

To: All members and other interested parties

Ref: 26/049

Classification: Consultation General

Date: 20 February 2026

Subject: **DECISION NOTICE ON AMENDMENT TO LENDING RULES: INTRODUCTION OF FRONT MONTH LENDING RULES**

Summary

1. This Notice (the “**Decision Notice**”) sets out the LME’s decisions in relation to the matters consulted on in LME Notice 25/196 including making permanent the Front Month Lending Rules, amending the Front Month Lending Rules to apply in a tiered structure, increasing the restriction on positions from 100% to 150% and applying minimum stock thresholds to the Tom-Next Lending Rules.
2. The Decision Notice and changes described within will come into effect on Tuesday 17 March 2026 and from that date will replace LME Notice 25/117.
3. The LME, acting through the Special Committee, will revoke the temporary “Front Month Lending Rules” in tandem with the implementation of this Decision Notice on Tuesday 17 March 2026, noting that they have been replaced with the permanent provisions of the Rules described within this Consultation.

Defined terms

4. Terms not otherwise defined in this Notice will have the meaning ascribed to them in: (i) the Rules and Regulations of the LME; (ii) the Rules and Procedures of LME Clear; or (iii) the Policy Relating to Position Management Arrangements (the “**Policy**”), as applicable.

Background

5. This Decision Notice follows Notice 25/196 (the “**Consultation**”), which sought the views of Members and other interested parties on the proposed adoption of “the Front Month Lending Rules” and of proposed amendments to the “Tom-Next Lending Rules” as amendments to:
 - a) the Lending Rules in Regulation 18 of Part 3 of the LME Rulebook; and
 - b) the Policy which sets out further details on the Lending Rules.
6. The consultation ran from 30 October 2025 to 21 November 2025, and the LME is comfortable with the level of participation. The LME would like to thank all respondents for their engagement and participation in the Consultation, which included a broad range of participants from across the industry.

Calculation and scope of the Front Month Lending Rules

7. Q1: Do you agree that the LME should implement the Front Month Lending Rules into its Rulebook? If not, please explain why.

Summary of feedback and LME response

Overall, market participants conveyed that a rules-based solution applied in a fair and consistent way would bring stability, transparency, and confidence to the market. The LME notes that since their introduction, the Front Month Lending Rules have demonstrated their effectiveness as a mechanism for liquidity provision under tight market conditions that could arise due to large dominant positions towards the front of the curve.



One respondent stated that they would favour a blanket position limit instead as in their view this would be easier for the market to understand and comply with. The LME notes that position limits will be introduced from 6 July 2026 as part of the PS25/1 regime, which will apply equally to both long and short positions. The LME believes that the Front Month Lending Rules are complementary to the spirit of the regime and will work effectively in tandem with appropriately calibrated position limits. Furthermore, the market has demonstrated an ability to understand and comply with the Front Month Lending Rules since their introduction. Nevertheless, the LME recognises that there can be challenges in understanding and complying with a new ruleset. Market participants are encouraged to engage with the LME Market Surveillance team directly should they have any questions related to the Front Month Lending Rules and other position management arrangements.

Some respondents raised concerns in relation to changes in Total LME Stock, highlighting that stock levels could fluctuate throughout the period of a dominant position. The LME accepts that changes to stock levels can take place during the period when a participant may be subject to the Front Month Lending Rules. However, the LME notes that changes to the Total LME Stock require metal to be physically loaded in or out of LME warehouses, the process of which reduces the speed at which changes to the Total LME Stock can take place.

Some respondents noted that the Front Month Lending Rules could disincentivise the market from lodging metal, thus exacerbating supply concerns in times of genuine tightness and highlighted the importance of the rules remaining appropriate in low stock environments. The LME believes that in practice the temporary Front Month Lending Rules have proven effective during low stock environments, including the application of the minimum stock threshold, as demonstrated since their introduction.

One respondent highlighted the risk that the Front Month Lending Rules could interfere with normal market dynamics and price discovery. Over the period that the temporary changes have been in place, the LME has not observed undue influence or concern regarding market dynamics or market distortion risk caused by the rules. While acknowledging that no solution is without risk, the LME believes that the temporary Front Month Lending Rules have, on the whole, operated in a way that has allowed natural market forces, while constraining the potential impact to orderliness due to large dominant positions.

