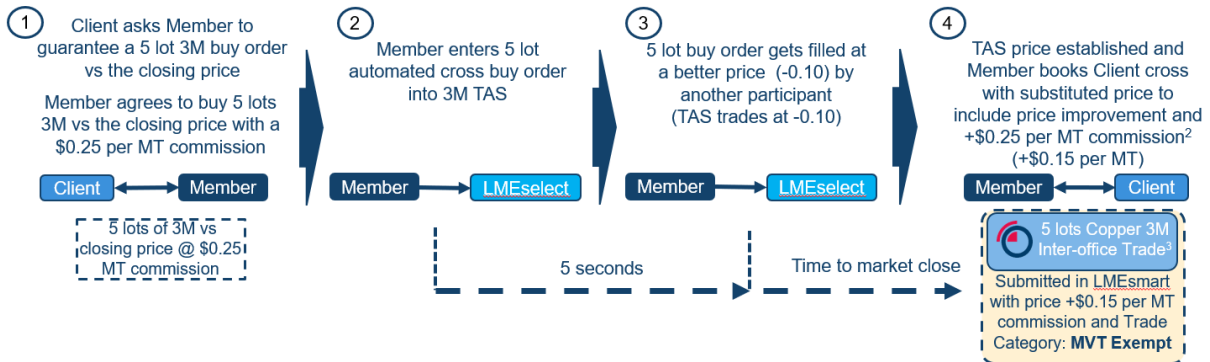
Client cross can be booked in LMEsmart below MVT using the Trade Category 'MVT Exempt' with a price to include commission.

1- MVT is assumed to be 10 for the purpose of this example  
 2 - The client cross can be booked with embedded commission  
 3 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent Trade to the Client Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange

# MVT Example 21

## Using Trade Category 'MVT Exempt' for MOC Orders

Example: Client trades 3M MOC below MVT<sup>1</sup> via TAS market traded automated cross with an improved price and where commission is added



The automated cross trade ② & ③ is out of scope of the MVT Rules. The resulting 3M Client cross ④ is in scope of the MVT Rules but is exempt.

Client cross can be booked in LMEsmart below MVT using the Trade Category 'MVT Exempt' with a price to include price improvement and commission.

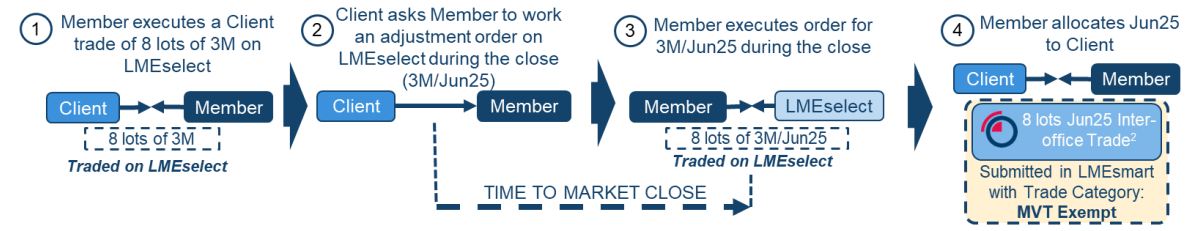
1- MVT is assumed to be 10 for the purpose of this example  
 2 - The client cross can be booked with embedded commission  
 3 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent Trade to the Client Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange

# MVT Example 22

## Using Trade Category 'MVT Exempt' for MOC trades

Example: Client trades 3M and adjusts basis close below MVT<sup>1</sup>.

### Working Order on Close Scenario



The 3M/Jun25 trade ③ is out of scope of MVT as it is traded on LMEselect. The Jun25 Client cross ④ is in scope of the MVT Rules but exempt.

Client cross can be booked in LMEsmart below MVT using the Trade Category 'MVT Exempt'.

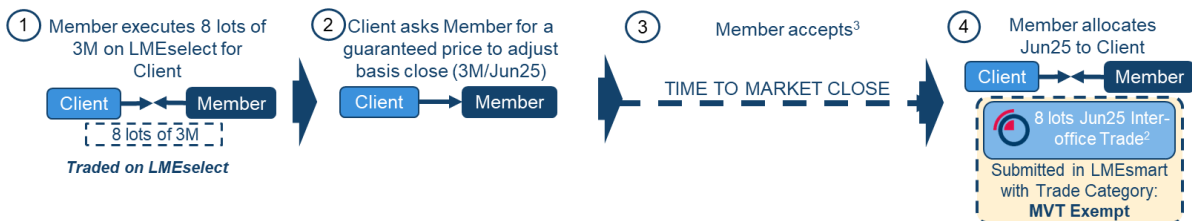
1- MVT is assumed to be 10 for the purpose of this example  
 2 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent Trade to the Client Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange

# MVT Example 23

## Using Trade Category 'MVT Exempt' for MOC trades

Example: Client trades 3M and adjusts basis close below MVT<sup>1</sup>.

### Guaranteed Closing Order Scenario (Market on Close)



The Member can accept the guaranteed price to adjust basis the close so long as the original execution **1** does not breach the MVT rules. In this scenario it does not breach the MVT rules as it is executed on LMEselect. The resulting Jun25 Client cross **4** is exempt from the MVT Rule.

Client cross **4** can be booked in LMEsmart below MVT using the Trade Category 'MVT Exempt'.

