

To: All members and other interested parties

Ref: 25/149

Classification: Consultation Trading

Date: 15 August 2025

Subject: **DECISION NOTICE ON ENHANCING LIQUIDITY**

## Summary

1. Following the Consultation on Enhancing Liquidity – LME Notice 25/083 dated 30 April 2025 (the **Consultation**), the London Metal Exchange (the **LME**) has decided to implement, with some modifications, all of the proposals set in the Consultation. This Notice amends the Rules and Regulations of the LME (the **Rules**) and introduces:
  - a Minimum Volume Threshold in the inter-office market (the **MVT Rule**);
  - a prohibition on Pre-Trade Communications in LME Select; and
  - a “**Crossing Rule**” in relation to trades below the Minimum Volume Thresholds(the **Decision Notice**).

## Defined terms

2. Terms not otherwise defined in the Decision Notice shall have the meaning ascribed to them either in the current version of the LME Rulebook or in the amended version of the Rulebook set out in Annex 2 of this Notice.

## Documents attached to the Decision Notice

- Annex 1: LME Liquid Instruments and Minimum Volume Thresholds (final)
- Annex 2: Redline of amendments to the LME Rulebook (final)
- Annex 3: Blocks Guidance (near final - subject to further changes before entry into force of the MVT Rule)
- Annex 4: Crossing Guidance (near final - subject to further changes before the entry into force of the Crossing Rule)



### Timeline of entry into force of the new Rules and Guidance

3. The new and amended Rules will not come into force at the date of publication of this Decision Notice. Below we set out an indicative timeline for the entry into force of the new Rules and Guidance:

Measure	Entry into force (indicative)
Introduction of a prohibition on Pre-Trade Communications on LME Select	<b>20 February 2026</b>
Introduction of a “Crossing Rule” on LME Select and Crossing Guidance	<b>20 February 2026</b>
Introduction of Minimum Volume Thresholds for trading in the inter-office market and Blocks Guidance	<b>30 March 2026</b>

4. This timeline can be revised. Final dates of entry into force will be announced in one or more separate Notices.

### Background and market engagement

5. In September 2024, the LME issued a White Paper on Enhancing Liquidity (the **White Paper**) outlining a package of measures designed to modernise the LME’s market structure, boost transparency and price competition, while protecting the unique features of its market that serve the physical metal communities. After having engaged widely with its Members and wider stakeholders, the LME published on 30 April 2025 a Consultation on the introduction of (i) a MVT Rule in the inter-office market, (ii) the prohibition of Pre-Trade Communications in LME Select and (iii) a Crossing Rule to enhance liquidity, transparency and price competition in LME Select.
6. The Consultation period closed on 13 June 2025 with 28 formal responses received. This Decision Notice analyses the core themes of those responses and provides the LME’s feedback and proposed next steps.
7. The LME will continue engaging with Members and market participants to support the implementation of the measures outlined in this Decision Notice.
8. The LME has taken the feedback into careful consideration, and this Decision Notice explores that feedback in detail. This Decision Notice provides a summary of the representations from Members and market participants, rather than a verbatim report of all feedback received on each topic. This is both to protect the anonymity of all those who responded, and to make this document more digestible to interested stakeholders.
9. The structure of the Decision Notice mirrors that of the Consultation, whereby for each of the questions listed in the Consultation, we will summarise the responses received, set out our views and provide the outcome.



## Executive Summary

10. As expected, the LME received a range of responses to the Consultation, with some responses supportive of the proposals and others challenging the proposals. Broadly, there was general consensus supporting the introduction of a prohibition on Pre-Trade Communications in LME Select. The concerns mostly related to the MVT and Crossing Rules, in particular the costs, the complexity and the timeline relating to the implementation of these Rules. In general, however, none of the responses raised substantive new issues which had not been considered by the LME prior to the publication of the Consultation.
11. In relation to the MVT Rule, concerns were raised about the impact the new Rule would have on Members' and market participants' business models, their ability to give risk prices to Clients, the lack of liquidity on LME Select for certain Contracts in scope of the MVT Rule and the risks of fragmentation of liquidity across monthly contracts. Respondents were also concerned that most physical clients who tend to trade small volumes would be negatively impacted by the new Rules.
12. In relation to the Crossing Rule, the majority of respondents were concerned that Direct Electronic Access (**DEA**) Clients could engage in Pre-Trade Communications when doing a cross. Others were concerned about maintaining the anonymity of trading on LME Select if two Members were permitted to separately enter their side of the crossing order.
13. We have carefully considered all of the feedback received during the Consultation. As a result, we are making a number of clarificatory amendments to our Rules as compared to the drafts referenced in the Consultation document:
  - The exception contained in Regulation 2.5A.3(a) will apply to both an Equivalent Trade on LME Select in the exact instruments or an Equivalent Trade on LME Select in a combination of instruments and a definition of "Equivalent Trade" is introduced in the Glossary to that effect. Under the new definition an Equivalent Trade executed in LME Select may have a different price to the Agreed Trade in the inter-office market which may include commissions, charges or fees. We have further clarified how the Crossing Rule exception works in Regulation 2.5A.3(b) as well as simplified the drafting to make clear that Members who have used either one of the exceptions in Regulation 2.5A.3 may subsequently aggregate their Agreed Trades and execute them in the inter-office market in compliance with Regulation 3.12. Finally, to execute an Agreed Trade in an LME Liquid Instrument below the Threshold in the inter-office market using either exception in Regulation 2.5A.3, we make clear that a Member must first obtain the consent of its Client;
  - Regulation 2.2A. is clarified to prohibit all Pre-Trade Communications on LME Select save (i) for lawful and legitimate business communications between a Member and a Client in relation to an order and (ii) where a Member makes use of the Crossing Rule; and
  - Regulation 2.4A. is amended to clarify that only Members can make use of the Crossing Rule. Moreover, there will be no exception to the anonymity of trading on LME Select, including where a Member crosses in LME Select.
14. The Blocks and Crossing Guidance are revised accordingly.
15. Overall, we are of the view that the measures presented in the Consultation and in the Update on Enhancing Liquidity published on 30 April 2025 (the **Update**) as amended in this Decision Notice align to their key objectives, namely to (1) increase price competition (2) enhance transparency (3) continue to support the physical market and (4) ensure fairness.
16. We are therefore progressing all the Rules presented in the Consultation with the amendments presented in this Decision Notice.



## A. Introduction of Minimum Volume Thresholds for trading in the inter-office market

### I. Feedback received and LME's response

**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.**

17. A number of respondents to Question 1 supported the introduction of the MVT and Crossing Rules and noted that the proposals in the Consultation were in line with industry standards. They viewed both Rules as a positive step towards modernising the LME market. A number of respondents confirmed that the new Rules would achieve the key objectives noting that they would increase liquidity on LME Select and encourage fairness and transparency for the benefit of the market as a whole.
18. Respondents noted that (i) the MVT Rule enabled small trades to be exposed to central price discovery / increased screen trading and this would reduce information asymmetry thereby increasing liquidity by encouraging more informed trading decisions, (ii) the MVT Rule and Thresholds made sense (given that they would not apply to daily Prompts, Cash outright trades or spread trades from Cash) and (iii) the LME's measures were in line with the Oliver Wyman Report<sup>1</sup> in that they standardized the LME's markets without significant loss of functionalities for Members and market participants.
19. One respondent noted that the LME should go further and not limit Block Rules to futures and should consider extending these Rules to Options to encourage trading of Options on the electronic order book. The LME considers that the current proposals in the Consultation are in line with the direction of travel set out in the Update.
20. Question 1 was also the question which received the most challenge from respondents. Below we have grouped and summarised these challenges by themes, although in practice there was a high degree of overlap between them.

### ***Concerns around the complexity of the MVT and Crossing Rules, lack of clarity of the Consultation either in terms of timeline of implementation, or details***

21. A few respondents noted that the MVT and Crossing Rules and the related exception to the Prohibition on Pre-Trade Communications in LME Select, were too complex from an operational point of view (notably the concern was that the proposed Rules would reduce the user's ease of using the Exchange, for instance in terms of complexity of trade types and entry, or how Clients hedge) and from a monitoring/compliance perspective, creating additional risks for some Members. Two respondents noted that the Consultation/guidance were not clear as to how the new Rules would apply in practice (e.g. how to create a compliant audit trail).
22. Linked to the concern around complexity, a few respondents expressed concerns around the implementation timeline of the package of Rules and whether Members and market participants would have enough time to be operationally ready for when the Rules went live. One respondent noted that the LME should publish a full technical specification document that detailed all technical and systems changes associated with the MVT and the Crossing Rules.
23. Two respondents stated that the Consultation lacked sufficient detail and clarity on the practical implementation of the proposed Rules and should be subject to further consultation.

### LME response

24. As noted in the White Paper and the Consultation, whilst we recognise that the implementation of the MVT Rule and the associated measures will require Members and their Clients to adapt their systems

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<sup>1</sup> Available at: <https://www.lme.com/en/trading/initiatives/nickel-market-independent-review>



and operations and familiarise themselves with our new Rules and associated guidance, we note that block rules already apply in every major commodity exchange in the world.

25. We created a number of exceptions and exemptions to the MVT Rule which admittedly leads to a certain level of operational complexity and in relation to which we have sought to provide as much detail and clarity as possible in the Consultation. We introduced these exceptions and exemptions as a result of carefully listening and responding to market feedback around the need to allow bookings which are not subject to the MVT Rule.
26. Moreover, in designing the MVT Rule, in response to feedback and to support the physical market, we decided not to apply the new MVT Rule to daily Prompts, spreads where one or more leg is a daily Prompt, Cash outright trades or spread trades from Cash to other Prompt Dates. This has been acknowledged by a number of respondents in their responses to the Consultation.
27. We recognise, however, that the implementation of the MVT Rule will be novel for some of our Members and ISVs. In light of the feedback we will continue to engage with Members and participants on the implementation of the MVT and Crossing Rules.
28. In response to this feedback the LME is proposing a simplified operational implementation: we are removing the requirement to book the exemptions with separate trade categories. This will simplify the practical implementation of the MVT Rule and should help minimise the impact of the introduction of the new Rule on Members' and ISVs' systems as no new trade categories will be required. The LME will enhance its auditing approach in terms of frequency and breadth to ensure compliance.
29. In addition, our indicative timeline for implementation takes into account the overall reduction in complexity of the new Rules. At a later stage, the LME intends to consult on the LME's expectations on Member monitoring and enforcement process in relation to the MVT Rule and the Crossing Rule. More information will be provided in due course.

***Concerns around the costs of implementing the MVT and Crossing Rules, disruption of Members' and market participants' business models***

30. A few respondents were concerned that the MVT Rule will create significant technological, operational and compliance costs for Members to implement in their systems, processes and procedures and will increase the cost of servicing Clients. A number of respondents argued that the MVT Rule would change their business models, notably in terms of their ability to continue to service Clients with a risk price. Two respondents noted that Clients would pressure Members to reduce their fees and/or negatively impact their business models. One respondent claimed that Members were only able to provide better prices to Clients bilaterally if they could continue to internalise the flow and not expose their risk price to the central electronic book.

LME response

31. We acknowledge that for some of our Members and market participants the MVT Rule (and Crossing Rule) may change their business models and that they will have to adapt their trading practices. However, these changes are taking place in the broader context of LME's proposals and the engagement to date:
  - We are delivering technological solutions like the automated crossing order type to support Members. This new order type will automatically allow a Member to let the market know a cross is going to take place, then expose the Client side to LME Select and either (a) receive an improvement for the Client if better prices come into LME Select or (b) complete the cross at the previously indicated price level (clean price – ex commission);
  - In other areas we originally proposed a range of measures in the White Paper, such as for instance “enhancing practical market data transparency in the inter-office market”. We have considered the extensive feedback received throughout the process, we have acted proportionally throughout and we have chosen not to immediately progress some of the proposals in the White Paper;
  - In response to feedback received during bilateral engagement, the LME has further simplified the LMEsmart implementation of blocks to support Members by specifically removing the requirement



for new trade categories to support the entry of sub-MVT trades that are exempt (see the Block Guidance attached);

- The LME's introduction of an MVT Rule in the inter-office market is in line with industry standards; and
- Our view remains that a market structure that avoids fragmented pools of liquidity and centralises flow into the central electronic venue will ultimately benefit the market as a whole and aligns with our core regulatory obligations.

### ***Concerns that the MVT Crossing Rules will entail significant costs for end-clients***

32. A number of respondents suggested that the introduction of the MVT Rule will result in higher fees for end-clients as Members will pass on the costs of implementing the Rule on them. Two respondents noted that clients would put pressure on Members to reduce their fees and/or impact their business models. One respondent noted that the MVT Rule will negatively impact Clients who currently trade electronically and adjust their trade on the inter-office market as adjustments on LME Select are more costly for Clients than adjustments on the inter-office market. One respondent noted that adjustments should not be subject to additional fees. Another respondent said that the Rules would increase the costs for Members who will, as a result, not service Clients who want to trade below the Minimum Volume Thresholds. One respondent stated that the LME should reduce its fees for trading on LME Select. Another respondent stated that adjustments on LME Select should not be subject to additional fees.

#### LME response

33. Overall, the package of measures proposed is designed to meet the objectives of increasing liquidity and transparency on LME Select in order to reduce execution costs for end-clients. Where a Client is trading DEA and executing a monthly contract direct on LME Select today, there would be no change to their Exchange fees. Similarly, once the MVT and Crossing Rules are in force, where a Member quotes a monthly contract to a Client and crosses it through LME Select, there may be no change to the amount of Exchange fees paid (noting that this will ultimately depend on Members' hedging choices and charging practices). The LME acknowledges that, in some scenarios, a Client may deem liquidity to be sufficiently superior in component instruments to warrant them executing the individual components separately as a result of which they would pay additional Exchange fees.
34. In terms of reducing Exchange fees, as noted in the Update, we are expanding the short-dated Carry definition to reduce the fees for certain daily spread trades regardless of whether they are executed on LME Select or on the inter-office market.

### ***Concerns that the MVT Rule will negatively impact physical clients***

35. Some respondents were concerned that physical clients would likely be more impacted by the MVT Rule given that they tend to trade small volumes. Their view was that these clients were generally less sophisticated and require more assistance from Members. By requiring them to execute on LME Select, the new Rules would make it more difficult for Members to hedge physical clients' risks quickly and with certainty. Physical clients tend not to trade DEA on LME Select, even though they already have the option to trade that way, notably because they request bespoke account terms and bespoke structures that cannot be replicated via DEA. Another concern expressed was that the MVT Rule would likely benefit larger financial players and favour algorithmic trading participants.

#### LME response

36. In the Update, we noted the steps we took to protect the physical community. We are excluding from the scope of the MVT Rule Cash outright along with any spread trade where Cash is one leg. We are also changing the definition of the short-dated Carry discounts to support liquidity in the daily date.
37. We are also delivering an automated cross order type to support Members in continuing to be able to offer guaranteed risk prices (with potential for improvement) to Clients trading below the Thresholds should they so wish and giving them the opportunity to get better pricing from LME Select.



38. We acknowledge that, for some end-clients, the introduction of the MVT Rule will represent a change to the way in which they currently execute trades on the LME. However, as noted above, the measures will only apply to a limited number of liquid instruments at the front of the curve and if a Client is a position holder in these instruments they will ultimately benefit from the increased on-screen liquidity.
39. The inter-office market remains an integral part of the LME eco-system and supports liquidity provision and market-making in large trades, complex orders, and orders in less liquid parts of the curve including daily dates. The short-dated Carry discount will apply to the inter-office market demonstrating the LME's continuing support for this Execution Venue.

***Concerns that the MVT Rule will increase DEA trading on LME Select resulting in certain end-clients being worse off***

40. Some respondents argued that the MVT Rule will have the effect of increasing DEA trading on LME Select resulting in certain end-clients being worse-off as they do not have the level of sophistication to trade DEA and/or will need to obtain third-party software or be provided access to LME Select via their broker Members.

LME response

41. LME acknowledges that it is likely that some Clients will benefit operationally from trading directly on LME Select (whether that is via a front-end GUI or API or otherwise). Other Clients will likely not trade DEA whether before or after the introduction of the MVT Rule. However, the LME has carefully designed the proposals such that Members can continue to service Clients for orders below the MVT either by simply executing on their behalf on LME Select or giving them a guaranteed risk-price by utilising the crossing functionality should they so wish.

***Liquidity and volumes concerns***

42. The feedback acknowledged there was enough liquidity on 3-Month (**3M**) contracts. However, a few respondents challenged the imposition of the MVT Rule on certain less liquid contracts (monthly outright contracts as well as spreads between 3M and certain monthly contracts). In particular, one of the respondents stated that liquidity would not have developed in monthly contracts by the time the LME introduced the MVT Rule. The same respondent suggested that the LME imposes different levels of Minimum Volume Thresholds depending on the type of Contract, for instance imposing a Threshold on certain monthly contracts different from the Threshold imposed on 3M contracts. Another respondent was concerned that the MVT Rule would reduce the volume and liquidity of the Cash Contract and the Cash price as a result of a potential large reduction in 3M trading which in part drives the Cash price. The same respondent was also concerned that tom-next and short dated Carries would be negatively impacted by the MVT Rule.