Decision

Considering the responses received, the LME believes that the Front Month Lending Rules should be implemented on a permanent basis. In order to ensure that the Front Month Lending Rules remain effective, the LME will continue to monitor the Front Month Lending Rules and may make further enhancements as appropriate. Any future changes would be communicated to the market with as much notice as possible.

8. Q2: Do you agree with the LME's proposals in relation to the Front Month Lending Rules in relation to:

- (i) Definition of "Cumulative Spot Futures Position":

Summary of feedback and LME response

Respondents broadly agreed with the definition of the Cumulative Spot Futures Position under the Front Month Lending Rules. One participant noted that the definition could incentivise holding large positions just beyond the M1 date which would not be captured by the requirements. The LME believes that there is a balance to be struck when implementing appropriate safeguards to reduce their potential impact to legitimate trading activity. The LME believes that although large positions may exist beyond the M1 date, the proximity to delivery would be sufficiently far as to present a lower risk of market distortion, and furthermore, should a position persist for a period of time, it would then be captured by the Front Month Lending Rules or other controls of the LME.

Decision

The LME therefore intends to retain the definition of "Cumulative Spot Futures Position" as described within the Consultation.



- (ii) The inclusion of Metal Option Contracts within the period of calculation of the Rules;

Summary of feedback and LME response

The majority of respondents supported the inclusion of Metal Option Contracts within the period of calculation. One respondent queried the use of implied delta of Option Contract positions, arguing that this is an inaccurate measure as the underlying logic and strategy between Metal Option Contract positions and spread positioning are unlikely to be consistent. They argued it could lead to spread distortions around the time of option expiration and recommended using futures positions only. The LME, having reviewed this concern and assessed the risk that Metal Option Contract positions can have as deliverable Contracts, believes that a greater risk to market orderliness is discounting Metal Option Contract positions and as such under-stating a market participant's true position. Without their inclusion, in the event that a market participant had a large dominant position derived from Metal Option Contract positions, that participant could unduly influence the market or cause market distortion without the obligation to provide liquidity. Additionally, the LME believes that including Metal Option Contract positions mitigates against the risk of a market participant's Cumulative Spot Futures Position significantly increasing at the point of Option Contract expiry.

Decision

The LME therefore intends to include delta adjusted Metal Option Contract positions in the period of calculation of the Front Month Lending Rules.

- (iii) The period over which the calculation takes place;

Summary of feedback and LME response

The majority of respondents agreed with the period over which the calculation takes place. There was concern from one participant that positions held just beyond the M1 date could create similar market distortion, and therefore a rolling 30-day window for calculation (so as to potentially include positions beyond M1) may be more appropriate. The LME's opinion is that a rolling period may add to the complexity of the Front Month Lending Rules and may carry additional risks for market participants managing their open positions. While acknowledging that no solution is without risk, the LME believes that the approach of using cumulative positions up to the M1 date strikes the right balance between a relatively simple rule to understand and comply with for market participants, compared to a more complex rolling period with the complexity of associated liquidity provision requirements.

Decision

The LME intends to implement the Front Month Lending Rules with the period proposed within the Consultation.

- (iv) The definition of "Total Available Stock"? If not, please explain why.

Summary of feedback and LME response

Respondents expressed mixed views in relation to the definition of Total Available Stock. The majority of respondents agreed with the LME's definition of Total Available Stock. The concerns expressed centred around off-Warrant material not being included in the calculation. Market participants raised concerns that the exclusion of off-Warrant stocks creates a structural incentive for participants to shift metal off-Warrant in order to reduce the reported size of dominant positions, causing a contraction of transparency over available liquidity and diminished incentive for metal to remain on-Warrant and therefore available to the market. One participant noted that they understood the inclusion of off-Warrant stock would be impractical, noting reporting mechanisms are not standardised or currently systematic enough to ensure the data is reliable and consistent for regulatory obligations. One respondent believed it more appropriate to use market open interest as the determinant of a dominant position. The LME believes that using market open interest as the determining measure would not prevent a highly dominant physical position from exerting undue influence on market orderliness relative to the stock environment. The LME notes that such undue influence can have the greatest impact to the market in a low-stock environment and believes that the use of Total Available Stock under the rules provides an



adequate reference for the obligation to provide liquidity. The LME also notes that open interest is considered in the calibration of other Exchange controls including the Accountability Levels and upcoming accountability thresholds and position limits (under PS25/1). In relation to off-Warrant stock, as outlined within the Consultation, the LME's level of information, oversight and control over off-Warrant stock is more limited than over Live Warrants or cancelled Warrants. The existing reporting requirements are on LME warehouses and currently this reporting does not contain the ownership of that material.