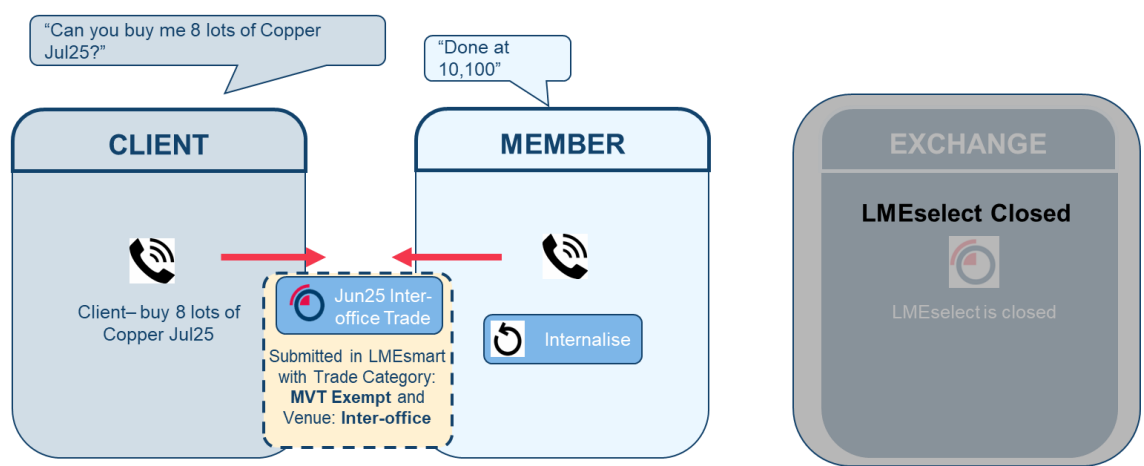
1 - MVT is assumed to be 10 for the purpose of this example  
 2 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent Trade to the Client Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange  
 3 - The Member cannot offer a risk price in 8 lots as that would be in breach of the MVT rules even though subsequently it will be adjusted basis a closing order (the closing order component is exempt from the MVT rule).

## Section 6.2.6.3: LMEselect Closed Examples

# MVT Example 24

## MVT rule is not applicable when LMEselect is closed.

Example: Executing the monthly in Copper when LMEselect is closed.



LMEselect is closed. There is no need for execution on LMEselect.

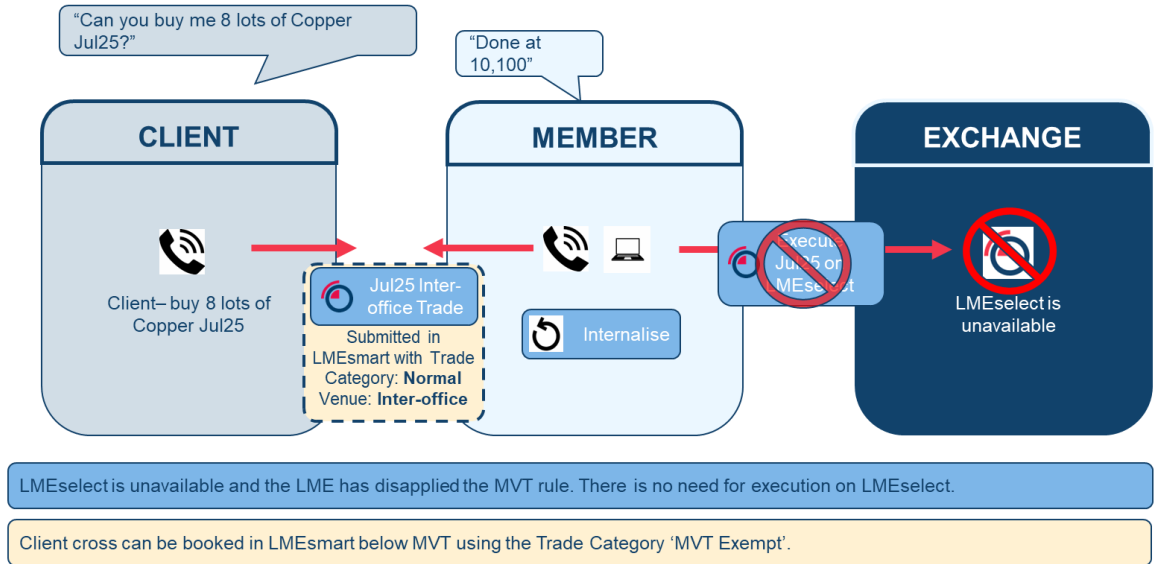
Client cross can be booked in LMEsmart below MVT using the Trade Category 'MVT Exempt'.

### Section 6.2.6.4: LMEselect Unavailable Examples

#### MVT Example 25

MVT rule has been disabled by the LME because of an operational issue with LMEselect.