LME response

43. We note that if the LME had imposed separate Minimum Volume Thresholds depending on the Prompt Date of the Contract, the Threshold levels on 3M contracts would likely have been higher than the Threshold levels that were provided in the Consultation. Our view is that the levels represent the liquidity profile of all instruments (3M, monthlies to M6 and all spreads in between) as well as our own expert judgment and liquidity analysis, balancing the competing views and other 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 hand.
44. We also strongly believe that there is a balance between simplicity and granularity. This was discussed during the LME's bilateral engagement with Members and market participants. The Thresholds put forward during the Consultation reflect the outcome of those conversations. Moreover, we note that creating multiple Thresholds depending on the Prompt Dates would not have been beneficial to the market as it would create unnecessary complexity for trading on LME's markets - complexity being a specific concern that has been raised by respondents which we have worked to address.



45. As regards the comments that there is not enough liquidity in relation to monthly outright contracts, we note that significant volumes are traded in the inter-office market and the objective of the MVT Rule is to encourage trading on the transparent venue in line with standard market structure across peers.
46. The LME is aware of the argument that, in its efforts to enhance liquidity on LME Select in particular in relation to monthlies, this could negatively impact the liquidity of the Cash Contract due to the reduction of residual daily OI. As explained in the Update, the LME remains confident that demand to trade Cash is primarily driven by the fact the LME price is embedded in physical contracts and averaging rather than resulting from residual OI.
47. We acknowledge that if liquidity and execution move away from trading 3M and adjusting, this may have a negative impact on the LME's revenues. However as stated in the White Paper, the objective of this package of measures is to make the market more efficient and fair in order to ultimately increase liquidity for other users on LME Select.

### ***Fragmentation of liquidity across monthly contracts***

48. A number of respondents were concerned that the MVT Rule would have the effect of fragmenting liquidity in relation to monthly contracts as the Rule would have the effect of splitting the 3M liquidity across the curve resulting in insufficient market depth at each point of the curve and in turn the 3M-calendar spreads that make them up. One respondent suggested that the MVT Rule may impact liquidity in tom-next.

#### LME response

49. We have implied pricing enabled on LME Select which links liquidity in outrights through to other outrights via the relevant spread.
50. As outlined in the White Paper and in the Update, the LME will launch a liquidity provider programme (**LP Programme**) which will initially focus on the spreads from 3M to the nearby monthly dates and some monthly-to-monthly spreads, directly supporting liquidity in these instruments and indirectly supporting liquidity in the monthly outright contracts via implied pricing.
51. It is the LME's intention for the LP Programme to apply to Aluminium, Copper, Zinc, Nickel and Lead with consideration for some incentivisation during Asian hours trading. The LP Programme will focus on liquidity in month 3 and month 4 and the spreads in between as a result of which Members and market participants who want to continue to execute 3M and adjust will be able to do so. Their liquidity will be able to interact with those who prefer to trade the monthly direct without splitting liquidity.
52. The LME is confident in the continued demand to trade and hold positions in daily dates including tom-next and the front of the curve, bolstered by Cash trading, and that this will remain unaffected by the new MVT Rule.

### ***The LME should measure the impact of the MVT Rule on liquidity on Select post- implementation***

53. Three respondents asked whether the LME will review the success of its block measures post-implementation and whether the LME will ensure that the introduction of the MVT Rule will not increase price volatility in certain Contracts. One respondent raised concerns on the ability of the LME to perform effective surveillance on trading activity compliant with the MVT Rule against impermissible activity in breach of market abuse.

#### LME response

54. The objective of the overall package is to enhance liquidity and increase transparency. Once the MVT Rule is live, the LME will be closely tracking a number of metrics relating to liquidity including volume, relative venue share, the size and depth in the book (in the relevant instruments), as well as broader measures including overall Open Interest (**OI**) and participation in specific instruments and venues.
55. To ensure that the MVT Rule is effectively implemented by Members, we remind Members that our powers to request information in Regulation 12.2 Part 2 of the Rulebook extend to ensuring that



Members comply with the MVT and Crossing Rules and align their market behaviour with our expected behaviour in our guidance.

**Concerns that the MVT Rule is not a regulatory requirement placed on the LME and there is no evidence that the instruments in scope of the MVT Rule are illiquid**

56. One respondent noted that there was no regulatory requirement on the LME to set a Minimum Volume Threshold in the inter-office market. One respondent argued that there was no evidence of a lack of liquidity in the instruments in the proposed scope of the MVT Rule.

LME response

57. It is correct that the LME is not expressly required by regulation to set a MVT Rule on its inter-office market. However, the LME has a duty to ensure that the financial instruments admitted to trading on its venues are capable of being traded in a fair, orderly and efficient manner. Based on our market expertise, we have concluded that the imposition of an MVT Rule in the inter-office market positively supports our core regulatory requirements around market integrity and price formation.
58. In relation to the liquidity point, as explained in the Update, the MVT Rule applies to a certain set of instruments which will initially consist of monthly outright (or 3M) contracts out to month 6, and any spreads where both legs involve a monthly contract out to month 6 or the 3M contract for Aluminium, Copper, Zinc, Nickel and Lead futures only (excluding LME Options TAPOs, MAFs etc). The Rule will only apply to trades executed in USD. Instruments in the proposed scope of the MVT Rule and which will have to be traded in LME Select if their volume is below the Threshold (and if no exception or exemption apply) are therefore either sufficiently liquid or have the potential to be liquid. The LME believes that introducing the MVT Rule will support liquidity and protect market integrity and price formation in these instruments.
59. Finally, the LME will allow a number of scenarios where trades in LME Liquid Instruments will be permitted in the inter-office market even where such trades are below the Minimum Volume Threshold, including:
- where exceptions apply, that is (a) Client trades where a Member has first executed an Equivalent Trade on LME Select in the exact instrument(s) or in a combination of instruments (on the latter point - see below) or (b) where a trade has been crossed on LME Select in compliance with the Crossing Rule (Regulation 2.5A.(3)); or
  - where technical exemptions apply such as options delta hedges, strips and allocations as detailed in the Blocks Guidance (Regulation 2.5A.4).

**Other - Support for the introduction of TAS**

60. We note that a number of respondents voiced support for the introduction of a Trade At Settlement (TAS) Contract type. We will consider this at a later date noting that we already have the powers in the LME Rulebook to introduce such Contracts (Regulation 2.1.4 of Part 3) and that any new TAS Contract will be announced by Notice.

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

61. We are pleased by the broad support our proposed exceptions and exemptions to the MVT Rule have received.
62. We note that two respondents objected to the introduction of exemptions and exclusions to the MVT Rule because they objected to the introduction of the Rule as a matter of principle. One respondent challenged the LME to review the exceptions and exemptions to ensure that they are consistent with the overall objectives of the MVT Rule.



63. Our responses to more specific feedback on Question 2 are set out below.

**Regulation 2.5A.3 (a): defining what is an “equivalent trade” and clarifying the drafting of the Rule**

64. One respondent suggested that the undefined concept of ‘equivalent trade’ used in the exception in Regulation 2.5A.3 (a) should be defined.
65. Another respondent asked whether the exception in Regulation 2.5A.3(a) was meant to apply only to an equivalent trade to the Agreed Trade in the exact same instrument(s) (e.g. a firm which trades a June in LME Select can only trade a June in the inter-office market) or whether we would allow the exception in Regulation 2.5A.3(a) to apply to an equivalent trade to the Agreed Trade in a combination of instruments. It was also questioned whether the price of an equivalent trade needed to be identical to the Agreed Trade in the inter-office market or whether a Member could apply a fair mark-up.

LME response

66. We have considered whether the term “equivalent trade” used in the exception set out in the draft of Regulation 2.5A.3(a) should be defined. We agree that it should in order to support Members understanding and complying with the MVT Rule.
67. The exception in Regulation 2.5A.3(a) will apply to both an “Equivalent Trade” on LME Select in the exact same instruments and an “Equivalent Trade” on LME Select in a combination of instruments – to do so we have introduced the concept of “Equivalent Trade” in the Glossary to that effect and we have simplified the legal drafting of the exception for further clarity.
68. We are also clarifying how the Crossing Rule exception works. The exception will only apply where the Member has first crossed an Equivalent Trade in Select for each corresponding Agreed Trade in an LME Liquid Instrument below the MVT that may be executed in the inter-office market thereafter.
69. Further, Members who have used either one of the exceptions in Regulation 2.5A.3 may subsequently aggregate their Agreed Trades and execute them in the inter-office market in compliance with Regulation 3.12 Part 3 of the Rules.
70. Regulation 2.5A.3 will require that in all cases, a Member first obtains the consent of the Client to execute on the basis of either exception.
71. We are therefore making the following changes to Regulations 2.5A.2 and 2.5A.3 (redline showing the changes compared to the text that was originally consulted on):

2.5A.2 Members and Registered Intermediating Brokers cannot aggregate ~~or disaggregate~~ 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)) ~~either (i) is equal to or above the Minimum Volume Threshold or (ii) has been executed in compliance with Regulation 2.5A.3.~~



2.5A.3 By way of exception, 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 ~~in compliance with Regulation 3.12(b)~~, the Member shall have first executed an ~~Equivalent Trade to the Agreed Trade~~ in LME Select;

or

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

provided that the Member has first obtained the consent of the Client to execute in either of the above ways.

72. As noted above, we are introducing the concept of “Equivalent Trade” in the Glossary. An Equivalent Trade executed in LME Select may have a different price to the Agreed Trade in the inter-office market - the latter price may include commissions, charges or fees provided that these have been previously agreed with the Client.

“Equivalent Trade”

for the purpose of Regulation 2.5A.3 only, a single trade in the exact same instrument(s) or multiple trades in a combination of instruments with the same risk profile as the corresponding Agreed Trade to be executed in the inter-office market between a Member and a Client. An Equivalent Trade may have a different price to the Agreed Trade in the inter-office market which may include any commissions, charges or fees provided that these have been previously agreed with the Client.

73. The Block Guidance is amended to further provide guidance as to how the exceptions are meant to apply.

74. As explained in the Consultation, the Block Guidance, which may be revised, will provide the technical exemptions to the prohibition to trade LME Liquid Instruments below the MVT in the inter-office market.

### ***Blocks Guidance: partial fills and algo-trading***

75. Two respondents requested a clarification of the Block Guidance on partial fills.

76. One respondent noted that the LME should introduce new exemptions in the Blocks Guidance specific to algorithmic trading.

#### LME response

77. We will amend the Block Guidance to reflect the clarification on partial fills. We are clarifying that any partial fill must itself adhere to the MVT Rule.

78. We disagree with creating specific exemptions for algo-traders because we have not seen good evidence that treating algo-traders differently from other traders would be justified in view of the objectives of the MVT Rule. More generally, we do not believe that offering an exemption for a small



trade linked to a larger order adds to the effectiveness of the MVT Rule and/or promotes liquidity on LME Select. As confirmed above, all partial fills and executions should adhere to the MVT Rule.

79. Finally, we will remain open to constructive suggestions by Members and market participants on our Blocks Guidance, however, as set out in the Consultation, there should be no assumption that there will be future public consultations on any revision to the Blocks Guidance.

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

***Concerns on the calibration of the Thresholds***

80. Two respondents objected as a matter of principle to the implementation of a Threshold for trading on the inter-office market. One respondent noted that the LME should have had a more granular approach to the calibration of the Thresholds and should have introduced multiple Threshold levels depending on the Prompt Dates.

LME response

81. We have already addressed this feedback in Question 1 and we kindly refer to our response there. We would like to reiterate that we have listened carefully to feedback from Members and market participants during bilateral engagements and the BWG as a result of which we amended in the Consultation the Minimum Volume Thresholds that were originally published in the White Paper.

***Concerns around the frequency of review and amendments to the Thresholds***

82. One respondent noted that the LME should publish the frequency and the criteria it will use to review the Minimum Volume Thresholds whilst another respondent objected to the fact that the LME would not be publicly consulting on future amendments to the Thresholds.

LME response

83. We have not received any feedback focusing on material issues or unintended consequences associated with the levels of the Thresholds.
84. As we have already noted in Question 1, we have carefully calibrated the Thresholds using a combination of bid-ask spread, the liquidity at depth in the order book and overall participation in the market.
85. As noted in the Consultation, the market should not assume that there will be future consultations on any revisions to the parameters of the Thresholds.

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

***Suggestions in relation to fees and incentives***

86. We received feedback suggesting that the LME should set up a new liquidity programme on monthlies instead of implementing an MVT Rule to encourage liquidity on LME Select. One respondent noted that the LME should consider introducing different fees for trading on LME Select and the inter-office market (by charging more per lot to trade in the inter-office market).



### LME response

87. Introducing a new liquidity programme alone would not have changed the structural behaviour of Members and Clients. As per the Update, the LME intends to launch an LP Programme to directly provide liquidity on LME Select.
88. Whilst charging higher Exchange fees on the inter-office market compared to Exchange fees on LME Select was discussed in the LME's Discussion Paper on Market Structure published in 2021, we are not immediately progressing that initiative here, but note that it is an area for potential change to incentivise positive behaviour in the future.

### **Upgrading "core functionalities" on Select**

89. Respondents noted that the LME should consider other ways of increasing liquidity on LME Select such as (i) offering implied Carry spreads; (ii) improving LME Select 10's core functionalities such as reinstating native iceberg orders, enabling more efficient execution of custom rolls, and increasing the FIX connection message rate to better support periods of heightened volatility and trading activity, (iii) improve procedures around allowing Clients to close out their positions and receive Cash on a T+2 basis; (iv) introduce a self-match prevention tool on LME Select 10 or (v) extending trading hours on LME Select.

### LME response

90. As noted in the Update, there are several additional functionalities on LME Select 10 that we are looking to deliver including self-execution prevention, implied between spreads, tick size changes, and the new crossing order type all of which will positively contribute towards enhancing liquidity.
91. There are other potential changes such as native icebergs and throttle rates on which the LME is engaging separately with the market post LME Select 10 going live and considering the benefits and risks of introduction as well as potential timelines.
92. Some other items raised such as extending trading hours on LME Select and changes to close-out processes are longer term considerations for the LME, but we note that helpful feedback.

## **II. LME consideration and outcome**

### **Consideration**

93. As explained in the White Paper and in the Update, the LME is committed to a transparent and efficient market that serves the needs of all its users, both in the physical and financial market. The introduction of the MVT and the Crossing Rules serve the objectives of increasing liquidity and transparency on LME Select and align with the LME's core regulatory obligations.
94. Overall, we have worked to find the right balance between the objectives of the MVT Rule and the feedback provided. To reflect the feedback received during this Consultation:
  - We have further simplified the LMEsmart implementation of the MVT Rule and removed the requirement for new trade categories to support entry of sub-MVT trades that are exempt;
  - We are clarifying the drafting of the exception in Regulation 2.5A.3(a) and ensuring that it will apply to both an Equivalent Trade in the exact instruments and the combination of instruments that are equivalent and defining the concept of "Equivalent Trade" to that effect. We are clarifying the drafting of the exception in Regulation 2.5A.3(b) as well as clarifying that in all cases, a Member must first obtain the consent of the Client to execute on the basis of either exception;
  - We are clarifying the Blocks Guidance to the effect that all partial fills and executions should adhere to the MVT Rule;



95. We will continue to internally monitor market behaviour and review the MVT and the Crossing Rules to ensure that they remain fit for purpose. As already noted in the Consultation, the market should not assume that there will be future consultations on any revisions to the parameters of the Thresholds.

### **Outcome**

96. The Consultation has confirmed that the MVT Rule and the Block Guidance as revised achieve the objectives of the MVT Rule.
97. To conclude, the LME will progress Regulation 2.5A. with the amendments discussed above.



## **B. The Prohibition on Pre-trade Communications on LME Select**

### **I. Feedback received and LME's response**

**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.**

98. The feedback was very supportive of the introduction of a prohibition on Pre-Trade Communications on LME Select with the exception of crosses compliant with the Crossing Rule and Guidance as this was consistent with standard market practice and prevention of market abuse requirements.
99. Below we have grouped and summarised responses challenging the prohibition on Pre-Trade Communications on LME Select by theme.

#### ***Market abuse concerns***

100. One respondent noted that the exception to the prohibition on Pre-Trade Communications in LME Select (where a Member enters an order in LME Select in compliance with the Crossing Rule) could be gamed and breach market abuse legislation. Several respondents alluded to similar concerns in other elements of their responses.

#### **LME response**

101. We acknowledge this concern but, as noted above, we have powers to request information in Regulation 12.2 Part 2 of the Rulebook to ensure that Members comply with the MVT and Crossing Rules and align their market behaviour with our expected behaviour in our Guidance.
102. We have also simplified the drafting of Regulation 2.2A.1 and we have clarified that the prohibition of Pre-Trade Communications in LME Select does not prohibit communications between a Member and a Client that are made in good faith, are lawful and are for the purposes of discussing the parameters of an order. The definition of Pre-Trade Communications in the Glossary is revised accordingly.
103. To be clear, under Regulation 2.2A. Members may engage in Pre-Trade Communications in relation to Agreed Trades made in the inter-office market and, where permitted, in LME Select, only if such Pre-Trade Communications: (i) comply with market abuse legislation or any other applicable law or regulations; and (ii) comply with the Rules and, in particular, do not facilitate or amount to a prohibited practice set out in Regulation 14.9 of the Trading Regulations. Moreover, a Member must not disclose any information obtained in Pre-Trade Communications (or otherwise) to any person or make any other use of any such information or engage or attempt to engage in any other behaviour in breach of the Rules, market abuse legislation or any other applicable law or regulations.
104. In addition, we are clarifying that when engaging in permitted Pre-Trade Communications in LME Select, a Member must ensure that the price quoted during any permitted Pre-Trade Communications for a potential or future Agreed Trade is at Fair Market Value. When engaging in permitted Pre-Trade Communications in LME Select for the purposes of making use of the Crossing Rule, a Member must also have obtained the Client's consent before engaging in such Pre-Trade Communications.