While the LME recognises calls to accelerate technical enhancements and reporting requirements, it would not currently be possible to include off-Warrant stock within the calculation, as there is no mechanism by which the LME can reliably identify and determine the beneficial owner of off-Warrant stock. Notwithstanding this, the LME believes that the current methodology of using Live Warrants and cancelled Warrants remains appropriate for the calculation methodology, as demonstrated by the effectiveness of the Front Month Lending Rules to date.

Decision

The LME therefore intends to implement the definition of "Total Available Stock" as proposed within the Consultation.

9. Q3: Do you agree with the LME's proposal to introduce the Front Month Lending Rules in a tiered approach? If you disagree, please explain why. If you agree, do you believe the tiers should be consistent with the Tom-Next Lending Rules? If not, please explain why.

Summary of feedback and LME response

The LME received mixed responses in relation to introducing a tiered approach for the Front Month Lending Rules, however, the majority supported introducing tiers in parallel with the Tom-Next Lending Rules. One participant remarked that this would harmonise both the Tom-Next and Front Month Lending Rules, thereby simplifying participant compliance and monitoring. In contrast, some respondents stated that this would make the Front Month Lending Rules more complex and therefore more difficult to comply with. There was also concern that a tiered approach coupled with the inclusion of option delta calculations may risk unintentional breaches of Front Month Lending Rules at the lower tiers. One market participant suggested that the tiering should commence at a lower level beginning at 35% of Total Available Stock.

For the avoidance of doubt, the LME expects all market participants to have appropriate oversight of their positions and to be in a position to lend into the market regardless of whether they are on a lower or higher tier of Front Month Lending Rules. On balance, the LME believes that the tiered approach described within the Consultation does not overcomplicate the Front Month Lending Rules and that it provides appropriate consistency across the Lending Rules. The LME also believes that this approach is fair, reasonable and transparent, working to reduce the impact of multiple dominant position holders by ensuring that appropriate liquidity is provided. The LME believes that the tiered approach as described within the Consultation also helps to address situations where multiple participants sit just below the threshold for a dominant position under the Front Month Lending Rules.

Decision

The LME therefore intends to implement a tiered approach for the Front Month Lending Rules. The LME would also like to take the opportunity to clarify that (as with Tom-Next Lending Rules), dominant holders must ensure that their orders are placed onto LMEselect at all times.

10. Q4: Do you agree with the LME's proposal to change the price levels in relation to the tiered Front Month Lending Rules, anchoring them to the M1 Closing Price? If not, please explain why.

Summary of feedback and LME response

To the extent to which a tiered approach was supported by respondents, most agreed that anchoring these to the M1 closing price would be sensible and would provide a graduated impact on dominant position holders. The added complexity of this was also remarked upon, while the LME notes that a similar approach has worked well in the Tom-Next Lending Rules.



Decision

The LME has therefore determined that the price levels applied for the Front Month Lending Rules will be consistent with the Consultation.

Application of the Front Month Lending Rules

11. Q5: Do you agree with the LME's proposal on:

- (i) The obligations of a dominant holder under the Front Month Lending Rules;

Summary of feedback

Respondents unanimously agreed with the obligations of a dominant holder under the Front Month Lending Rules. There was also support for allowing dominant holders until 13:30 UK time to reduce positions while the market is trading in a backwardation, thus preserving market orderliness.

Decision

The LME does not intend to make any changes to the obligations of a dominant holder.

- (ii) Retaining the current prohibition on increasing a Cumulative Spot Futures Position at the top tier of Lending or at or greater than 100% of the Total Available Stock;

Summary of feedback and LME response

There were mixed views upon the prohibition, although the majority of respondents agreed overall. Disagreement primarily centred around why a prohibition should be in place if the market is in contango and there are no signs of tightness in supply. Additionally, there was concern raised that such a prohibition could prevent legitimate business activity and the ability for liquidity providers to quote and trade in the market including for the facilitation of Client business by Members.