Example: Executing the monthly in Copper during a period where the LME has disabled MVT<sup>1</sup> due to issues with LMEselect



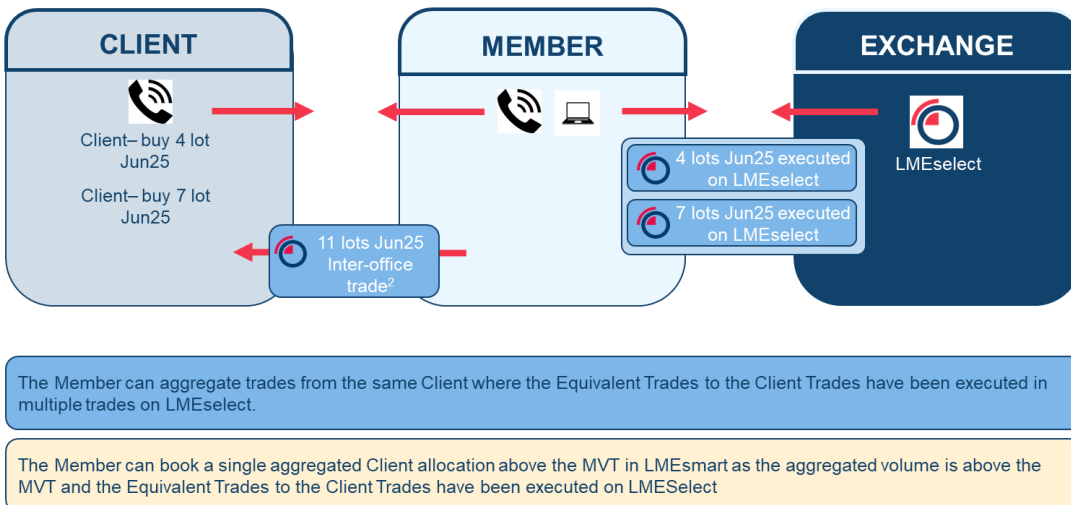
1 - MVT is assumed to be 10 for the purpose of this example

### Section 6.3: Aggregation

#### MVT Example 26

Aggregation

Example: Aggregated trades from the same Client where the Equivalent Trades to the Client Trades have been executed on LMEselect representing either multiple buy or multiple sell transactions (being transactions in the same direction) aggregated above the MVT<sup>1</sup> and booked into the Client account



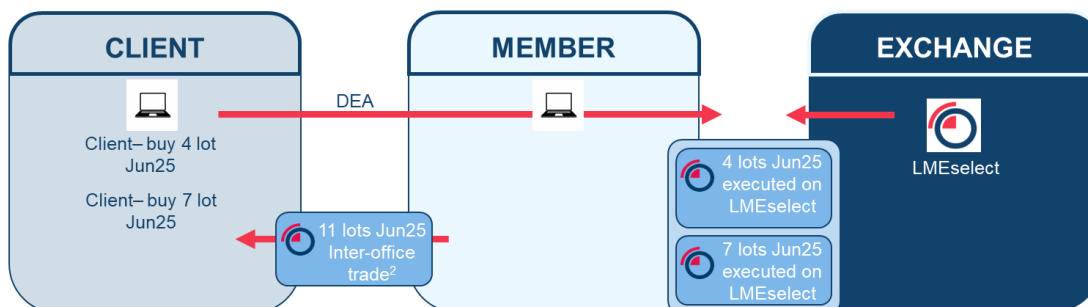
1 - MVT is assumed to be 10 for the purpose of this example

2 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent Trade to the Client Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange

## MVT Example 27

### Aggregation

Example: Client trading DEA aggregating multiple buy or sell transactions (being transactions in the same direction) aggregated above MVT<sup>1</sup> and booked into the Client account



The Member can aggregate the trades executed by the DEA Client on LMEselect into a single above MVT client allocation.

The Member can book a single aggregated Client allocation above the MVT in LMEsmart as the aggregated volume executed DEA by the Client is above the MVT and executed on LMEselect

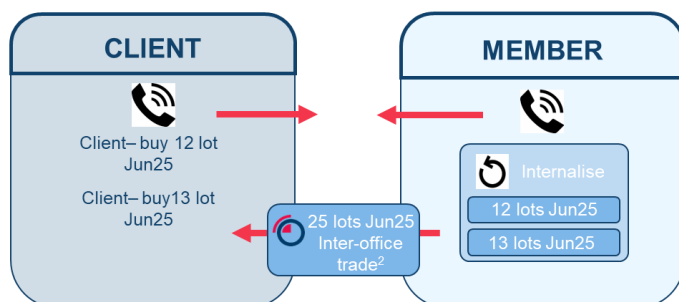
1 - MVT is assumed to be 10 for the purpose of this example

2 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent Trade to the Client Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange

## MVT Example 28

### Aggregation

Example: Aggregated trades from the same Client executed Inter-office (each individual trade or fill must be above MVT) and aggregated above MVT and booked into the Client account



The Member can aggregate the above MVT Client trades into a single above MVT client allocation.

The Member can book a single aggregated Client allocation above the MVT in LMEsmart as the individual Client trades and the aggregated volume are all above the MVT

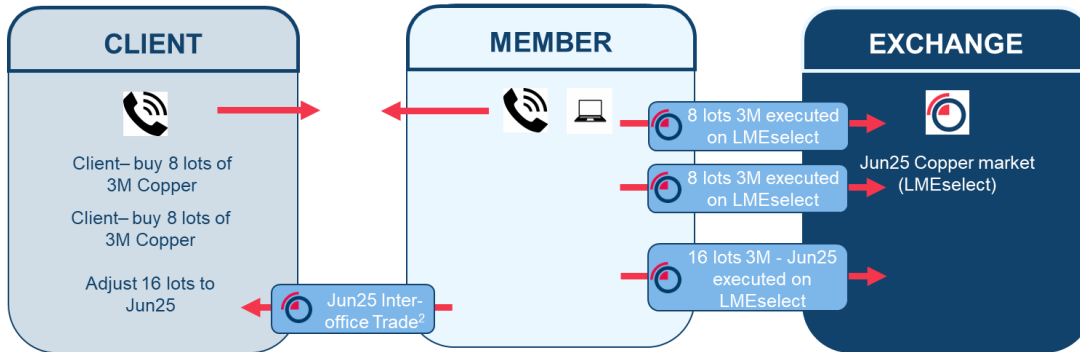
1 - MVT is assumed to be 10 for the purpose of this example

2 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent Trade to the Client Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange

# MVT Example 29

## Aggregation

Example: Client executes a number of trades in one prompt in one direction (e.g. 3Month, adhering to the MVT<sup>1</sup> Rules) then adjusts the aggregate volume to another prompt (the adjustment spread trade must be above MVT) and booked into the Client account



The Member can aggregate the below MVT Client trades into a single above MVT adjustment spread trade and submit the above MVT adjustment client allocation in LMEsmart.