**Members should obtain the consent of their customer before engaging in Pre-Trade Communications**

105. One respondent noted that draft Regulation 2.2A. should be amended to expressly require Members to obtain the consent of customers before any Pre-Trade Communications can take place.

LME response

106. We have taken this feedback into consideration. We are amending Regulation 2.2A.2 so that it requires Members to obtain prior consent from their Clients before engaging in any permitted Pre-Trade Communications in LME Select for the purposes of making use of the Crossing Rule.

**Pre-Trade Communications should be allowed between a Member and its Affiliate**

107. One respondent noted that draft Regulation 2.2A. should be amended to clarify that Pre-Trade Communications between a Member and its Affiliate are permitted.

LME response

108. We have taken this feedback into consideration. We are clarifying in Regulation 2.2A.1 that, more generally, Pre-Trade Communications between a Member and a Client in an agency relationship (which may include an Affiliate) are permitted in relation to Agreed Trades made in LME Select provided that these communications are made in good faith, are lawful and are for the purposes of discussing the parameters of the order in the ordinary course of business.

Revised Rule

109. Part 3 has been amended as follow (redline):

**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; and
- ~~(b)~~ shall be permitted for PTT Orders; and
- ~~(c)~~ (b) shall not be permitted in relation to Agreed Trades made in LME Select except:-
  - (i) for legitimate and lawful business communications between a Member and a Client on the parameters of an order which will be entered by the Member on the Client's behalf; and
  - (ii) 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:**

- (a) ensure that the price quoted for the potential or future Agreed Trade is at Fair Market Value; and or
- (b) in the case of Regulation 2.2A.1 (b) (ii), have first obtained the Client's consent before engaging in Pre-Trade Communications.

**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 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.

## **II. LME consideration and outcome**

- 110. In relation to Questions 5, 6 and 7, we note the unanimous support in favour of introducing a prohibition of Pre-Trade Communications in relation to LME Select that will apply to all LME Contracts and instruments, as it is standard across most peer markets.
- 111. On the basis of the above the LME will progress Regulation 2.2A. with the amendments presented above.



## C. The Crossing Rule

### I. Feedback received and LME's response

**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 should be limited to Members only, and not be extended to DEA Clients? If not, please explain why.**

112. We have grouped responses to Questions 8 and 9 together as there were large overlaps in the responses.
113. The feedback was broadly supportive of introducing a Crossing Rule, noting that the proposed crossing mechanism was standard and in line with other peer venues' practices.
114. We have summarised below responses challenging the creation of a Crossing Rule as an exception to the MVT Rule by theme.

#### ***Concerns on the costs and risks associated with implementing the Crossing Rule***

115. One respondent opposed the Crossing Rule as a matter of principle, given that it opposed the introduction of an MVT Rule. A number of respondents objected to the Crossing Rule as they viewed the different crossing methods as impractical, including in terms of their ability to offer Clients a firm price, and/or noted that the automated crossing method would be costly for Members and market participants to implement. One respondent noted that the way in which the LME intended to create an automated crossing functionality in LME Select would be different to the crossing functionalities existing in peer exchanges. A few respondents stated that the MVT Rule and the Crossing Rule should not be implemented before automated crosses were live on LME Select.

#### LME response

116. We note that whilst standard on other markets, the manual crossing solution has some operational complexity and risk and therefore we intend to provide an automated crossing order type to support Members and reflecting the feedback received from the BWG and bilateral engagement.
117. We note that there are associated costs for Members and Clients in implementing the automated crossing functionality that Members have requested. The LME is investing in the development of this new order type and is engaging closely with ISVs to prepare for the introduction and minimise the Member and Client uplift.
118. As noted above, the automated crossing order type will support Members in continuing to be able to offer guaranteed risk prices to Clients trading below the MVT should they so wish and give them the opportunity to get better pricing on LME Select.
119. The LME notes the benefit of delivering the automated crossing order type ahead of the MVT Rule. The LME's intention is to deliver the new automated crossing order type as soon as possible ahead of the implementation of the MVT Rule and the LME will provide more details via Notice including test availability for Members and a roll-out plan.



**Concerns that the Crossing Rule will require Members and market participants to pay additional Exchange fees**

120. One respondent argued that the Crossing Rule would result in additional Exchange fees being paid by Members and market participants therefore making the LME less attractive than other peer markets.

LME response

121. Where a participant is directly executing on LME Select today the introduction of the MVT Rule will have no impact on their Exchange fees. If a Member were to utilise the crossing functionality, one side of that would be rebated by the Exchange, thus resulting in 3 sides in line with a participant who executed directly on LME Select. We note that bid-ask spreads represent a significant component of execution cost and therefore additional liquidity will ultimately benefit end-clients.

**Concerns that the Crossing Rule will create pre-trade transparency in the inter-office market, something which is not required by regulation**

122. One respondent was concerned that the Crossing Rule would create pre-trade transparency in the inter-office market which was not a regulatory obligation on the LME.

LME response

123. It is standard practice on other exchanges to have block thresholds and crossing functionalities. The combination of the MVT and Crossing Rules will enhance price competition and transparency, and protect price formation in the central market. All of these objectives align with the LME's core regulatory responsibilities.

**Concerns relating to maintaining the anonymity of trading on LME Select when two Members trade and concerns about DEA Clients being able to use the crossing functionalities**

124. There were some general concerns about the anonymity of trading on LME Select, in particular if two Members were separately entering their side of the crossing order.

125. Moreover, a number of respondents also expressed concerns about the drafting of Regulation 2.4A.3 and the Crossing Guidance in relation to DEA Clients in that manual crosses and/or automated crosses would be opened to DEA Clients. That said, we note that one respondent was supportive of Clients having access to either type of cross.

LME response

126. To deal with the concerns around the anonymity of trading on LME Select, we have updated the Crossing Guidance to reflect that where a Member is pre-arranging a trade with another Member, only one Member will be able to enter both sides of the trade on LME Select. This is important because some Members provide liquidity to other Members.

127. We are also deleting draft Regulation 2.4A.3 (which created an exception to the principle of anonymity of trading in LME Select for the purposes of the Crossing Rule) to make clear that trading on LME Select must be anonymous including where Members make use of the Crossing Rule.

128. We note Members' concerns around monitoring and compliance if two DEA Clients were to engage in pre-trade communications on LME Select.

129. Given the overall impact on Members' business models, we will not allow Clients to either do manual crosses or automated crosses. Clients will benefit from crossing with a Member who offers this service. Only Members will be able to cross either manually or in an automated way. To that effect we are clarifying the drafting of Regulation 2.4A so that only Members may make use of the Crossing Rule. However, we may revisit this at a later stage.

130. As noted above, we will provide more information in due course in relation to Member monitoring and LME's enforcement process in relation to the MVT and Crossing Rules.



## Revised Rule

### **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(e)~~ ~~(b)~~ 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 in LME Select shall be entered at the clean price (that is net of commissions, credit charges and or fees). ~~Only Members may use the Crossing Rule.~~

2.4A.2 Members, who have ~~crossed first executed an Agreed Equivalent Trade~~ on LME Select in accordance with the methods of crossing specified by the Exchange, may subsequently submit ~~an the~~ ~~corresponding~~ Agreed Trade for Execution in the inter-office market ~~as permitted by in compliance with Regulation 2.5A.3 (b).~~ ~~Members may use the Crossing Rule irrespective of the size of the Agreed Trade.~~

~~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’.

### **Concerns about the 5 seconds rule in the manual crossing**

131. One respondent noted that the 5 seconds rule was reasonable and the mechanics made sense.
132. Several respondents noted that the 5 seconds rule in manual crossing to achieve a fill was unrealistic and/or difficult to monitor and enforce and/or would in reality create further delays in the order being input in LME Select. These respondents noted that where the manual crossing functionality would be used, there was a risk that displaying the Client’s order on LME Select would have the effect of moving the market away from the Client resulting in a less favourable price being provided to the Client or a failure to execute the order entirely.
133. Three respondents noted that for those trading during the Asian hours, the MVT and Crossing Rules were not favourable to them given the lower liquidity levels on LME Select during these hours.

### LME response

134. We note that there is some complexity and challenge with the manual crossing solution which explains why we are delivering the automated crossing solution to mitigate the risk of the market moving away.
135. The Crossing Rule supports continued bilateral liquid provision in less liquid markets (should Members offer this service), and we note that a number of the challenges raised in relation to the manual cross are less impactful during periods of lower liquidity.

**Q10: In your opinion are there any alternative or additional measures to the proposed introduction of a Crossing Rule the LME should consider?**

136. We did not receive any specific comments on Question 10.



## II. LME consideration and outcome

### Consideration

137. We acknowledge the manual crossing solution (which is standard on other markets) has some operational complexity and risks. We are investing in the development of an automated crossing order type to support Members to provide risk prices to their Clients trading below the MVT should they so wish.
138. In relation to regulatory concerns, our view is that the MVT and Crossing Rules together will support the objectives of increasing price competition and transparency on LME Select and are aligned with our core regulatory obligations.
139. We note the concerns around DEA Clients engaging in pre-trade communications on LME Select. We have clarified that this was not our intention. Clients will not be allowed to either do manual crosses or automated crosses. Clients will benefit from crossing with a Member who offers this service.
140. We will provide more information in due course in relation to Member monitoring and LME's enforcement's process in relation to the MVT and Crossing Rules.

### Outcome

141. The LME will progress the Crossing Rule with the amendments to Regulation 2.4A. presented above.

### Next steps

142. The LME would like to thank the Members and market participants who provided written feedback to the Consultation. The LME very much appreciates the time and effort taken by all those who contributed. The responses represented a broad spectrum of industry stakeholders, including associations and industry bodies.
143. The LME accepts no responsibility or liability to any person with respect to any action taken or omitted to be taken by such person in reliance on any statement made in this Decision Notice. The LME may undertake subsequent consultations with respect to the implementation of specific proposals, in accordance with its usual consultation processes and applicable Rules.
144. The LME would welcome any Member or market participant wishing to arrange further discussion or seeking clarification in relation to the LME's implementation of the new Rules, however such discussions will not impact the LME's decision contained within this Decision Notice. Any questions to the LME should be directed to [market.engagement@lme.com](mailto:market.engagement@lme.com).

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

cc: Board directors  
All Committees



# LME Liquid Instruments and Minimum Volume Thresholds

## 1 Introduction

The purpose of this document is to provide the Minimum Volume Thresholds (“MVT”) and outline the contracts to which they are applicable to (“LME Liquid Instruments”).

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

LME Liquid Instruments refer to the Contracts and Prompt Dates 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 MVTs are applicable is comprised of a set of instruments involving a limited number of prompt dates<sup>1</sup> on the most liquid base metal<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 only applies to a limited set of prompts and instruments<sup>3</sup>, as summarised below:

	Aluminium, Copper, Lead, Zinc, Nickel (USD futures)
Monthly outrights (M1 <sup>4</sup> ,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.

<sup>4</sup> At market open on the day where the Cash contract is a 3rd Wednesday, then for the purpose of the Liquid Instrument definition, the next following 3rd Wednesday will be considered M1.



### 3 Minimum Volume Thresholds

The levels at which the MVT's are set on the LME Liquid Instruments are 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 amendments to the LME Rulebook



## PART 1: DEFINITIONS AND GENERAL RULES

*All definitions below are new and underlined.*

<u>“Crossing Rule”</u>	<u>has the meaning set out in Regulation 2.4A of Part 3 of these Rules;</u>
<u>“Fair Market Value”</u>	<u>in respect of an Agreed Trade, a price which is fair and reasonable for a trade of that kind and size at the relevant time in view of, but without limitation:</u> <u>(a) the size of the trade;</u> <u>(b) the circumstances of the market for the Contract or of the parties to the trade; and</u> <u>(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;</u>
<u>“Equivalent Trade”</u>	<u>for the purpose of Regulation 2.5A.3 only, a single trade in the exact same instrument(s) or multiple trades in a combination of instruments with the same risk profile as the corresponding Agreed Trade to be executed in the inter-office market between a Member and a Client. An Equivalent Trade may have a different price to the Agreed Trade in the inter-office market which may include any commissions, charges or fees provided that these have been previously agreed with the Client;</u>
<u>“LME Liquid Instrument”</u>	<u>the Contract and Prompt Date subject to a Minimum Volume Threshold as determined by the Exchange from time to time;</u>
<u>“Minimum Volume Threshold”, “MVT” or “Threshold”</u>	<u>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;</u>
<u>“Pre- Trade Communications”</u>	<u>any negotiation or discussion on the direction, size or price of a potential or future Agreed Trade prior to submission to an Execution Venue operated by the Exchange;</u>

*Existing definitions below are amended. New text is underlined, deleted text is showed as strikethrough.*

<u>“Customer”</u>	<u>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</u>
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initiates ~~p~~Pre-Trade Execution ~~e~~Communications, and including:

another Member; or

a Client;

"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, deleted text is shown 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 shown 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; and
- (b) shall not be permitted in relation to Agreed Trades made in LME Select except:
  - (i) for legitimate and lawful business communications between a Member and a Client on the parameters of an order which will be entered by the Member on the Client's behalf; and/or
  - (ii) 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:



- (a) ensure that the price quoted for the potential or future Agreed Trade is at Fair Market Value; and
- (b) in the case of Regulation 2.2A.1 (b) (ii), have first obtained the Client's consent before engaging in Pre-Trade Communications.

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 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(b) 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. For the purposes of complying with applicable pre-execution (price validation) checks, all orders entered in LME Select shall be entered at the clean price (that is net of commissions, credit charges and or fees). Only Members may use the Crossing Rule.

2.4A.2 Members, who have first executed an Equivalent Trade on LME Select in accordance with the methods of crossing specified by the Exchange, may subsequently submit the corresponding Agreed Trade for Execution in the inter-office market in compliance with Regulation 2.5A.3 (b). Members may use the Crossing Rule irrespective of the size of the Agreed Trade.

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 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 or disaggregate 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 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)) either (i) is equal to or above the Minimum Volume Threshold or (ii) has been executed in compliance with Regulation 2.5A.3.

2.5A.3 By way of exception, 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 in LME Select;

or



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

provided that the Member has first obtained the consent of the Client to execute in either of the above ways.

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

[...]

# Blocks Guidance

DRAFT



## 1 Legal Disclaimer

The purpose of this document is to provide an updated draft of the Blocks Guidance. This version is near final but may still be subject to change. It should be read in conjunction with the Consultation Notice 25/083 (the “**Consultation**”) and the Decision Notice 25/149 (the “**Decision Notice**”).

For the avoidance of doubt, there should be no assumption that there will be future consultations on revisions to the Blocks Guidance. Nothing in this document should be taken as indicating such future intention or commitment on the part of LME.

Terms not otherwise defined in this Guidance shall have the meaning ascribed to them either in the LME Rulebook. In the event of any inconsistency between the wording of the Rules and any description or summary of a provision thereof contained in this document, the wording of the Rules shall prevail.

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### 3 Introduction

Following the Consultation on Enhancing Liquidity (the “**Consultation**”), the LME is introducing a number of measures for which various additional supporting documentation will be made available. This is a technical guidance document (the “**Blocks Guidance**”) and forms part of the supporting documentation and is provided to help market understanding 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 Notice 25/083 (the “**Consultation**”) and the Decision Notice 25/149 (the “**Decision Notice**”) and reflects the discussions in the Block Working Group (“**BWG**”) and broad market engagement. This guidance seeks to support the market in understanding best practices for adhering to the MVT Rule.

### 4 Scope

The 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 in the inter-office market, has executed an Equivalent Trade in LMEselect. See *Part 1: Definitions* and *Part 3: Regulation 2.5A* of the Rulebook for further details of scope and definition of Agreed Trade and Equivalent Trade.

There are other exceptions and exemptions which are described in more detail in section 6 below. Adherence to the MVT Rule will be via post trade monitoring and Member audit described in more

detail in section 7 below. 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 to the Decision Notice and Rulebook. This document also describes, where it is relevant to do so, an Agreed Trade where it is with a Client as a Client Trade or where it is with another Member as a Member-to-Member inter-office Trade. Where the Client Trade is executed on LMEselect, it is described as the Equivalent Trade.

See example '*MVT Example 1*'.

#### **4.1 In scope of the MVT Rule**

This is not an exhaustive list of in-scope items but provides additional clarity for the avoidance of doubt. The MVT Rule will apply to Agreed Trades submitted to LMEsmart that are LME Liquid Instruments (see *LME Liquid Instruments and Minimum Volume Thresholds*) and that are:

- 1) Inter-office trades
- 2) Member-to-Member trades
- 3) Member-to-Client trades
- 4) Dollar denominated
- 5) 'Current' or 'historic' Price Type
- 6) Normal and Give-Up trades

#### **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 not LME Liquid Instruments or that are:

- 1) Trades executed on the Ring<sup>1</sup> or LMEselect
- 2) Reversal/corrections
- 3) The following trade categories and post-trade functions:
  - a. OTC Bring On
  - b. OTC Take Off
  - c. Financing
  - d. Exception Reportable
  - e. Exception Non-Reportable
  - f. Transfer
- 4) Non-dollar denominated

There is no change to the current business process for trades which are wholly out of scope of the MVT.

See '*MVT Example 2*'

---

<sup>1</sup> Ring trades only, Basis Ring trades are considered inter-office for the purpose of the MVT rules.