The LME believes there is a benefit in having a restriction in place, reducing the risks associated with a market participant holding significant positions over the Total Available Stock, and continuing to increase their position. The LME accepts, however, that the restriction may impact legitimate liquidity particularly for the purpose of facilitating proprietary business alongside Client trade flow.

In light of this, the LME has considered the appropriate approach for the rule structure, including whether there should be a restriction in place and if so, the suitable level for the restriction. The LME acknowledges that with the tiered approach, the obligation to provide liquidity at the most restrictive rate commences at the 90% threshold, as opposed to the temporary rules which commence at 100%. Having taken into account the feedback from participants as well as its own understanding and views of the situation, the LME believes it is best to move forwards with a restriction on the overall position size, but that this should be set at 150% of the Total Available Stock, to allow for more flexibility in position taking, particularly when the market is in contango, and thus not exhibiting tightness.

Decision

On balance, the LME believes that the restriction itself is in the interest of the market as a whole, and therefore intends to keep the restriction in place, **but** to set the limit at 150% of the Total Available Stock. The LME believes that this maintains the benefits of the restriction but allows sufficient 'headroom' for market participants should this be required. The LME will continue to monitor the effectiveness of this restriction and may amend it at a later time if it deems that further allowances should be made, or a tighter restriction is required.

- (iii) Retaining the availability of the OTC exemption to Members only;

Summary of feedback and LME response

The majority of respondents agreed that the availability of the OTC exemption should apply to Members only. Some respondents felt that the OTC exemption should also apply to non-



Members, primarily due to the asymmetry of Members being fully hedged between LME Contracts and OTC contracts and therefore not requiring the exemption, in contrast to non-Members who hold more directional positions. The LME believes that although this may be a legitimate argument, it is not universal, and the LME cannot assess the OTC market in its entirety which would make extending the exemption to non-Members impractical. Additionally, the LME does not currently have a mechanism for non-Members to report OTC positions directly. As such, it would not be feasible for the LME to extend the OTC exemption to non-Members at this time.

Decision

The LME has concluded that it will not extend the OTC exemption to non-Members at this time. However, there may be avenues to explore in the future whereby reporting mechanisms and obligations can be extended to non-Members, and the LME may look to implement this at a later date.

- (iv) Retaining the minimum total stock threshold as set out in the current Rules either at their current levels or at revised levels? If not, please explain why.

Summary of feedback and LME response

Respondents unanimously agreed with retaining the minimum total stock threshold as set out in the current Rules. Multiple participants highlighted the need for careful and transparent calibration. The LME notes that it has used a number of factors to determine the minimum stock thresholds including open interest and historic low stock events.

Decision

The LME intends to apply existing minimum stock thresholds to the Front Month Lending Rules. The LME will keep the minimum stock thresholds under review to ensure they remain appropriate at all times.

Changes to the Tom-Next Lending Rules

12. Q6: Do you agree with the LME's proposal to implement minimum stock thresholds for the Tom-Next Lending Rules? If not, please explain why.

Summary of feedback and LME response

The majority of respondents agreed that minimum stock thresholds worked well for the Front Month Lending Rules, and that minimum stock thresholds should be applied to the Tom-Next Lending Rules. Two participants highlighted the need for careful and transparent calibration. The LME has used a number of factors to determine the minimum stock thresholds including open interest and historic low stock events.

The LME notes that minimum stock thresholds do not remove Tom-Next Lending Rules obligations but mean that the Tom-Next Lending Rules can still function in extremely low stock environments, which have been prevalent in base metals for several years. During such conditions, there is a concern that even small lodgements of metal can result in a participant being subject to the Tom-Next Lending Rules, thereby disincentivising them from lodging the metal which would help to mitigate against low stocks. Furthermore, in such low stock environments positions which are not necessarily large or relatively 'dominant' can be captured by the Tom-Next Lending Rules, which is in contrast to their purpose. Minimum stock thresholds place a lower limit to the position restrictions created by the Tom-Next Lending Rules, allowing the market to trade into backwardation during times of genuine tightness, thus incentivising the lodgement of metal in order to help to resolve acutely low stock levels.