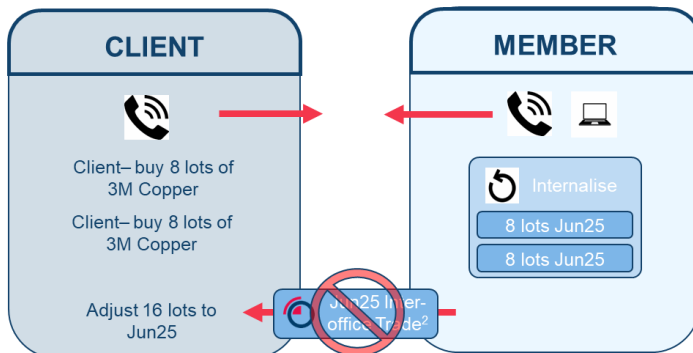
The Member can book a single aggregated Client allocation above the MVT in LMEsmart as all the trades were executed on LMEselect.

1 - MVT is assumed to be 10 for the purpose of this example  
 2 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent Trade to the Client Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange

# MVT Example 30

## Aggregation

Example: A number of below MVT Inter-office trades aggregated (the total being above or below MVT<sup>1</sup>) and booked into the Client account.



The Member cannot aggregate below MVT inter-office Client trades into a single above MVT adjustment spread trade and submit the above MVT adjustment client allocation in LMEsmart.

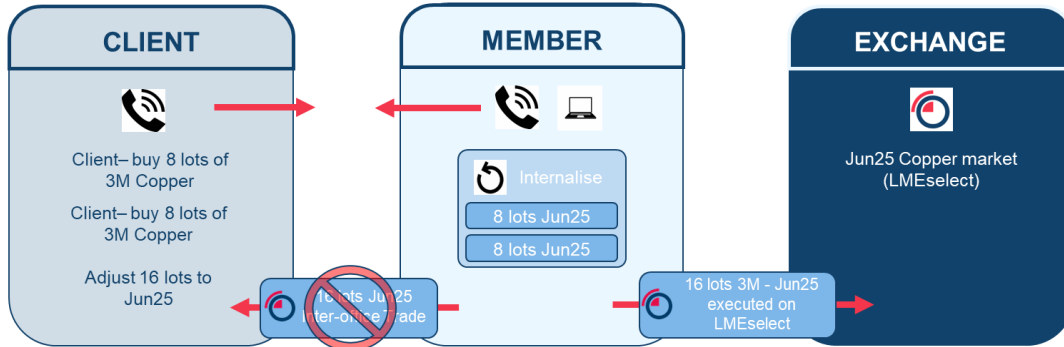
The Member cannot book a single aggregated Client allocation above the MVT in LMEsmart as all the trades were NOT executed on LMEselect.

1 - MVT is assumed to be 10 for the purpose of this example

## MVT Example 31

### Aggregation

Example: Client executes a number of trades in one prompt in one direction (e.g. 3month, in-breach of the MVT<sup>1</sup> Rule) then adjusts the aggregate volume to another prompt (where the adjustment spread trade is above or below MVT) and booked into the Client account



The Member cannot aggregate the inter-office Client trades into a single above MVT adjustment spread trade and submit the above MVT adjustment client allocation in LMEsmart.

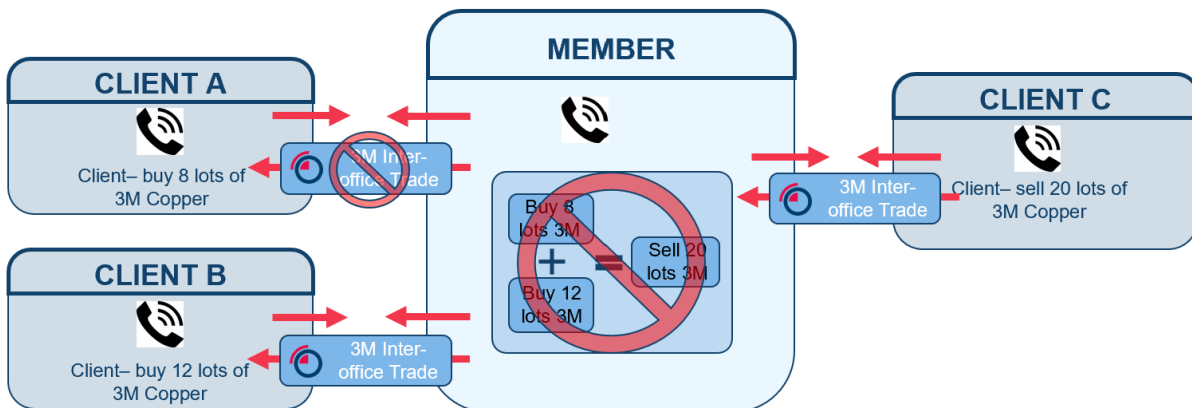
The Member cannot book a single aggregated Client allocation above the MVT as not ALL the Client trades were executed in LMEselect.