#### **4.2.1 Trades subject to the MVT with volume equal to or above the MVT**

There is no change to the current business process for Client Trades or Member-Member inter-office Trades that are in scope of MVT and where the volume is equal to or greater than the MVT. See '*MVT Example 3*'.

## **5 MVT Calibration**

The initial calibration of MVT has been determined by analysing the volume, the bid ask spreads and 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 prohibits the execution in the inter-office market of Agreed Trades in instruments in scope of the MVT which are below the MVT.

There are exceptions and exemptions to the MVT Rule described more in sections 6.1 and 6.2 below.

Trades in scope of the MVT Rules where the Client has asked for a trade to be cleared by another clearing Member (give-ups) can be booked in LMEsmart but must adhere to the MVT Rule (described further in section 6.3.2 below).

For trades in scope of the MVT Rule, Members and RIBs are prohibited from aggregating their trades to meet or exceed the MVT threshold (described further in section 6.3.3 below and unless they have used either one of the exceptions in regulations 2.5A.3).

For a partial fill in the inter-office market where the Equivalent Trade has not been executed on LMEselect, the partial fill must adhere to the MVT Rule (described further in section 6.3.4 below).

### **6.1 Exceptions to the Application of the MVT Rule**

The following provides examples of trading scenarios that are exceptions to the application of the MVT Rule (see *Regulation 2.5A.3*).

#### **6.1.1 Executing an Equivalent Trade in LMEselect**

Where a Member is trading with a Client and, before submitting the Agreed Trade in the inter-office market, the Member has first executed and/or crossed an Equivalent Trade in LMEselect either in the exact same instrument(s) or in a combination of instruments which results in a position equivalent to the trade the Member has agreed with the Client.

See '*MVT Examples 4, 5, 6 & 7*' for a non-exhaustive set of example scenarios.

## **6.2 Exemptions to the Application of the MVT Rule**

The following provides examples of trading scenarios that are exemptions to the application of the MVT rule (see *Regulation 2.5A.4*).

### **6.2.1 Option Delta Hedge**

Where a Member executes an Option with a Delta Hedge, the futures hedge trade would be exempt from the MVT rule.

See '*MVT Example 8*'.

### **6.2.2 Strips**

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 in the same direction. The legs of a Strip do not have to be the same price or volume or consecutive. For details of valid and invalid strips see table in Appendix 8.3 and '*MVT Example 9*'.

### **6.2.3 Client Trades split across sub-accounts**

Where a Client Trade is executed above MVT and the Client requests the trade be split across more than one sub-account leading to multiple below MVT trades, then those Client Trades can be booked in LMEsmart below MVT.

See example '*MVT Examples 10, 11, 12, & 13*'

### **6.2.4 Cash and Adjust**

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, the adjustment executed below MVT<sup>2</sup>.

See example '*MVT Example 14*'.

### **6.2.5 Market on Close**

When a Client trades an adjustment basis the close below MVT, the Client Trade can be booked in LMEsmart below MVT.

See '*MVT Examples 15 to 20*'.

### **6.2.6 LMEselect closed**

LMEsmart is open outside the opening hours of LMEselect. In these instances, Members are unable to execute Equivalent Trades on LMEselect and so can submit below MVT trades in LMEsmart.

See example '*MVT Example 21*'.

### **6.2.7 Disapplication of the MVT Rule**

The MVT Rule being expressly disappplied by the LME on a temporary basis such as, for example, due to an operational issue with LMEselect. In this instance, Members will be unable to execute the Equivalent Trade on LMEselect. In these circumstances, Members can submit below MVT trades in LMEsmart.

See example '*MVT Example 22*'.

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<sup>2</sup> For the avoidance of doubt, this only applies to Cash trades. A 3-month trade executed in the Ring, that is to be adjusted to a tenor that is in-scope of MVT, must adhere to the MVT rules.

## 6.3 Other Business Scenarios

The following section provides additional clarity in the form of additional examples of valid and invalid business scenarios regarding the broader application of the MVT Rules. This is not an exhaustive list.

### 6.3.1 Examples of trades in breach of the MVT Rule due to not meeting the criteria of an Equivalent Trade

*MVT Examples 23, 24, 25, & 26* provide more details on trading scenarios that would be in breach of the MVT Rules as not all of the Equivalent Trades have been executed on LMEselect.

### 6.3.2 Give Ups

Any Client Trade that is in scope of the MVT Rules and below MVT should be executed on LMEselect. If the executing Member is not the clearer for the Client or the Client asks for the trade to be cleared with another clearing Member then the resulting give-up trade booked into LMEsmart will be allowed because the Equivalent Trade was executed on LMEselect (or has any other valid exemption described in section 6.2). It will be the executing Member who will be responsible for adherence to the MVT Rule.

See '*MVT Examples 27, 28, 29, & 30*'.

### 6.3.3 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 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 either (i) equal to or above the Minimum Volume Threshold or (ii) has been executed in accordance with one of the exceptions set out in Regulation 2.5A.3.

#### 6.3.3.1 Valid Aggregation Examples

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

- 1) ✓ Aggregated trades from the same Client where Equivalent 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 31*'
- 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 32*'
- 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 33*'

- 4) ✓ Client executes a number of trades in one prompt in one direction (e.g. 3month (**3M**), 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 34 & 35*'

### 6.3.3.2 Invalid Aggregation Examples

For clarification, below are some further examples of aggregation that are invalid:

- 1) ✗ A number of trades below MVT inter-office aggregated (the total being above or below MVT) and booked into the Client account  
See example '*MVT Example 36*'
- 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 37*'
- 3) ✗ Individual Agreed Trades from separate Clients which have been aggregated where any such trade is below the MVT  
See example '*MVT Example 38*'

### 6.3.4 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 must be executed on LMEselect.

See example '*MVT Example 39 & 40*'.

## 6.4 Linking Trade Components

Linking trade components refers to the linkage between the Client Trade(s) submitted to LMEsmart and the Equivalent Trade(s) executed on LMEselect.

See example '*MVT Example 41*'.

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 LMEselect, all Equivalent 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 *Section 8* 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 Block Trade Monitoring and Audit**

The LME will ensure adherence to the Block Rules via post trade monitoring and audit. Members will be required to respond to regular periodic LME requests for information in this regard.

The LME will require Members to provide details to show that trades adhere to the MVT Rules. The Members will be required to provide either:

1. Details of the Equivalent Trade(s) executed on LMEselect (Select Order Number(s) Or Matching Reference Number(s))  
And / or:
2. Additional evidence that the booking adheres to the MVT Rule such as details of communication or evidence of execution between client and Member

Breaches of the MVT Rules will be dealt with under the LME's enforcement policy. More details regarding the monitoring and audit process will follow as part of a consultation on changes to the LME Matching Rules and via market notices.

# 8 Appendix

## 8.1 Abbreviations

Name	Description
BWG	Block Working Group
IO	Inter-office
MVT	Minimum Volume Threshold
MOC	Market on Close
TAS	Trade at Settlement



## 8.2 Strip Examples

Description	Leg 1	Leg 2	Leg 3	Allowed	Rationale
More than 2 legs, consecutive order, same direction	Buy May25 Vol: 11	Buy Jun25 Vol: 11	Buy Jul25 Vol: 11	✓	In scope of MVT but can be executed as a strip.
More than 2 legs, consecutive order, same direction	Buy May25 Vol: 2	Buy Jun25 Vol: 2	Buy Jul25 Vol: 2	✓	In scope of MVT but can be executed as a strip.
More than 2 legs, non-consecutive order, same direction	Buy Jun25 Vol: 3	Buy Aug25 Vol: 3	Buy Sep25 Vol: 3	✓	In scope of MVT but can be executed as a strip.
More than 2 legs, consecutive order, same direction, average price strip	Q2 Average			✓	In scope of MVT but can be executed as a strip.
	Buy Apr25 Vol: 5 Price 9000	Buy May25 Vol: 5 Price 9005	Buy Jun25 Vol: 5 Price 9010		
More than 2 legs, consecutive order, not same direction	Buy May25 Vol: 5	Sell Jun25 Vol: 8	Buy Jul25 Vol: 10	✗	Invalid - the legs are not all in the same direction
Not more than 2 legs, consecutive order, same direction	Buy May25 Vol: 9	Buy Jun25 Vol: 9	-	✗	Invalid - there are only 2 legs
More than 2 legs, consecutive order, same direction	Buy Jul25 Vol: 9	Buy Aug25 Vol: 9	Buy Sep25 Vol: 9	✗	Invalid – Sep25 is M7 and is not a liquid instrument

Note – For the benefit of these strip examples, the metal is assumed as Copper, MVT is assumed as 10 and M1 is assumed as Mar25.



## 8.3 Example Diagrams

The following scenarios assume M1 is Mar25

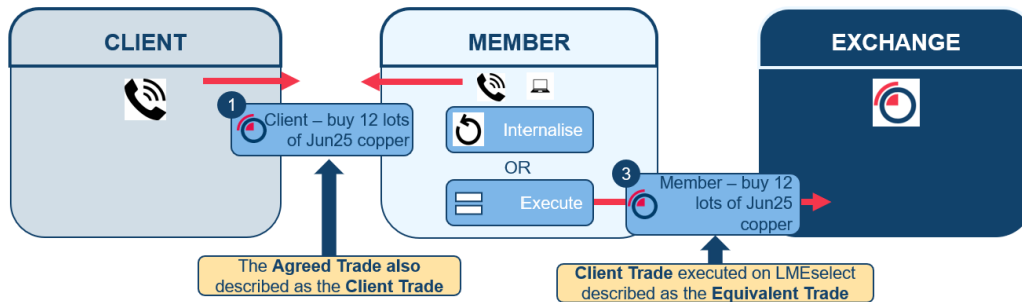
### 8.3.1 MVT Example 1

#### MVT Example 1

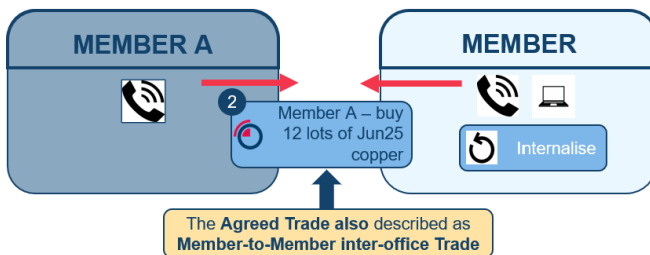
##### Example of an Agreed Trade and an Equivalent Trade

An Agreed Trade can be with a Client ① (the "Client Trade"), or with another Member ② (the "Member-to-Member inter-office Trade"). These are booked in LMEsmart and may or may not include commission. The execution of an Equivalent Trade to the Agreed Trade on LMEselect ③ is described as the "Equivalent Trade".

##### Member-to-Client



##### Member-to-Member



2

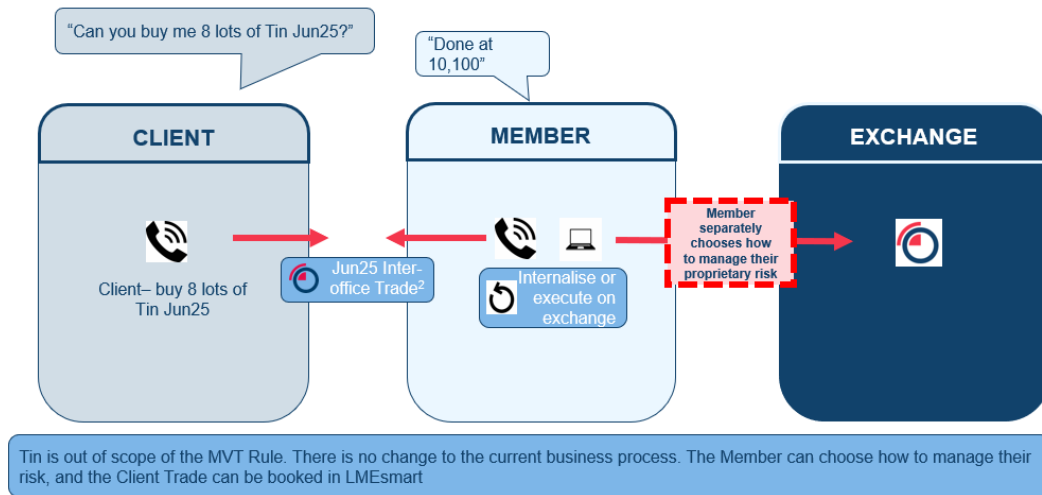


### 8.3.2 MVT Example 2

## MVT Example 2

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

Example: Executing a monthly in Tin



- 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 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

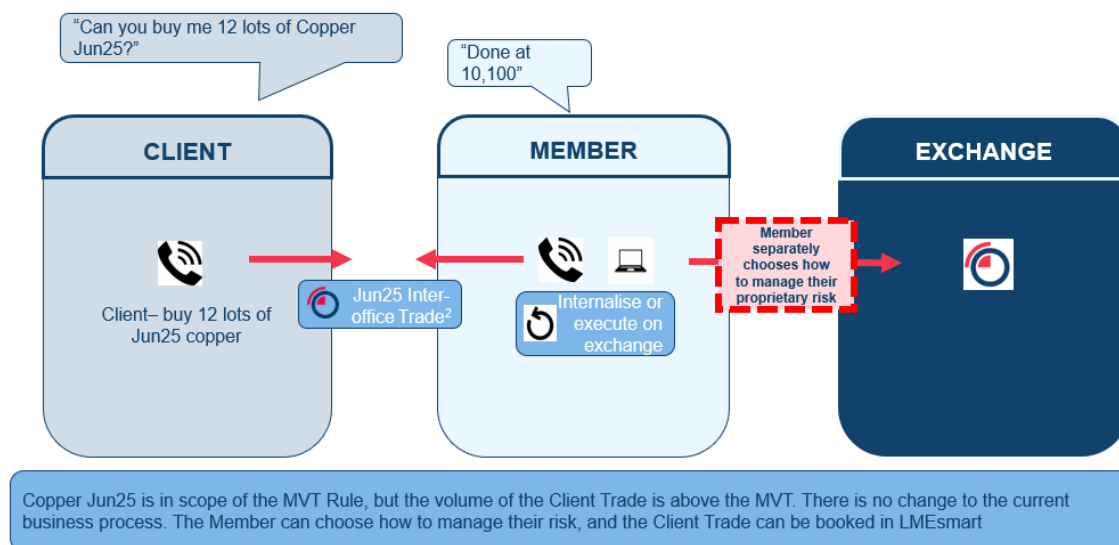


### 8.3.3 MVT Example 3

## MVT Example 3

In scope of the MVT Rule and the Client Trade is above MVT

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



- 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 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

4

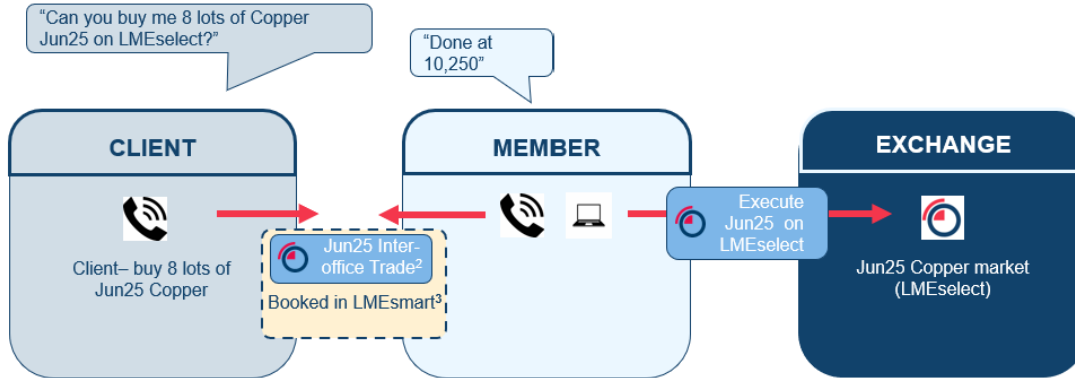


### 8.3.4 MVT Example 4

## MVT Example 4

### Valid - Executing an Equivalent Trade on LMEselect

Example: Executing the monthly in Copper below the MVT<sup>1</sup> where the Equivalent Trade has been executed on LMEselect and the Client Trade has been booked in LMEsmart<sup>2</sup>



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

The LME may request details of the Equivalent Trade as part of post trade monitoring and audit. If requested, the member will be required to provide an audit trail sufficient to identify the Client Trade as 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 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 Trade can be booked with embedded commission

5

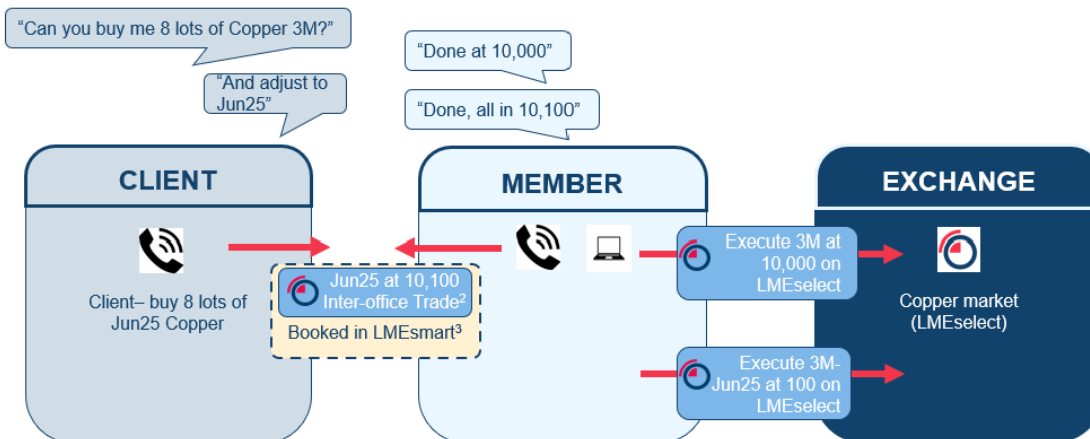


### 8.3.5 MVT Example 5

## MVT Example 5

### Valid - Executing an adjustment on LMEselect

Example: Working the 3M in Copper below MVT<sup>1</sup> then adjusting where the Equivalent Trades (3M and 3M-Jun25) have been executed on LMEselect and the Client Trade has been booked in LMEsmart



Despite being in scope of the MVT Rule and below MVT, the Client Trade can be booked in LMEsmart as the Equivalent Trades (3M and 3M-Jun25) have been executed on LMEselect.