The LME recognises that minimum thresholds could incentivise market participants to hold metal off-Warrant thereby keeping Live Warrant stock levels below the minimum. However, any participant withdrawing metal for the sole purpose of creating or exacerbating market tightness would be considered to be in breach of the LME Rulebook and applicable market abuse regulations.

Additionally, high premiums would be expected to have the effect of incentivising the warranting of metal, as has been observed previously in these situations.



Decision

The LME therefore intends to introduce minimum stock thresholds for the Tom-Next Lending Rules as set out within the Consultation. The LME will keep the minimum stock thresholds under review to ensure they remain appropriate at all times.

13. Q7: Do you agree with the LME's view that the current thresholds of the Tom-Next Lending Rules remain appropriate? If not, please explain why.

Summary of feedback

The majority of respondents agreed that the thresholds of the Tom-Next Lending Rules remain appropriate. Feedback from one participant indicated a preference to tighten the thresholds and potentially consider positions greater than 35% of Live Warrants as being 'dominant' under the Lending Rules and that the bands should be 35%, 50%, 70% and 90%. One respondent suggested making the thresholds 45%, 75% and 90% in order to capture where two participants are collectively dominant.

Decision

The LME acknowledges that the broad view of respondents was that the thresholds remain appropriate and it has therefore determined to keep the thresholds specified within the Tom-Next Lending Rules unchanged. The LME notes that in the future and depending upon evolving market conditions, it may be prudent to review and enhance the Tom-Next Lending Rules including the thresholds.

14. Q8: Do you agree that the prices specified within the Tom-Next Lending Rules remain appropriate? If not please explain why.

Summary of feedback

The majority of respondents agreed that the prices specified within the Tom-Next Lending Rules remain appropriate. One respondent suggested tighter prices and more graduated tiers.

Decision

The LME acknowledges that the broad view of respondents was that the prices remain appropriate and it has therefore determined to keep the prices specified within the Tom-Next Lending Rules unchanged. The LME notes that in the future and depending upon evolving market conditions, it may be prudent to review and enhance the Tom-Next Lending Rules including the price levels.

15. Q9: Do you agree with the other proposed changes in the Policy? If not, please explain why.

Summary of feedback

There were no specific objections to any other proposed changes in the Policy from any respondent. It was remarked that market participants would benefit from full transparency around the Policy, and that any future changes or enhancements to the Policy should be communicated well ahead of time to provide the market with certainty.

Decision

The LME acknowledges that the Lending Rules may require future enhancements and is committed to reviewing them periodically or as required. Any future changes or enhancements would be communicated with as much notice as is possible.

Next steps

16. The LME would like to thank Members and other market participants for their engagement and feedback in response to the Consultation.
17. Having assessed all the responses to the Consultation, the LME has concluded, that it will make the Front Month Lending Rules permanent, amending them to the tiered structure as described within the Consultation. The LME will retain the restriction on increasing a Cumulative Spot Futures Position, however, it will implement the restriction at 150% of Total Available Stock. The LME will adopt the other changes within the Consultation including the minimum stock thresholds for the Tom-Next Lending Rules.



18. The LME believes it is appropriate to give market participants sufficient time to make themselves aware of the implications of the changes. The changes outlined in this Decision Notice and the Policy attached will come into effect on Tuesday 17 March 2026 (thus the Front Month Lending Rules will apply in respect of positions of each individual Prompt Date and expiry up to and including the 15 April 2026 as M1) and will replace the existing Policy under LME Notice 25/117.
19. The LME, acting through the Special Committee, will revoke the temporary “Front Month Lending Rules” in tandem with the implementation of this Decision Notice on Tuesday 17 March 2026, noting that they have been replaced with the permanent provisions of the Rules.

Questions

20. Questions regarding the content of this Notice should be addressed to market.surveillance@lme.com.

Jamie Turner

COO & Head of Trading

cc: Board directors
User Committee
Special Committee



Policy Relating to Position Management Arrangements



Policy Relating to Position Management Arrangements

New text is underlined, deleted text is shown as strikethrough.