1 - MVT is assumed to be 10 for the purpose of this example

## MVT Example 32

### Aggregation

Example: Individual Agreed Trades from separate clients cannot be aggregated where one or more trades are below the MVT



The Member cannot aggregate separate client trades where one or more of the client trades are below MVT.

The Member cannot book a below MVT allocation (Client A) in LMEsmart as the Client trade was not executed in LMEselect.

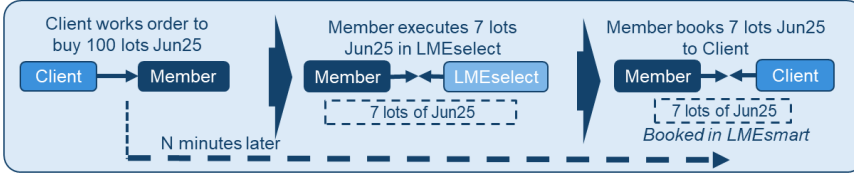
1 - MVT is assumed to be 10 for the purpose of this example

## Section 6.4: Partial Fill in The Inter-office Market Examples

### MVT Example 33

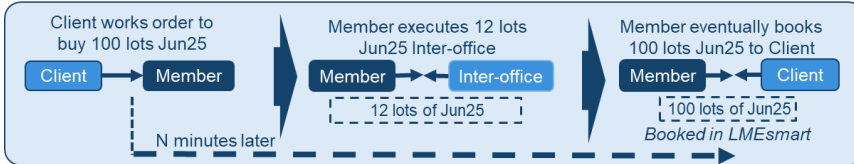
Partial fill in the inter-office market must adhere to the MVT<sup>1</sup>

Agency partial fill on LMEselect



✓ If a member accepts an order from the client, they CAN partially execute some on LMEselect on an agency basis and fill client.

Agency partial fill Inter-office



✓ If a member accepts an order from the client, they CAN partially execute an above MVT amount inter-office on an agency basis and partially fill client. All partial fills must be above MVT

Agency partial fill Inter-office below MVT threshold



✗ Member CANNOT after x mins say done on 7 lots without executing on LMEselect.

<sup>1</sup> - MVT is assumed to be 10 for the purpose of this example

## Section 6.5: Crossing Trade Identification Examples

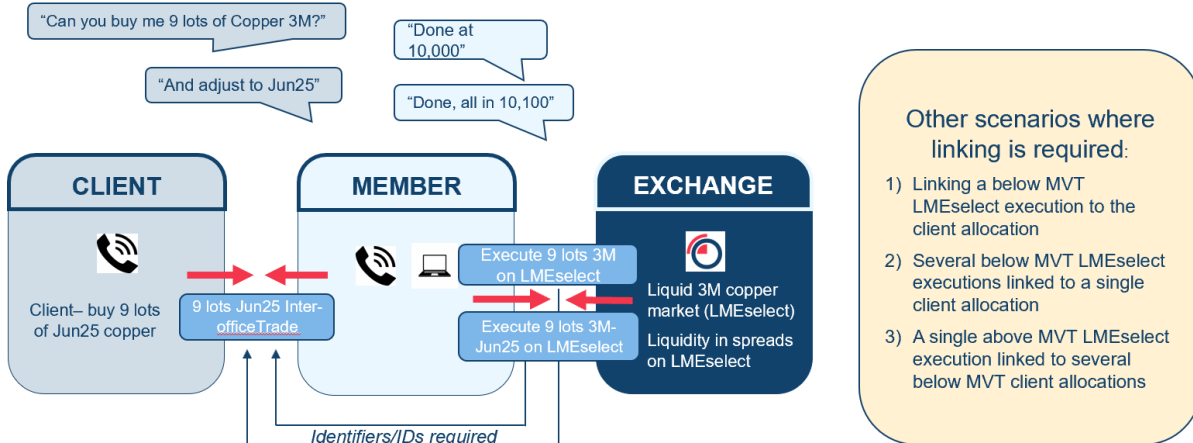
Members should ensure that the Client Account Code, Order Origination Trader and any other required fields are correctly populated on the client side of the cross to ensure these trades can be identified as cross trades.

## Section 6.6: Linking Trade Components Examples

### MVT Example 34

#### Linking Trade Components

Component trades need to be linked for monitoring and audit purposes. An example below shows the need for an identifier to link the adjustment trades to the client allocation:



The LME is not at this point mandating how participants link trades, but Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent Trade to the Client Trades agreed non-electronically, and all post-trade operations. The audit trail should contain sufficient information to demonstrate a complete history of the transaction, if requested by the Exchange.

## 7.4 Summary of All Trade Categories

The following table summarises all trade categories and highlights those that are new and/or impacted by the MVT.

Trade Category	Description
Normal	Used to enter new market trades Executed on the Ring, Basis Ring or agreed in the inter-office market (including trades agreed via a Fixed Price Auction) or via the Matching System. This trade category should also be used when adjusting trades Executed in LME Select following the application of the Lending Rules.
Give-Up Executor/Give-Up Clearer	Used to effect the give-up of a transaction to another Clearing Member.
OTC Bring-On	Used to convert a previously executed over-the- counter contract to a Cleared Contract, where the intention is to bring the transaction on-Exchange. Further information regarding the OTC Bring-On trade category is contained in the section headed "OTC Bring-Ons and OTC Backloading" below.