The LME may request details of the Equivalent Trade as part of post trade monitoring and audit. If requested, the member will be required to provide an audit trail sufficient to identify the Client Trade as 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 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 Trade can be booked with embedded commission

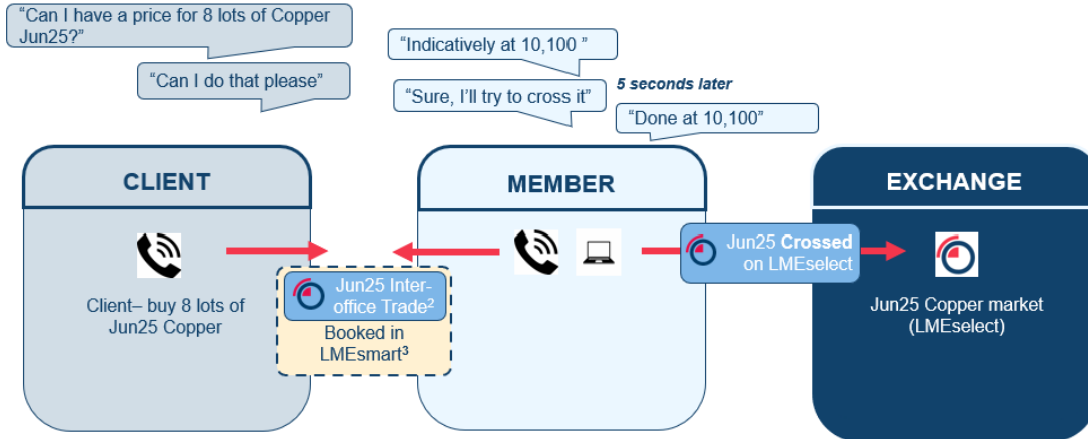


### 8.3.6 MVT Example 6

## MVT Example 6

### Valid - Crossing an Equivalent Trade on LMEselect

Example: Executing the monthly in Copper below MVT<sup>1</sup> where the Equivalent Trade has been crossed on LMEselect and the Client Trade has been booked in LMEsmart<sup>2</sup>



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

The LME may request details of the Equivalent Trade as part of post trade monitoring and audit. If requested, the member will be required to provide an audit trail sufficient to identify the Client Trade as 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 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 Trade can be booked with embedded commission

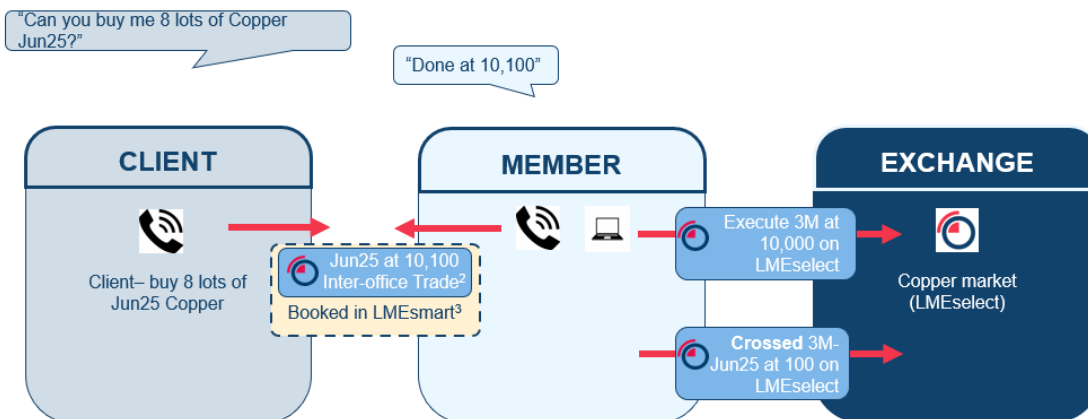


### 8.3.7 MVT Example 7

## MVT Example 7

### Valid - Crossing an adjustment on LMEselect

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



Despite being in scope of the MVT Rule and below MVT, the Client Trade can be booked in LMEsmart as equivalent trades to the client trade (3M and 3M-Jun25) have been executed on LMEselect.

The LME may request details of the Equivalent Trade as part of post trade monitoring and audit. If requested, the member will be required to provide an audit trail sufficient to identify the Client Trade as 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 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 Trade can be booked with embedded commission

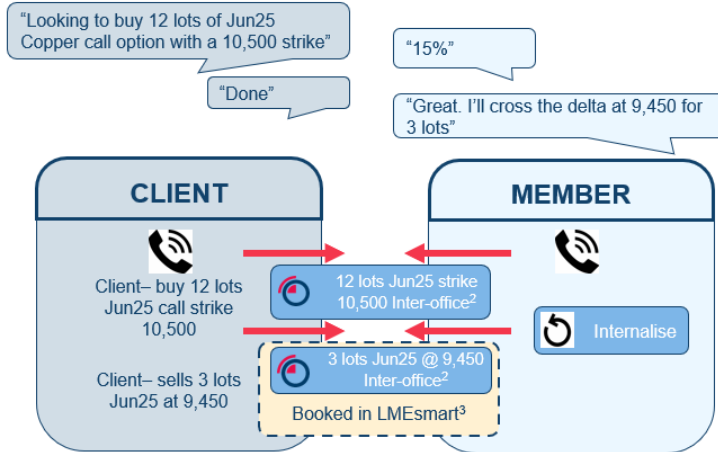


### 8.3.8 MVT Example 8

## MVT Example 8

Valid - Option Delta Hedge

Example: Executing an options trade in LMEsmart where the futures hedge is below MVT<sup>1</sup>



Client Trades which are the futures delta hedge of an option delta hedge can be booked in LMEsmart below the MVT.

The LME may request details of the Equivalent Trade as part of post trade monitoring and audit. If requested, the member will be required to provide an audit trail sufficient to identify the Client Trade as 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 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 Trade can be booked with embedded commission

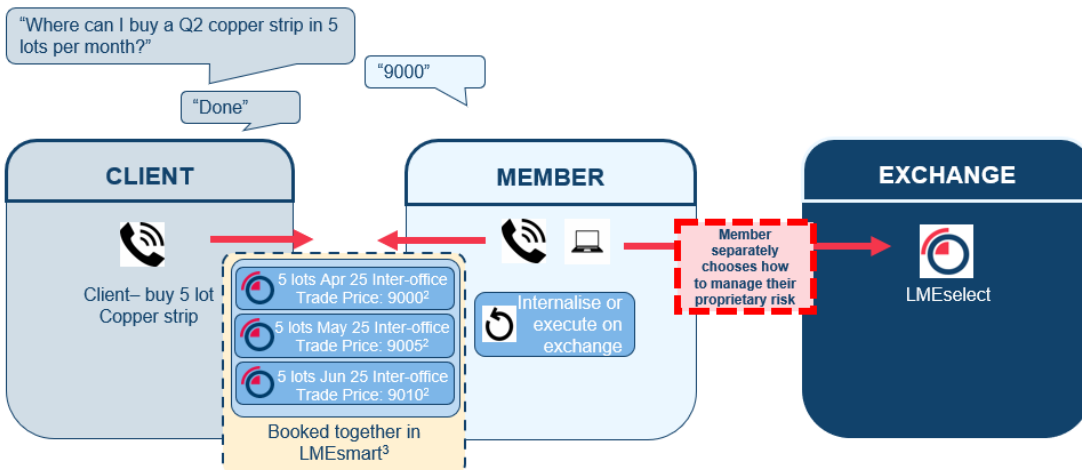


### 8.3.9 MVT Example 9

## MVT Example 9

Valid - Strip

Example: Booking a Copper strip in LMEsmart with leg volumes below MVT<sup>1</sup>



Strips where one or more individual leg volumes are below the MVT can be booked in LMEsmart as individual submissions.

The LME may request details of the Equivalent Trade as part of post trade monitoring and audit. If requested, the member will be required to provide an audit trail sufficient to identify the Client Trade as 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 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
- 10 3 - The Client Trade can be booked with embedded commission

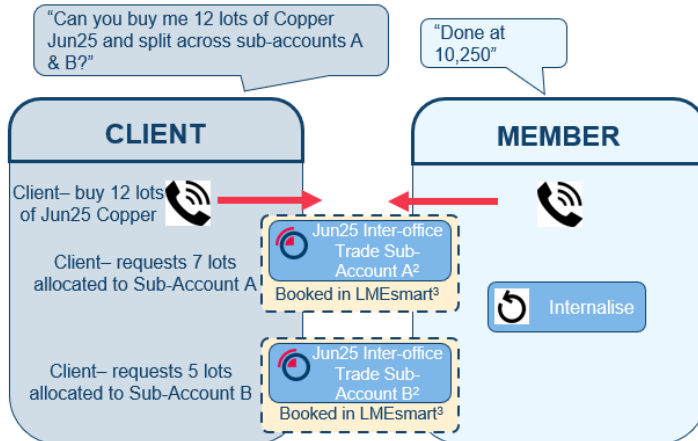


### 8.3.10 MVT Example 10

## MVT Example 10

### Valid – Inter-office split across sub-accounts

Example: Executing the monthly in Copper below MVT<sup>1</sup> where the Equivalent 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.



Despite being in scope of the MVT Rule and below MVT, the Client Trades can be booked in LMEsmart as the original Client Trade is above MVT.

The LME may request details of the Equivalent Trade as part of post trade monitoring and audit. If requested, the member will be required to provide an audit trail sufficient to identify the Client Trade as 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 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
- 11 3 - The Client Trade can be booked with embedded commission

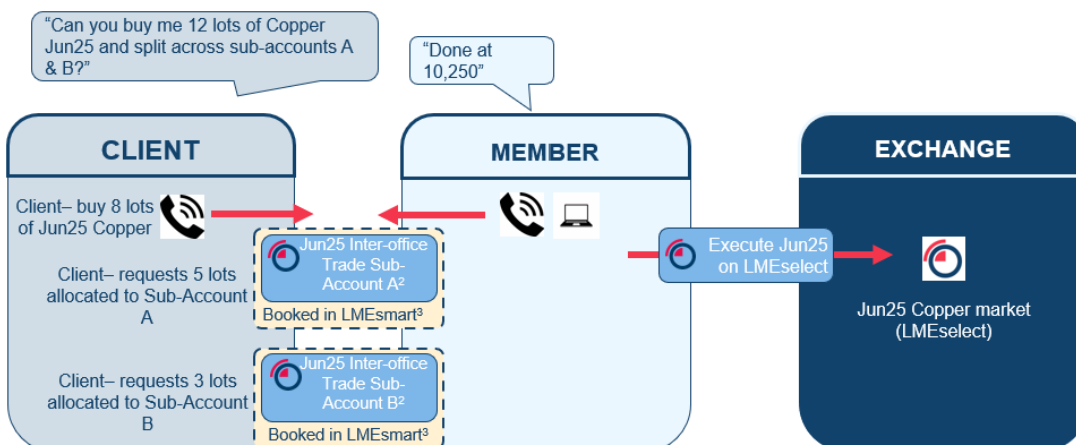


### 8.3.11 MVT Example 11

## MVT Example 11

### Valid – LMEselect split across sub-accounts

Example: Executing the monthly in Copper below MVT<sup>1</sup> where the Equivalent 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 (as the Client asked for the Trade to be split across 2 sub-accounts of the same Client below MVT).



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

The LME may request details of the Equivalent Trade as part of post trade monitoring and audit. If requested, the member will be required to provide an audit trail sufficient to identify the Client Trade as 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 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
- 12 3 - The Client Trade can be booked with embedded commission

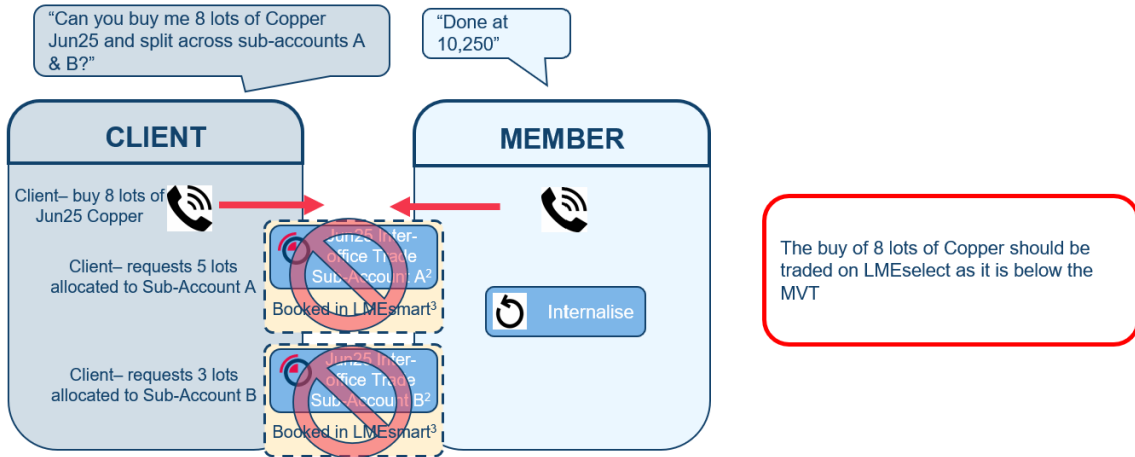


### 8.3.12 MVT Example 12

## MVT Example 12

### Invalid - Split across sub-accounts

Example: Executing the monthly in Copper below MVT<sup>1</sup> where the Equivalent 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.



This scenario is in breach of the MVT Rules as the Client Trade is in scope of the MVT Rules and below the MVT and **not all of the Equivalent Trades have been 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 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

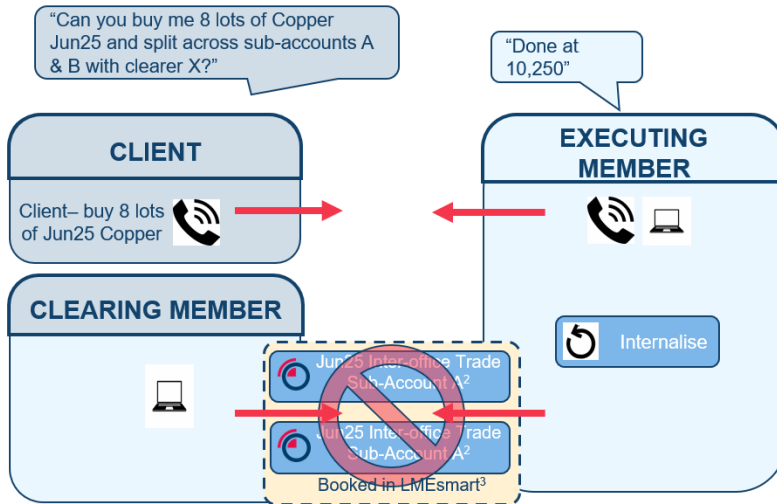


### 8.3.13 MVT Example 13

## MVT Example 13

### Invalid – Inter-office split across sub-accounts to clearing Member

Executing the monthly in Copper below MVT<sup>1</sup> where the Equivalent Trade has been traded inter-office and the Client asked for the Trade to be split across 2 sub-accounts of the same Client below MVT and given-up to a clearing member



This scenario is in breach of the MVT Rules as the Client Trade is in scope of the MVT Rules and below the MVT and **not all of the Equivalent Trades have been 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 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 Trade can be booked with embedded commission

14

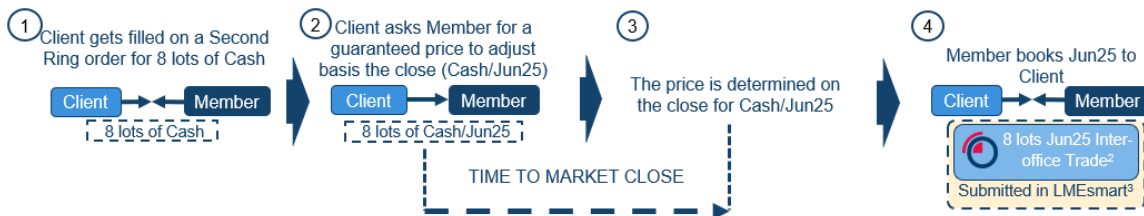


### 8.3.14 MVT Example 14

## MVT Example 14

### Valid MOC Order – Guaranteed closing price order cash and adjust

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



The Cash trade ① and Cash/Jun25 trade ② are out of scope of the MVT Rules. The resulting Jun25 Client Trade ④ is an exception to the MVT Rules.

Client Trade can be booked in LMEsmart below MVT with a price to include commission.

- 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 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 Trade can be booked with embedded commission

15

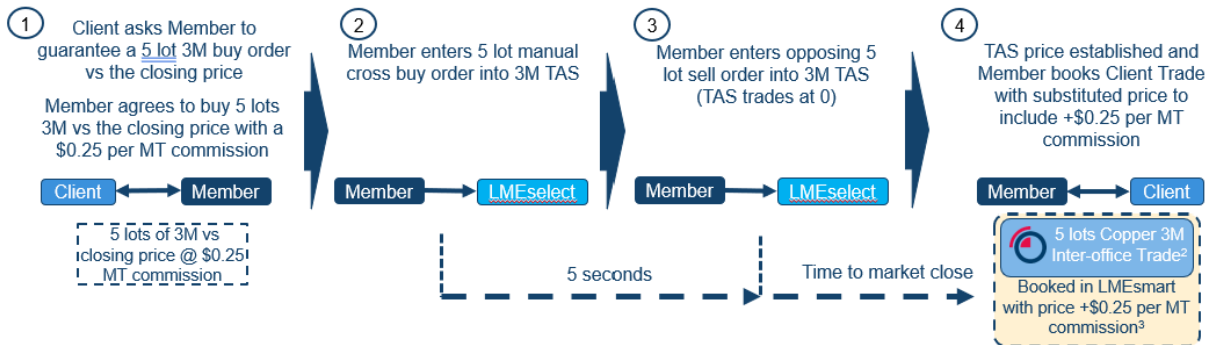


### 8.3.15 MVT Example 15

## MVT Example 15

### Valid MOC Orders - via TAS manual market cross

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 Trade ④ is an exception to the MVT Rules

Client Trade can be booked in LMEsmart below MVT with a price to include commission.

- 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 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 Trade can be booked with embedded commission

16

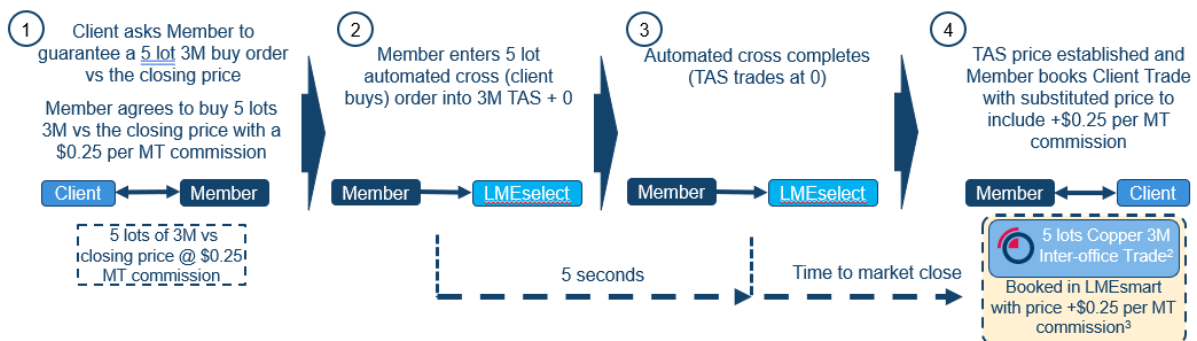


### 8.3.16 MVT Example 16

## MVT Example 16

### Valid MOC Orders – via TAS self-traded automated cross

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 Trade ④ is in scope of the MVT Rules but is exempt.

Client Trade can be booked in LMEsmart below MVT with a price to include commission.

- 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 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 Trade can be booked with embedded commission

17

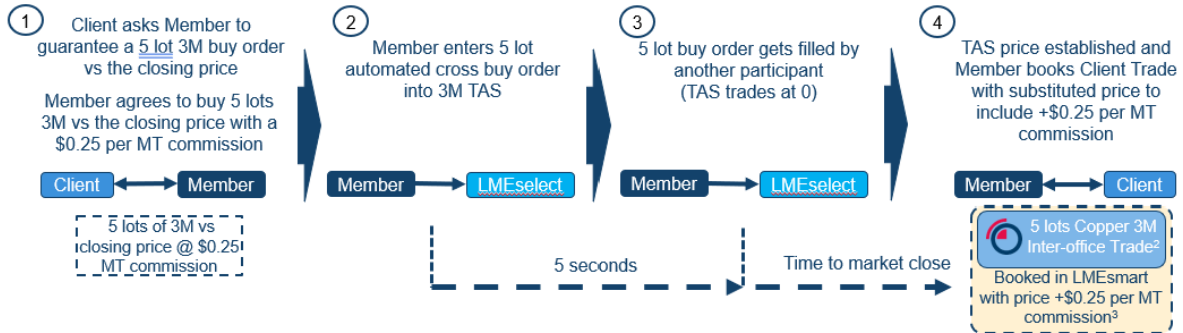


### 8.3.17 MVT Example 17

## MVT Example 17

Valid MOC Orders – via TAS automated cross

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 Trade ④ is in scope of the MVT Rules but is exempt.

Client Trade can be booked in [LMEsmart](#) below MVT with a price to include commission.

- 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 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 Trade can be booked with embedded commission

18

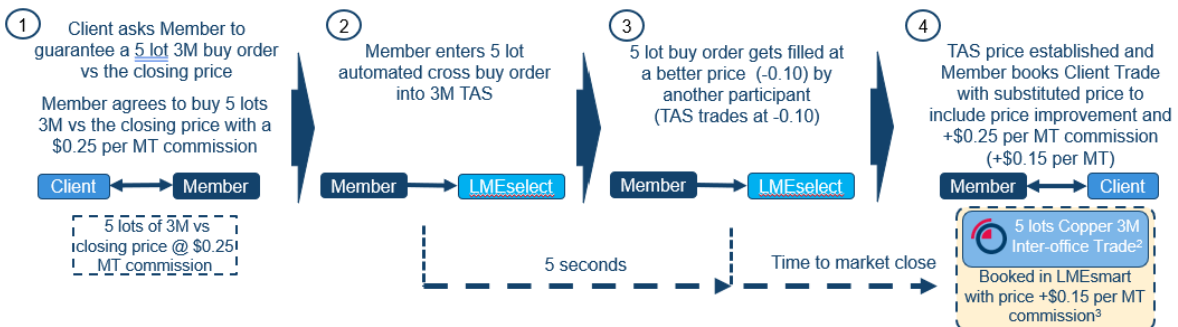


### 8.3.18 MVT Example 18

## MVT Example 18

Valid MOC Order - via TAS automated cross with price improvement

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 Trade ④ is in scope of the MVT Rules but is exempt.

Client Trade can be booked in [LMEsmart](#) below MVT with a price to include price improvement and commission.

- 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 Client 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 Trade can be booked with embedded commission

19

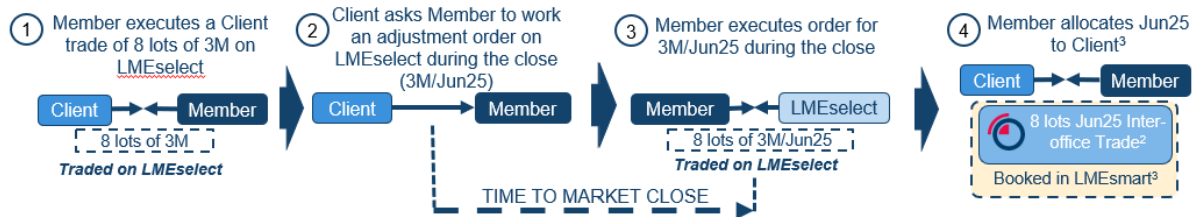


### 8.3.19 MVT Example 19

## MVT Example 19

Valid MOC Order – working order on close

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



The Member can work the order during the close so long as the original execution ① and the adjustment ③ do not breach the MVT rules. In this scenario neither breach the MVT rules as they are executed on LMEselect. The resulting Jun25 Client Trade ④ is exempt from the MVT Rule and can be booked in LMEsmart.

Client Trade ④ can be booked in LMEsmart below 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 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 Trade can be booked with embedded commission

20

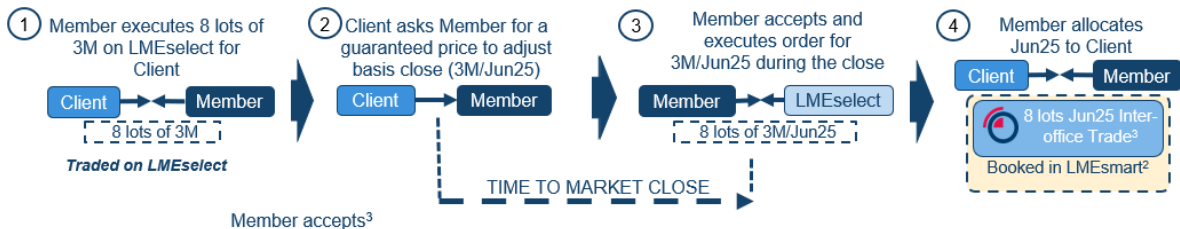


### 8.3.20 MVT Example 20

## MVT Example 20

Valid MOC Order – Guaranteed closing order

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



The Member can accept the guaranteed price to adjust basis the close so long as the original execution ① and the order executed on the close ③ do not breach the MVT rules. In this scenario neither breach the MVT rules as they are executed on LMEselect. The resulting Jun25 Client Trade ④ is exempt from the MVT Rule and can be booked in LMEsmart.

Client Trade ④ can be booked in LMEsmart below 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 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 Trade can be booked with embedded commission

21

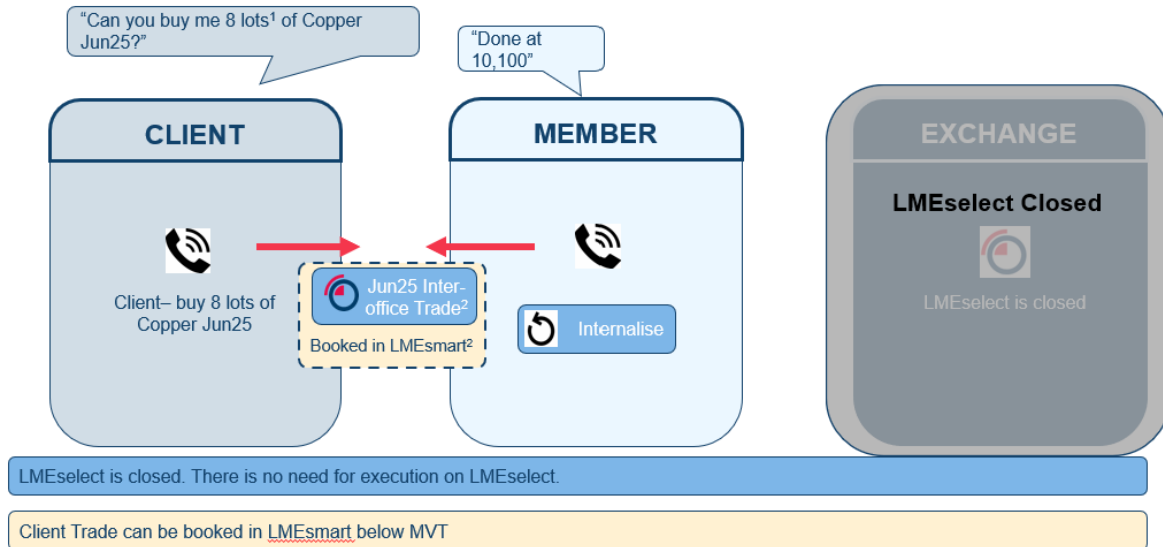


### 8.3.21 MVT Example 21

## MVT Example 21

MVT rule is not applicable when LMEselect is closed.

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



- 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 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

22

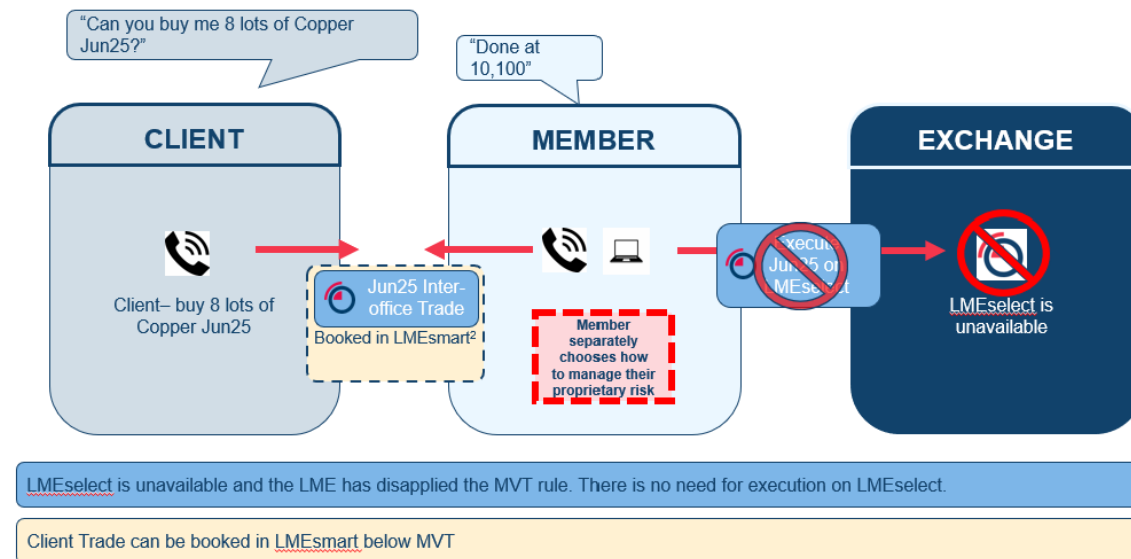


### 8.3.22 MVT Example 22

## MVT Example 22

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>, in this instance, due to issues with 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 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

23 3 - The Client Trade can be booked with embedded commission

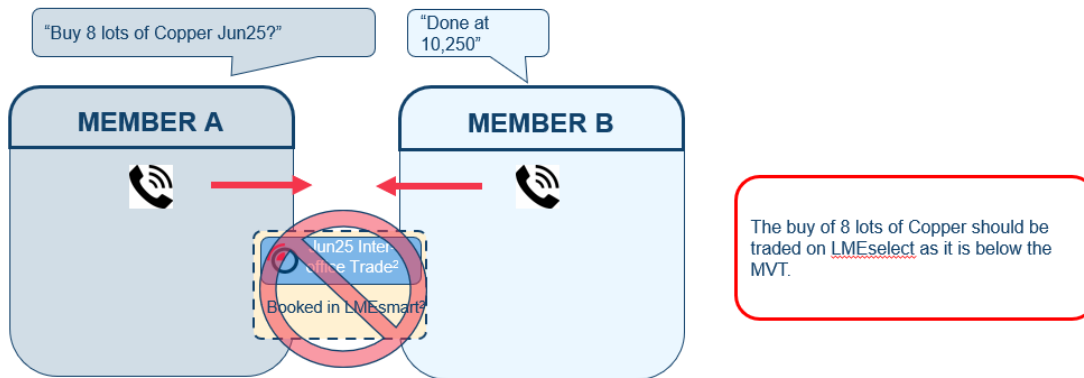


### 8.3.23 MVT Example 23

## MVT Example 23

### Invalid - Member to Member Trade

Example: Member trading with another Member below MVT<sup>1</sup> and then booking the trade in LMEsmart.