OTC Take Off	Used to convert an on-Exchange Contract to an over-the-counter contract.
Financing	used to enter a trade that relates to financing transactions.
Exception Reportable	Can only be used in order to submit a trade to the Matching System that has been identified by the Member as a reportable transaction under MiFID II.
Exception Non-Reportable	Can only be used in order to submit a trade to the Matching System that has been identified by the Member as a non-reportable transaction under MiFID II. An example of this would be the submission of a transaction derived from an option expiry.
Transfer	Post trade functionality to be used to affect the move of a registered single trade or group of trades (“a position”) between Members or alternatively within a Member’s own client account structure
(New) ETR Allocation	To be used where the Member has executed an Equivalent Trade(s) to the Client Trade(s) in the exact same instrument(s) on LME Select and the Members operational processes require the trade to be booked with Venue Inter-office
(New) Option Delta Hedge	To be used to identify an option delta hedge booked alongside an option, where that future is below MVT.
(New) Strip	To be used to identify a Strip trade where one or more legs has a volume below MVT.
(New) IOT Allocation	To be used for client trade allocations which are split across more than one sub account of the same client and are below the MVT  <i>(Note: This should not be used for an inter-office allocation where the original Equivalent Trade to the Client Trade was not above the MVT)</i>
(New) MVT Exempt	To be used: <ol style="list-style-type: none"> <li>1) in relation to trades where the execution in the inter-office market is exempt from the MVT Rule</li> <li>2) during the trading hours 19:00 and 20:00 when LMEselect is closed</li> <li>3) when LMEselect is unavailable for any other reason</li> </ol>



## 7.5 Scenario Summary

Scenario	Description	Scenario Specifics
MVT Example 1	Example of an Agreed Trade and an Equivalent Trade to the Client Trade	N/A
MVT Example 2	In scope of the MVT Rule and the Agreed Trade is above MVT	Executing the monthly in Copper in a size above MVT
MVT Example 3	A contract and/or maturity out of scope of the MVT Rule	Executing a monthly in Tin
MVT Example 4	Executing an Equivalent Trade to the Client Trade on LMEselect using the Trade Category 'Normal'	Executing the monthly in Copper below the MVT where the Equivalent trade to the Client Trade has been executed on LMEselect and the Client Trade has been booked in LMEsmart using the Trade Category 'Normal' and Venue 'Select'.
MVT Example 5	Crossing an Equivalent Trade to the Client Trade on LMEselect using the Trade Category 'Normal'	Executing the monthly in Copper below MVT <sup>1</sup> where the Equivalent trade to the Client Trade has been Crossed on LMEselect and the Client Trade has been booked in LMEsmart using the Trade Category 'Normal' <sup>1</sup> and Venue 'Inter-office'.
MVT Example 6	Trade Category Normal - Rejection	Executing 3M in Copper below the MVT <sup>1</sup> where the Equivalent trade to the Client Trade has been internalised and the Client Trade has been booked in LMEsmart using the Venue 'Inter-office' and Trade Category 'Normal'.
MVT Example 7	Trade Category ETR Allocation - Rejection	Working the 3M then adjusting in Copper below MVT where not all of the Equivalent trades to the Client Trades (3M and 3M-Jun25) have been executed on LMEselect and the Client Trade has been booked in LMEsmart using the Trade Category 'ETR Allocation'.
MVT Example 8	Executing an Equivalent Trade to the Client Trade on LMEselect using Trade Category 'ETR Allocation'	Executing the monthly in Copper below the MVT where the Equivalent trade to the Client Trade has been executed on LMEselect and the Client Trade has been booked in LMEsmart using the Venue 'Inter-office' and Trade Category 'ETR Allocation'.
MVT Example 9	Crossing an Equivalent Trade to the Client Trade on LMEselect using Trade Category 'ETR Allocation'	Executing the monthly in Copper below MVT where the Equivalent trade to the Client Trade has been Crossed on LMEselect and the Client Trade has been booked in LMEsmart using the Trade Category 'Normal' <sup>1</sup> and Venue 'Inter-office'.

MVT Example 10	Executing an adjustment using Trade Category - ETR Allocation	Working the 3M in Copper below MVT then adjusting where the Equivalent Trades to the Client Trade (3M and 3M-Jun25) have been executed or crossed on LMEselect and the Client Trade has been booked in LMEsmart using the Trade Category 'ETR Allocation'.
MVT Example 11	Trade Category – Option Delta Hedge	Executing an options trade in LMEsmart where the futures hedge is below MVT using the Trade Category 'Option Delta Hedge'
MVT Example 12	Trade Category – Strip	Booking a Copper strip in LMEsmart with leg volumes below MVT using the Trade Category 'Strip'.
MVT Example 13	Trade Category – IOT Allocation	Executing the monthly in Copper below MVT where the Equivalent trade to the Client Trade has been traded inter-office above MVT and the Client asked for the Trade to be split across 2 sub-accounts of the same Client below MVT and the subsequent below MVT Client Trades are booked in LMEsmart with the Trade Category 'IOT Allocation'.
MVT Example 14	Trade Category – IOT Allocation	Executing the monthly in Copper below MVT where the Equivalent trade to the Client Trade has been traded Inter-office below MVT and the Client asked for the Trade to be split across 2 sub-accounts of the same Client below MVT.
MVT Example 15	Trade Category – IOT Allocation	Executing the monthly in Copper below MVT where the Equivalent trade to the Client Trade has been traded on LMEselect above or below MVT (this example shows below) and the subsequent below MVT Client Trades are booked in LMEsmart with the Trade Category 'IOT Allocation' (as the Client asked for the Trade to be split across 2 sub-accounts of the same Client below MVT).
MVT Example 16	Trade Category – IOT Allocation	Member trading with another Member below MVT and then booking the Agreed trade in LMEsmart with Trade Category 'IOT Allocation'.
MVT Example 17	Using Trade Category 'MVT Exempt' for Cash and Adjust	Client trades Cash and adjusts basis close below MVT
MVT Example 18	Using Trade Category 'MVT Exempt' for TAS Orders	Client trades 3M MOC below MVT via TAS manual market cross where commission is added
MVT Example 19	Using Trade Category 'MVT Exempt' for TAS Orders	Client trades 3M MOC below MVT via TAS self-traded automated cross where commission is added