This scenario is in breach of the MVT Rules as the trade is in scope of the MVT Rules and below the MVT and **has not been 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 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

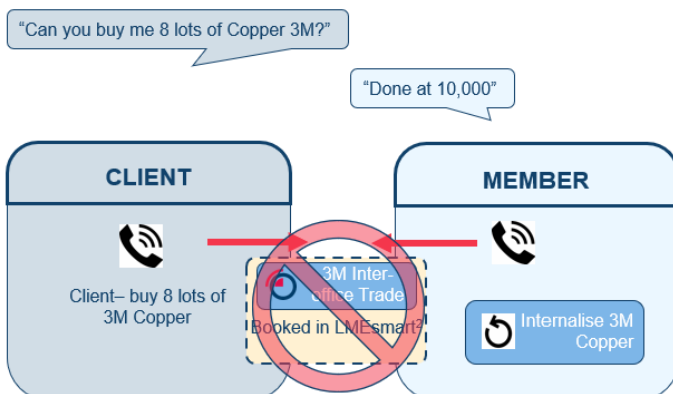


### 8.3.24 MVT Example 24

## MVT Example 24

### Invalid – Internalised trade in breach of the MVT Rule

Example: Executing 3M in Copper below the MVT<sup>1</sup> where the Equivalent Trade has been internalised and the Client Trade has been booked in LMEsmart



This scenario is in breach of the MVT Rules as the Client Trade is in scope of the MVT Rules and below the MVT and **not all of the Equivalent Trades have been 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 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

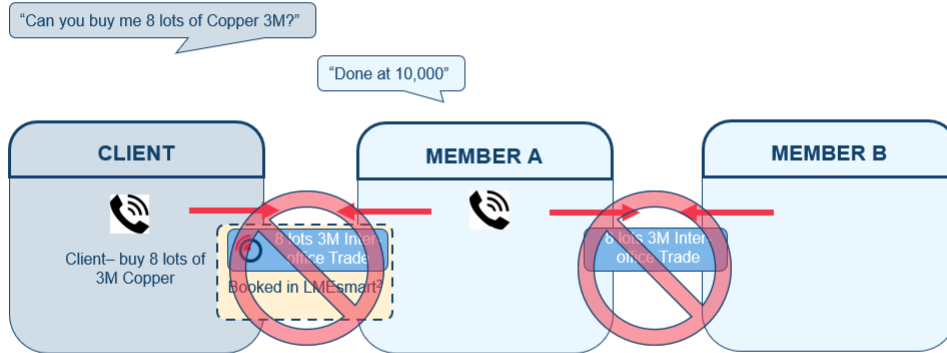


### 8.3.25 MVT Example 25

## MVT Example 25

### Invalid – Member to Member trade in breach of the MVT Rule

Example: Executing 3M in Copper below the MVT<sup>1</sup> where the Equivalent trade has been executed with another member inter-office and the Client Trade has been booked in LMEsmart



This scenario is in breach of the MVT Rules as the Client Trade is in scope of the MVT Rules and below the MVT and **not all of the Equivalent Trades have been 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 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

27

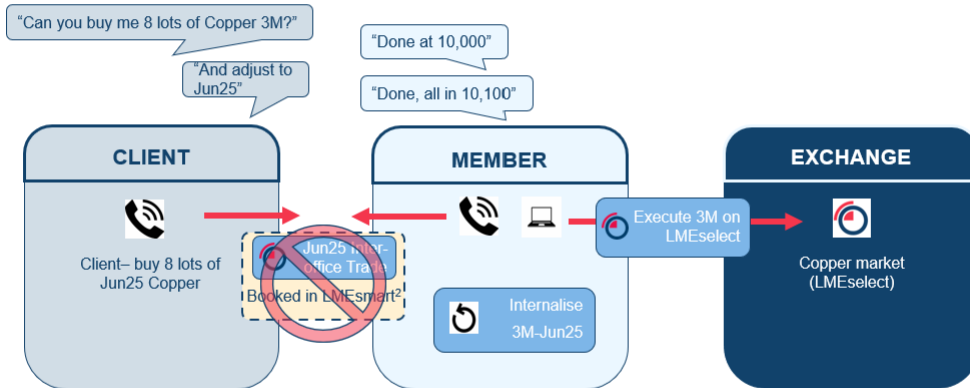


### 8.3.26 MVT Example 26

## MVT Example 26

### Invalid – Adjustment trade in breach of the MVT Rule

Example: Working the 3M then adjusting in Copper below MVT<sup>1</sup> and NOT executing all of the Equivalent Trades (3M and 3M-Jun25) on LMEselect



This scenario is in breach of the MVT Rules as the Client Trade is in scope of the MVT Rules and below the MVT and **not all of the Equivalent Trades have been 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 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

28

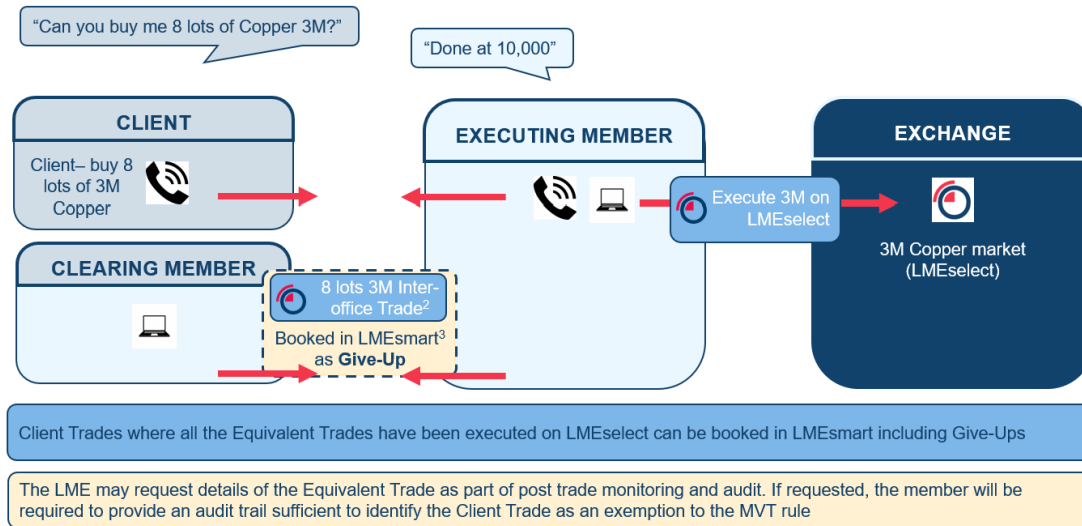


### 8.3.27 MVT Example 27

## MVT Example 27

### Valid - Non-Clearing Member Give-Up

Example: Executing Copper 3M trade below MVT<sup>1</sup> on LMEselect as an executing Member and booking an inter-office Give-Up where the Equivalent Trade has been 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 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 Trade can be booked with embedded commission

30

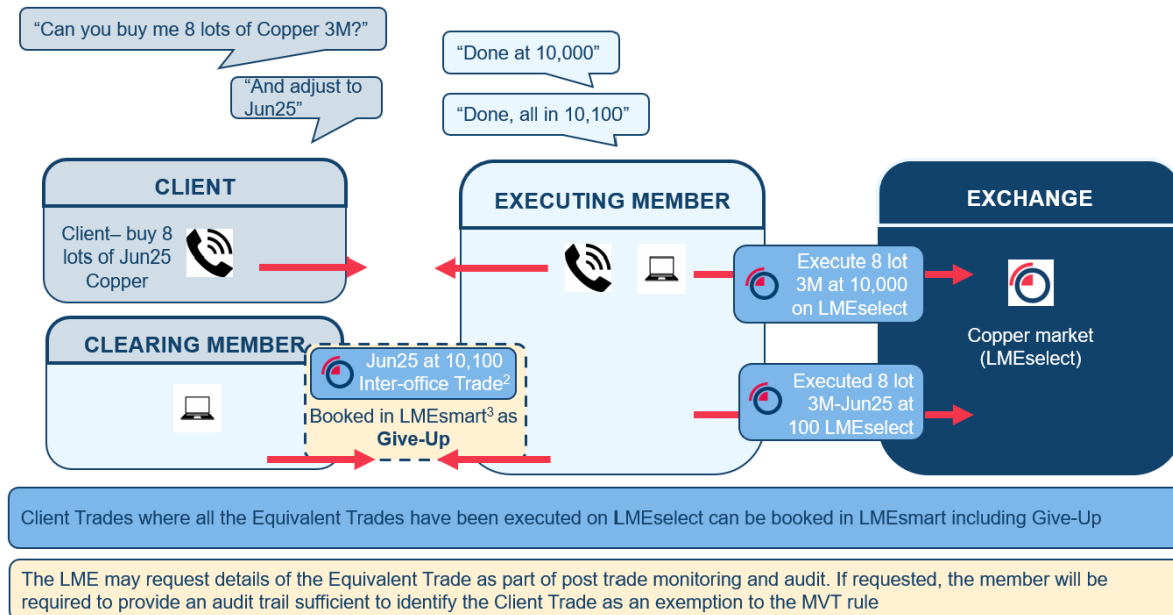


### 8.3.28 MVT Example 28

## MVT Example 28

### Valid - Non-Clearing Member Adjustment Give-Up

Example: Working the 3M in Copper below MVT<sup>1</sup> then adjusting as an executing Member on LMEselect and booking an inter-office Give-Up where all the Equivalent Trades (3M and 3M-Jun25) have been executed or crossed 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 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 Trade can be booked with embedded commission

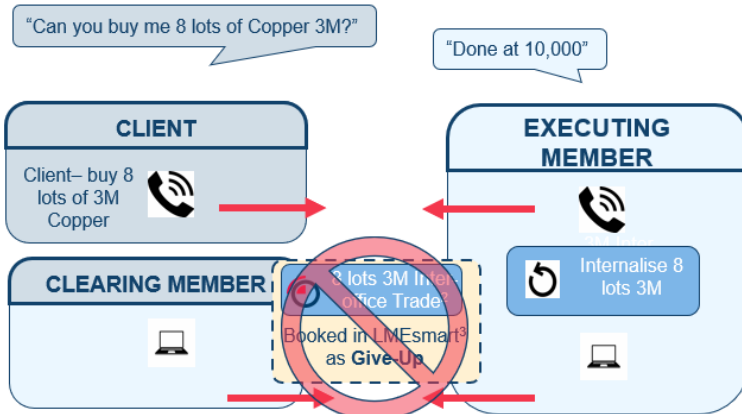


### 8.3.29 MVT Example 29

## MVT Example 29

### Invalid - Non-Clearing Member Give-Up

Example: Executing below MVT Copper 3M trade as a non-clearing Member and booking an inter-office Give-Up



This scenario is in breach of the MVT Rules as the Client Trade is in scope of the MVT Rules and below the MVT and the Equivalent Trades was not 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 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 Trade can be booked with embedded commission

32

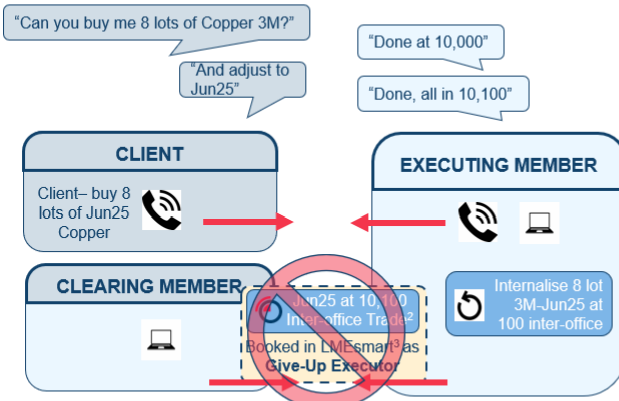


### 8.3.30 MVT Example 30

## MVT Example 30

### Invalid - Non-Clearing Member Adjustment Give-Up

Example: Working the 3M in Copper below MVT<sup>1</sup> then adjusting as a non-clearing Member where not all the Equivalent Trades (3M and 3M-Jun25) have been executed or crossed on LMEselect and booking the Client Trade as an inter-office Give-Up Executor



This scenario is in breach of the MVT Rules as the Client Trade is in scope of the MVT Rules and below the MVT and the Equivalent Trades were not all 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 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 Trade can be booked with embedded commission

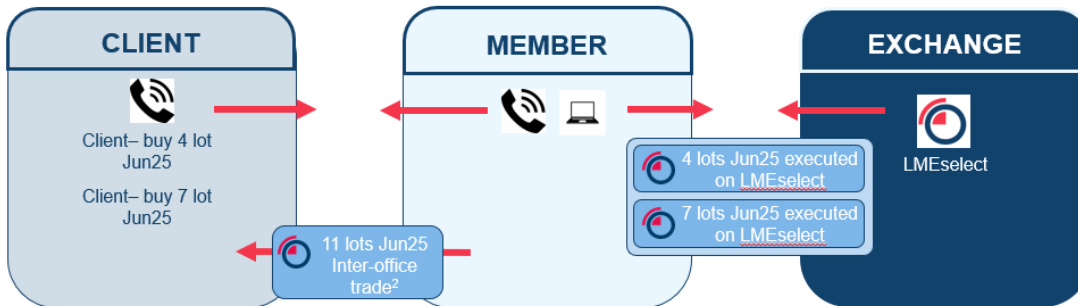


### 8.3.31 MVT Example 31

## MVT Example 31

### Valid Aggregation – Executed on LMESelect

Example: Aggregated trades from the same Client where the Equivalent 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



The Member can aggregate trades from the same Client where the Equivalent Trades have been executed in multiple trades on LMESelect.

The Member can book a single aggregated Client allocation above the MVT in LMESmart<sup>3</sup> as the aggregated volume is above the MVT and the Equivalent Trades have been 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 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 Trade can be booked with embedded commission

35

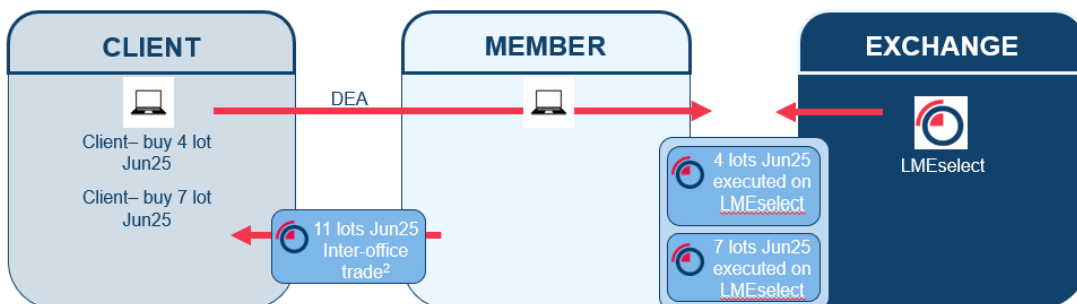


### 8.3.32 MVT Example 32

## MVT Example 32

### Valid Aggregation - DEA

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<sup>3</sup> 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 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 Trade can be booked with embedded commission

36

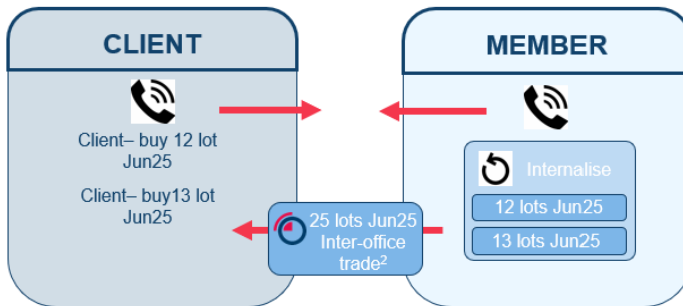


### 8.3.33 MVT Example 33

## MVT Example 33

### Valid Aggregation – above MVT Equivalent Trades

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<sup>3</sup> 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 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 Trade can be booked with embedded commission

37

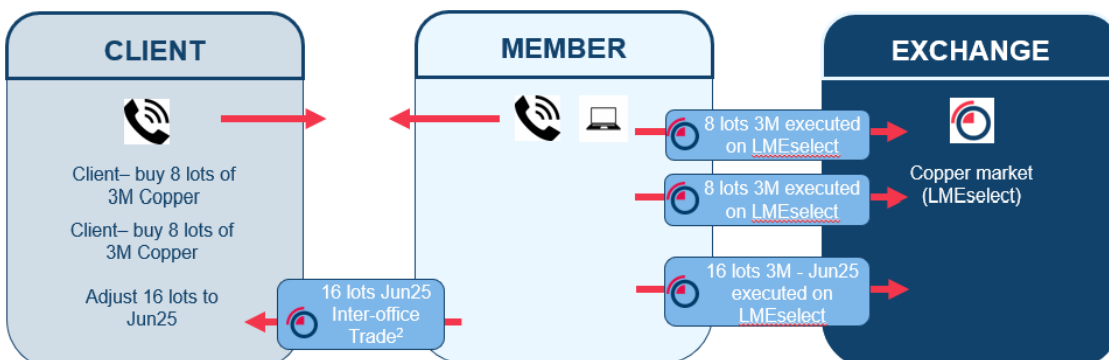


### 8.3.34 MVT Example 34

## MVT Example 34

### Valid Aggregation – above MVT adjustment executed on LMEselect

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<sup>3</sup> 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 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 Trade can be booked with embedded commission

38

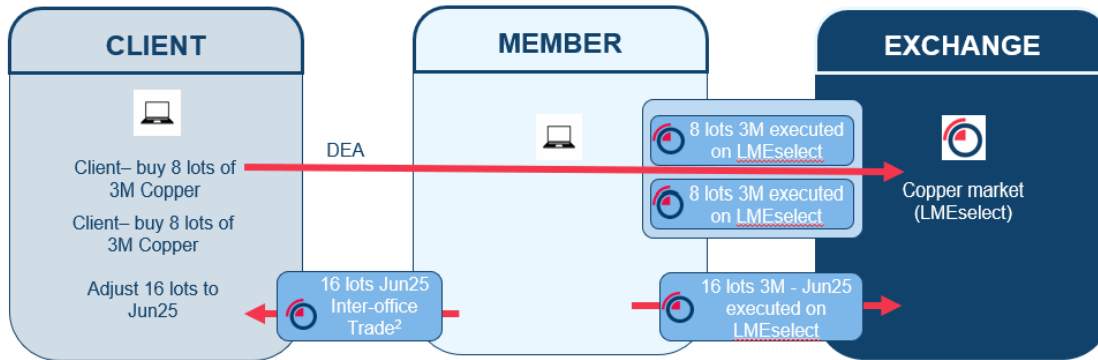


### 8.3.35 MVT Example 35

## MVT Example 35

### Valid Aggregation – above MVT adjustment executed DEA on LMEselect

Example: Client executes via DEA a number of trades in one prompt in one direction (e.g. 3Month, adhering to the MVT<sup>1</sup> Rules) then the Member 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](#)<sup>3</sup> 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 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 Trade can be booked with embedded commission

39

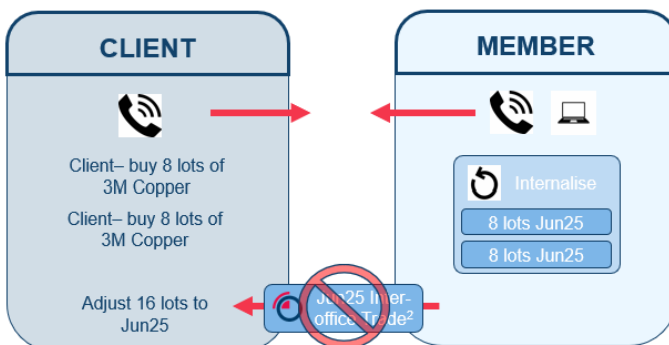


### 8.3.36 MVT Example 36

## MVT Example 36

### Invalid Aggregation – below MVT Equivalent Trades

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
- 2 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent 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

40

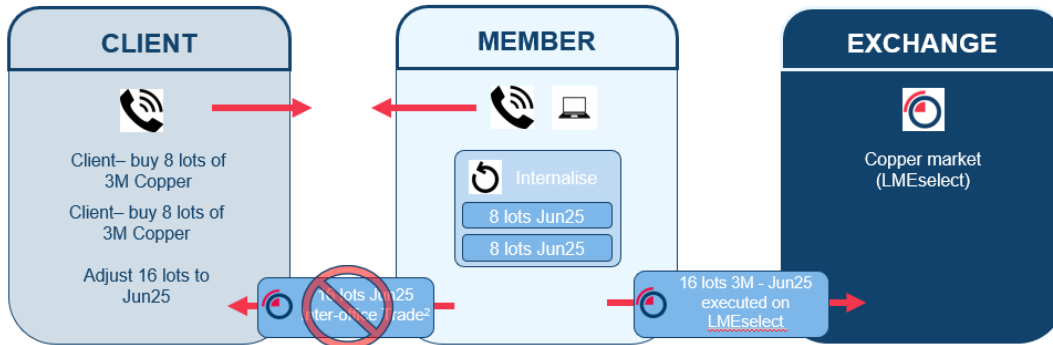


### 8.3.37 MVT Example 37

## MVT Example 37

### Invalid Aggregation - above MVT adjustment not executed on LMEselect

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
- 2 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent 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

41

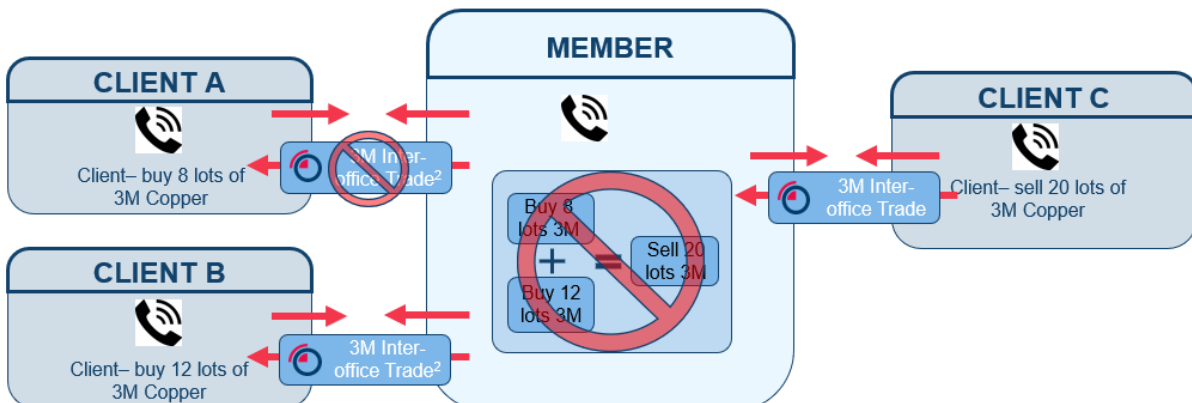


### 8.3.38 MVT Example 38

## MVT Example 38

### Invalid Aggregation – separate client trades

Example: Individual Client 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
- 2 - Members are reminded that they must retain a full audit trail for all orders submitted to LME Select, all Equivalent 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

42

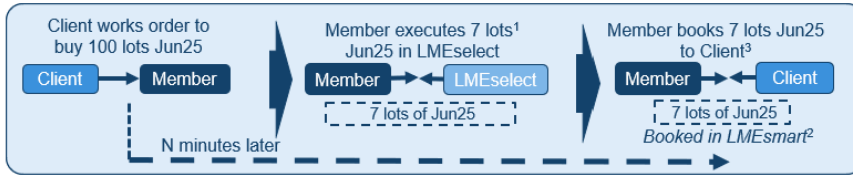


### 8.3.39 MVT Example 39

## MVT Example 39

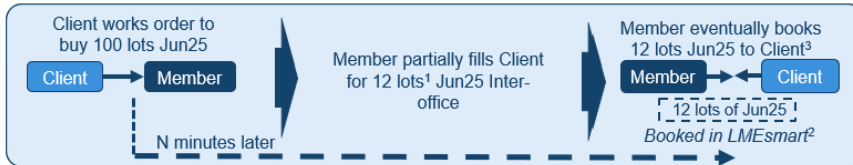
Partial fill in the inter-office market must adhere to the MVT<sup>1</sup>

Partial fill on LMEselect



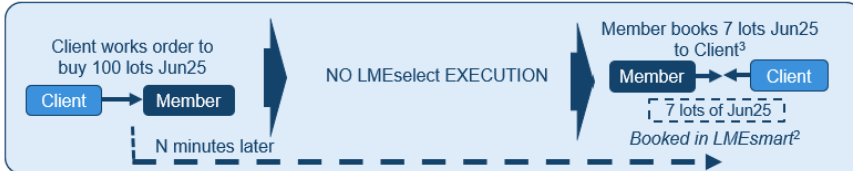
✓ If member accepts an order from the client, they can partially execute some on LMEselect on an agency basis and fill client.

Above MVT 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

Partial fill Inter-office below MVT threshold



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

44 3 - The Client Trade can be booked with embedded commission

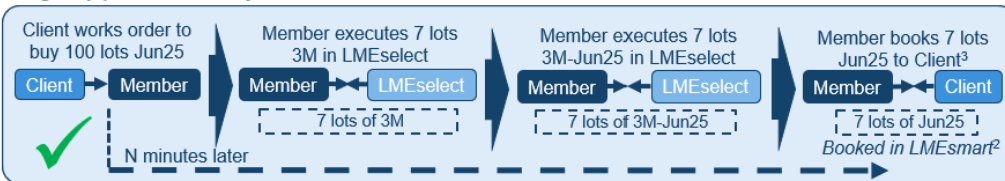


### 8.3.40 MVT Example 40

## MVT Example 40

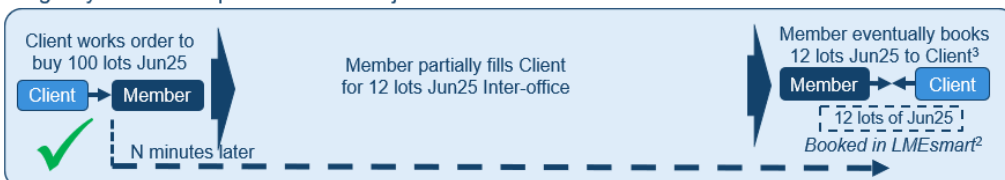
Partial fill on adjustment in the inter-office market must adhere to the MVT<sup>1</sup>

Agency partial fill on adjustment on LMEselect



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

Agency above MVT partial fill on an adjustment on Inter-office



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

Agency partial fill on an adjustment on Inter-office below MVT threshold



Member **CANNOT** after x mins say done on 7 lots without executing 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 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

45 3 - The Client Trade can be booked with embedded commission

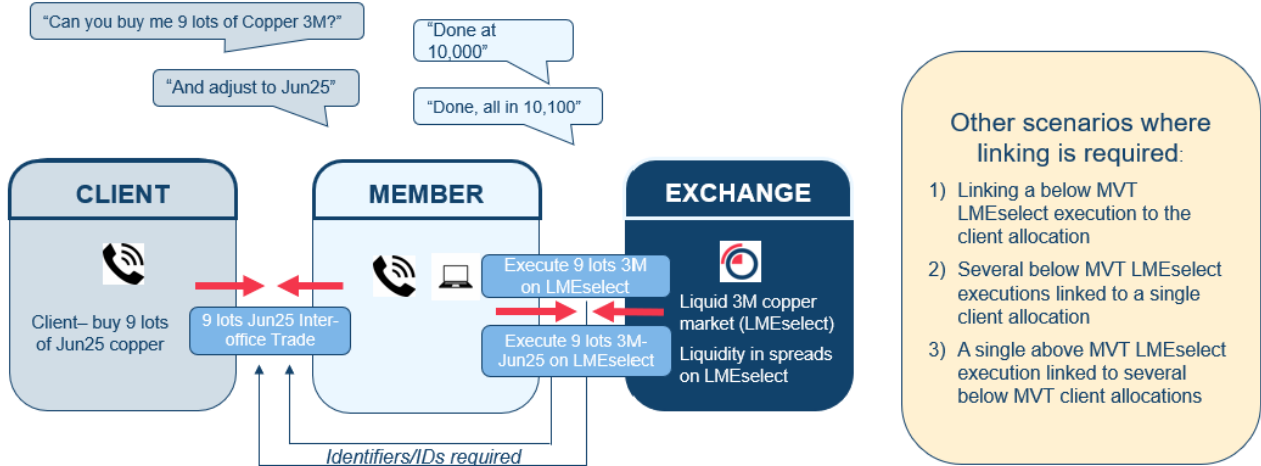


### 8.3.41 MVT Example 41

## MVT Example 41

### 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 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.





## 8.4 Scenario Summary

Scenario	Description	Scenario Specifics
MVT Example 1	Example of an Agreed Trade and an Equivalent trade	N/A
MVT Example 2	A contract and/or maturity out of scope of the MVT Rule	Executing a monthly in Tin
MVT Example 3	In scope of the MVT Rule and the Client Trade is above MVT	Executing the monthly in Copper in a size above MVT <sup>1</sup>
MVT Example 4	Valid - Executing an Equivalent Trade on LMEselect	Executing the monthly in Copper below the MVT <sup>1</sup> where the Equivalent Trade has been executed on LMEselect and the Client Trade has been booked in LMEsmart <sup>2</sup> .
MVT Example 5	Valid - Executing an adjustment on LMEselect	Working the 3M in Copper below MVT <sup>1</sup> then adjusting where the Equivalent Trades (3M and 3M-Jun25) have been executed on LMEselect and the Client Trade has been booked in LMEsmart
MVT Example 6	Valid - Crossing an Equivalent Trade on LMEselect	Executing the monthly in Copper below MVT <sup>1</sup> where the Equivalent Trade has been crossed on LMEselect and the Client Trade has been booked in LMEsmart <sup>2</sup>
MVT Example 7	Valid - Crossing an adjustment on LMEselect	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
MVT Example 8	Valid - Option Delta Hedge	Executing an options trade in LMEsmart where the futures hedge is below MVT <sup>1</sup>
MVT Example 9	Valid – Strip	Booking a Copper strip in LMEsmart with leg volumes below MVT <sup>1</sup>
MVT Example 10	Valid – Inter-office split across sub-accounts	Executing the monthly in Copper below MVT <sup>1</sup> where the Equivalent 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.
MVT Example 11	Valid – LMEselect split across sub-accounts	Executing the monthly in Copper below MVT <sup>1</sup> where the Equivalent 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 (as the Client asked for the Trade to be split across 2 sub-accounts of the same Client below MVT).

MVT Example 12	Invalid - Split across sub-accounts	Executing the monthly in Copper below MVT <sup>1</sup> where the Equivalent 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 13	Invalid – Inter-office split across sub-accounts to clearing Member	Executing the monthly in Copper below MVT <sup>1</sup> where the Equivalent Trade has been trade inter-office and the Client asked for the Trade to be split across 2 sub-accounts of the same Client below MVT and given-up to a clearing Member
MVT Example 14	Valid MOC Order – Guaranteed closing price order cash and adjust	Client trades Cash and adjusts basis close below MVT <sup>1</sup>
MVT Example 15	Valid MOC Orders - via TAS manual market cross	Client trades 3M MOC below MVT <sup>1</sup> via TAS manual market cross where commission is added
MVT Example 16	Valid MOC Orders – via TAS self-traded automated cross	Client trades 3M MOC below MVT <sup>1</sup> via TAS self-traded automated cross where commission is added
MVT Example 17	Valid MOC Orders – via TAS automated cross	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
MVT Example 18	Valid MOC Order - via TAS automated cross with price improvement	Client trades 3M MOC below MVT <sup>1</sup> via TAS market traded automated cross with an improved price and where commission is added
MVT Example 19	Valid MOC Order – working order on close	Client trades 3M and adjusts basis close below MVT <sup>1</sup>
MVT Example 20	Valid MOC Order – Guaranteed closing order	Client trades 3M and adjusts basis close below MVT <sup>1</sup>
MVT Example 21	MVT rule is not applicable when LMEselect is closed	Executing the monthly in Copper when LMEselect is closed.
MVT Example 22	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 <sup>1</sup> , in this instance, due to issues with LMEselect
MVT Example 23	Invalid - Member to Member Trade	Member trading with another Member below MVT <sup>1</sup> and then booking the trade in LMEsmart
MVT Example 24	Invalid – Internalised trade in breach of the MVT Rule	Executing 3M in Copper below the MVT <sup>1</sup> where the Equivalent Trade has been internalised and the Client Trade has been booked in LMEsmart
MVT Example 25	Invalid – Member to Member trade in breach of the MVT Rule	Executing 3M in Copper below the MVT <sup>1</sup> where the Equivalent trade has been executed with another Member inter-office and the Client Trade has been booked in LMEsmart

MVT Example 26	Invalid – Adjustment trade in breach of the MVT Rule	Working the 3M then adjusting in Copper below MVT <sup>1</sup> and NOT executing all of the Equivalent Trades (3M and 3M-Jun25) on LMEselect
MVT Example 27	Valid MOC Order – Guaranteed closing order	Valid MOC Order – Guaranteed closing order
MVT Example 28	Valid - Non-Clearing Member Adjustment Give-Up	Working the 3M in Copper below MVT <sup>1</sup> then adjusting as an executing Member on LMEselect and booking an inter-office Give-Up where all the Equivalent Trades (3M and 3M-Jun25) have been executed or crossed on LMEselect
MVT Example 29	Invalid - Non-Clearing Member Give-Up	Executing below MVT Copper 3M trade as a non-clearing Member and booking an inter-office Give-Up
MVT Example 30	Invalid - Non-Clearing Member Adjustment Give-Up	Working the 3M in Copper below MVT <sup>1</sup> then adjusting as a non-clearing Member where not all the Equivalent Trades (3M and 3M-Jun25) have been executed or crossed on LMEselect and booking the Client Trade as an inter-office Give-Up Executor
MVT Example 31	Valid Aggregation – Executed on LMEselect	Aggregated trades from the same Client where the Equivalent 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
MVT Example 32	Valid Aggregation - DEA	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
MVT Example 33	Valid Aggregation – above MVT Equivalent Trades	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
MVT Example 34	Valid Aggregation – above MVT adjustment executed on LMEselect	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
MVT Example 35	Valid Aggregation – above MVT adjustment executed DEA on LMEselect	Client executes via DEA a number of trades in one prompt in one direction (e.g. 3Month, adhering to the MVT <sup>1</sup> Rules) then the Member adjusts the aggregate volume to another prompt (the adjustment spread trade must be above MVT) and booked into the Client account

MVT Example 36	Invalid Aggregation – below MVT Equivalent Trades	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.
MVT Example 37	Invalid Aggregation - above MVT adjustment not executed on LMEselect	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
MVT Example 38	Invalid Aggregation – separate Client trades	Individual Client Trades from separate clients cannot be aggregated where one or more trades are below the MVT
MVT Example 39	Partial fill in the inter-office market must adhere to the MVT <sup>1</sup>	<ul style="list-style-type: none"> <li>• Partial fill on LMEselect</li> <li>• Above MVT partial fill inter-office</li> <li>• Partial fill Inter-office below MVT threshold</li> </ul>
MVT Example 40	Partial fill on adjustment in the inter-office market must adhere to the MVT <sup>1</sup>	<ul style="list-style-type: none"> <li>• Agency partial fill on adjustment on LMEselect</li> <li>• Agency above MVT partial fill on an adjustment on inter-office</li> <li>• Agency partial fill on an adjustment on inter-office below MVT threshold</li> </ul>
MVT Example 41	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 updated draft of the Crossing Guidance. This version is near final but may still be subject to change. It should be read in conjunction with the Consultation Notice 25/083 (the “**Consultation**”) and the Decision Notice 25/149 (the “**Decision Notice**”).

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

Terms not otherwise defined in this Guidance shall have the meaning ascribed to them in the LME Rulebook.

## 2 Summary

This document is intended to set the LME’s expectations and 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 Guidance is 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

There are two crossing methods available, described below.

### 3.1 LMEselect Cross (manual cross)

Where two participants engage in Pre-Trade Communications, and as a result a Member intends 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<sup>1</sup>.

Members are reminded that these 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 must ensure that any required fields are correctly populated (including ‘Party Role 3 Client ID’ on FIX or ‘Client ID Short Code’ on Binary order routing APIs for the client side of the cross). For the avoidance of doubt, when the LME introduces Self-Execution Prevention (SEP), this will not be allowed to be applied to orders entered related to crossing.

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.

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<sup>1</sup> The LME intends to rebate one side of the LMEselect Cross.



## 3.2 LMEselect Crossing Order Type (automated cross)

Where two participants engage in Pre-Trade Communications, and as a result the Member intends 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, a Request For Cross (“RFC”) 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<sup>1</sup>, 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, or with a Member crossing with another Member (and the non-initiating Member is entering both sides of the cross).

### 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 the 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 type 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>2</sup>, the Client will automatically receive a partial/full 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 any existing 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>3</sup>, the Member and Client will execute against each other’s orders at the cross price.

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<sup>2</sup> For the avoidance of doubt, where the client is the buyer and the 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>3</sup> For the avoidance of doubt, where the client is the buyer and the 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.



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

After a period of 5 seconds, the crossing order type 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>2</sup>, 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 (on the Member side) 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 any 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>3</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 any 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 with another Member (but is entering both sides of the cross) and 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)