MVT Example 20	Using Trade Category 'MVT Exempt' for TAS Orders	Client trades 3M MOC below MVT via TAS market traded automated cross which is filled by another participant and commission is added
MVT Example 21	Using Trade Category 'MVT Exempt' for TAS Orders	Client trades 3M MOC below MVT via TAS market traded automated cross with an improved price and where commission is added
MVT Example 22	Using Trade Category 'MVT Exempt' for MOC trades	Client trades 3M and adjusts basis close below MVT
MVT Example 23	Using Trade Category 'MVT Exempt' for MOC trades	Client trades 3M and adjusts basis close below MVT
MVT Example 24	MVT rule is not applicable when LMEselect is closed.	Executing the monthly in Copper when LMEselect is closed
MVT Example 25	MVT rule has been disapplied by the LME because of an operational issue with LMEselect	Executing the monthly in Copper during a period where the LME has disapplied MVT due to issues with LMEselect
MVT Example 26	Aggregation	Aggregated trades from the same Client where the Equivalent Trades to the Client Trades have been executed on LMESelect representing either multiple buy or multiple sell transactions (being transactions in the same direction) aggregated above the MVT and booked into the Client account
MVT Example 27	Aggregation	Client trading DEA aggregating multiple buy or sell transactions (being transactions in the same direction) aggregated above block and booked into the Client account
MVT Example 28	Aggregation	Aggregated trades from the same Client executed Inter-office (each individual trade or fill must be above MVT) and aggregated above block and booked into the Client account
MVT Example 29	Aggregation	Client executes a number of trades in one prompt in one direction (e.g. 3Month, adhering to the MVT Rules) then adjusts the aggregate volume to another prompt (the adjustment spread trade must be above MVT) and booked into the Client account
MVT Example 30	Aggregation	A number of below MVT Inter-office trades aggregated (the total being above or below MVT) and booked into the Client account.
MVT Example 31	Aggregation	Client executes a number of trades in one prompt in one direction (e.g. 3month, in-breach of the MVT Rule) then adjusts the aggregate volume to another prompt (where

		the adjustment spread trade is above or below MVT) and booked into the Client account
MVT Example 32	Aggregation	Individual Agreed Trades from separate clients cannot be aggregated where one or more trades are below the MVT
MVT Example 33	Partial fill in the inter-office market must adhere to the MVT	Agency partial fill on LMEselect Agency partial fill Inter-office Agency partial fill Inter-office below block threshold
MVT Example 34	Linking Trade Components	Component trades need to be linked for monitoring and audit purposes. An example below shows the need for an identifier to link the adjustment trades to the client allocation

# Crossing Guidance (draft)



# 1 Legal Disclaimer

The purpose of this document is to provide an indicative draft of the Crossing Guidance. It should be read in conjunction with the Consultation Notice 25/083 (the “**Consultation**”) and the proposed amendments to the LME Rulebook. This document forms part of the set of supporting documentation provided to assist the market in assessing the full impact of the potential introduction of the Crossing Rule.

For the avoidance of doubt, there should be no assumption that there will be future consultations on revisions to the Crossing Guidance if the LME were to decide to implement the Crossing Rule following the Consultation. Nothing in this document should be taken as indicating such future intention or commitment on the part of LME.

# 2 Summary

This document is intended to provide technical guidance to Members on the crossing rule requirements in accordance with LME Regulation 2.4A (The Crossing Rule) of Part 3 of the LME Rulebook. This document provides details of the methods by which orders resulting from permitted Pre-Trade Communications may be entered on LMEselect, including Member and Client orders. These rules are applicable to any Agreed Trade executed on LMEselect. For the avoidance of doubt, crossing can be utilised to execute Agreed Trades both below and above the Minimum Volume Threshold (“MVT”) where applicable.

# 3 Crossing Methods

Where a Member has engaged in Pre-Trade Communications in compliance with Regulation 2.2A, the Member can utilise the Crossing Rule in order to execute on LMEselect. There are two methods available, described below.

## 3.1 LMEselect Cross (manual cross)

Where two participants engage in Pre-Trade Communications, and as a result intend to enter orders on LMEselect, the client order, or order of the participant that initiated the Pre-Trade Communications, must be submitted to LMEselect first, without delay. Following a minimum period of 5 seconds, the opposite side may be entered.

This process is referred to as the LMEselect Cross.

Below we set four illustrative trading scenarios explaining the LMEselect Cross: a Member to Member trade, a Client to Member trade, a Client to Member trade where the Client utilises Direct Electronic Access (“DEA”) and a Client to Client trade.

Members are reminded that in any of these scenarios orders may interact with resting or incoming orders to the market. For the avoidance of doubt, orders will be matched on a price/time-priority basis in line with any order entered to the matching engine, as defined by the Exchange.

Members should ensure that the client account code and any other required fields are correctly populated on the client side of the cross to ensure these trades can be identified as cross trades.

### 3.1.1 Member to Member

Where two Members engage in Pre-Trade Communications, and as a result enter orders on LMEselect, the order of the Member that initiated the Pre-Trade Communications must be submitted to LMEselect first, without



delay. Following a minimum period of 5 seconds, the opposite side may be entered by the non-initiating Member.

### **3.1.2 Member to Client**

Where a Member and a Client have engaged in Pre-Trade Communications, and as a result the Member enters orders on LMEselect, the Client order must be submitted to LMEselect first, without delay. The Member order may only be submitted after minimum period of 5 seconds.

### **3.1.3 Member to Client (Client utilises DEA to LMEselect)**

Where a Member and a Client have engaged in Pre-Trade Communications, and as a result enter orders on LMEselect, the Client order must be entered first (on a DEA basis), without delay. The Member order may only be submitted after a minimum period of 5 seconds.

### **3.1.4 Client to Client**

Where two Clients have engaged in Pre-Trade Communications, the order of the party that initiated the Pre-Trade Communications must be submitted to LMEselect first, without delay. The non-initiating Client order may only be submitted after a minimum period of 5 seconds.

Members are expected to adhere with this guidance, which should be read in conjunction with the Matching Rules and any other applicable guidance or any relevant LME Notices.

## **3.2 LMEselect Crossing Order Type**

Where two participants engage in Pre-Trade Communications, and as a result intend to enter orders on LMEselect, the resulting orders may be entered using the LMEselect Crossing Order Type.

The LMEselect Crossing Order Type must be submitted without delay. Upon entry, an RFC (Request For Cross) notification is sent to the market, followed by a 5 second interval before the LMEselect Crossing Order Type logic is processed.

Where the LMEselect Crossing Order Type is used, the Member entering the order should identify which is the Client or initiating side.

The illustrative scenario below explains the LMEselect Crossing Order Type logic in a scenario where a Member is trading with a Client. This logic is also applicable where the Crossing Order Type is used in the case of a Member crossing two clients.

### **3.2.1 LMEselect Crossing Order Type logic**

Where a Member has engaged in Pre-Trade Communications with a Client in order to cross, the Member may use the LMEselect Crossing Order Type, and if so must indicate the Client side of the order and may use the Guarantee Flag. The Guarantee Flag ensures that Client will at least get a fill at the cross price, and can get an improvement from liquidity on LMEselect.

The LMEselect Crossing Order Type will generate an RFC notification to the market which shows the volume of the order, but not the price.

#### **1. *Where the Guarantee Flag is used:***

After a period of 5 seconds, the crossing order logic will process based on the activity in the orderbook at that time, resulting in one of the below scenarios:



- If the market moves in favour of the Client<sup>1</sup>, the Client will automatically receive a partial/full price improvement with the Member executing against any residual. Any remaining unexecuted volume (on the Member side) from the LMEselect Crossing Order Type will be cancelled.
- If there are no better bids/offers in the relevant book, the cross is completed, the Member and Client will execute against each other's orders at the cross price.
- If there are orders at the same price level as the cross, the Member and Client will execute against each other's orders at the cross price.
- If the market moves against the Client<sup>2</sup>, the Member and Client will execute against each other's orders at the cross price.

## 2. *Where the Guarantee Flag is not used:*

After a period of 5 seconds, the crossing order logic will process basis the activity in the orderbook at that time, resulting in one of the below scenarios:

- If the market moves in favour of the Client, the Client will automatically receive a partial/full improvement with any residual executing with existing orders in the book at the cross price ahead of the member executing against the client at the cross price. Any residual unexecuted volume from the Member from the LMEselect Crossing Order will be cancelled.
- If there are no better bids/offers in the relevant book, the cross is completed with the Member and Client will execute against each other's orders at the cross price.
- If there are existing orders in the book at the same price level as the cross that the client order can execute against, the order will be filled against those existing orders first with the Member executing against any residual at the cross price. Any residual unexecuted volume from the Member from the LMEselect Crossing Order will be cancelled.
- If the market moves against the Client<sup>2</sup>, the order will be rejected, and the cross will not be completed; the Member can either re-enter the cross at a new price level or work the order in the market.
- If there are existing orders in the book at the same price level in the same direction as the client order, then the order will be rejected, and the cross will not be completed; the Member can either re-enter the cross at a new price level or work the order in the market.

For the avoidance of doubt, these scenarios are also applicable where the Crossing Order Type is used when a Member crosses two Clients, and the initiating side of the order is identified.

## 4 Further Information

For further information on the functionality, or any question arising from the document, please reach out to [tradingoperations@lme.com](mailto:tradingoperations@lme.com)

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<sup>1</sup> For the avoidance of doubt, where the client is the buyer and best offer in book is lower than client bid. Where the client is the seller and the best bid in the book is higher than the client offer.

<sup>2</sup> For the avoidance of doubt, where the client is the buyer and best bid in book is higher than client bid. Where the client is the seller and the best offer in the orderbook is lower than the client offer.