Introduction

1. In order to ensure that the price discovery process is not unduly influenced by the existence of a position, which can include the holding of Warrants, the LME has in place arrangements to ensure that all positions held on the market are subject to ongoing monitoring. Where appropriate, the LME may take such action, through the Special Committee, as deemed appropriate to ensure that no position holder is able to exercise an undue influence on the market. Regulation 17 of Part 3 (Emergencies) of the LME Rulebook sets out the powers of the Special Committee.
2. It should be noted that the existence of a dominant position is not abusive *per se*, nor that the LME seeks to prevent the existence of such positions. Instead, the aim is to ensure that where such positions are held by market participants, the ongoing management of the position does not have an undue influence upon the market. For the avoidance of doubt, managing a position on the market would include not only active management through trading activity but also passive management through the lack of market activity – i.e. the withholding of liquidity from the market.

Defined Terms

3. Terms defined in the LME Rules and Regulations (the “**LME Rulebook**”) shall have the same meaning in this Policy Relating to Position Management Arrangements (the “**Policy**”), unless stated otherwise.

Position Management Arrangements

4. Members should note that throughout this Policy a 24 hour time format is used and all times refer either to UK Greenwich Mean Time or UK British Summer Time, depending on whether Daylight Saving Time is being observed.
5. In addition to the ongoing monitoring of positions referred to above, the LME has the following arrangements in place:
 - a) Daily reporting of positions;
 - b) Lending Rules;
 - c) Warrant financing;
 - d) Accountability levels; and
 - e) Position Limits.
6. To support these arrangements, the LME requires Members to provide certain information on a daily basis including position reports and details of financing arrangements, as well as manage Warrant inventory in LMEsword in line with guidance set out within this Policy.
7. Details of the arrangements and reporting requirements are set out below.

Daily Reporting of Positions

8. In accordance with the obligations contained within Regulation 20.3 of Part 3 of the LME Rulebook, Members must provide a daily Commodity Position Report (“**CPR**”) to the LME in accordance with the format required by the Exchange. These position reports must be submitted to the LME Universal Data Gateway (“**LME UDG**”) and must be received by the LME before 08:30:00 the next business day following the date of the report.

Positions to be Reported in CPR files

9. Category 1, 2, 3 and 4 Members must report every single net LME position in respect of:
 - a) All aggregated proprietary accounts of a Member; and



- b) Any Client account.
10. In respect of Client Contracts, the reports must be compiled on the basis of all Clients who hold those Client Contracts. Where a Member operates an omnibus account on behalf of underlying Clients of an intermediary, the reports must account for each of those underlying Clients separately (except in the case of pooled funds). Members should not treat intermediaries as the holders of aggregated positions if the underlying Clients are the holders of the Client Contracts.
 11. For each of the Member proprietary or Client accounts described above, net market positions should be reported by an International Securities Identification Number (“**ISIN**”). Each commodity and Prompt Date for Futures Contracts and commodity, option date, option type and Strike Price for Metal Options Contracts have their own unique ISIN. Positions should not be reported twice.
 12. Positions reported by Members each morning are those at the close of business on the previous business day. Trades that remain unmatched at close of business should not be included in Member’s position reports the next day. Only on-exchange LME registered positions should be reported. Over the counter (“**OTC**”) positions or LME look-alikes should not be reported nor netted with on-exchange positions. In the event a Member has unmatched trades at close of business for the Cash prompt they should inform Market Surveillance via email before 08:30:00 the next morning.

Reporting Procedure

13. Category 1, 2, 3 and 4 Members must submit their CPR file to Market Surveillance using the LME UDG, before 08:30:00 each business day. Members must have appropriate systems and controls to ensure that data contained in CPR files is complete and accurate.
14. Members should contact both Regulatory Reporting and Market Surveillance immediately if they find that they are unable to meet the daily deadline to submit their CPR file. Members who have to resubmit their CPR file after the reporting deadline because they need to correct erroneous or incomplete submissions must inform both Regulatory Reporting and Market Surveillance of each resubmission as soon as possible.
15. Members who automate their file submission must check their report status for transmission or validation error messages sufficiently in advance of the reporting deadline to ensure that they can correct and re-submit their reports to the LME by the required deadline.
16. While Members may delegate the calculation and transmission of their CPR file to third parties, they retain the responsibility under the LME Rulebook for the accuracy and completeness of the data and submission to the LME by the required time. If delegated to a third-party Members must be able to demonstrate appropriate oversight of those submissions, including compliance with the obligations contained in this Notice and the LME Rulebook.
17. Members must ensure that adequate and ongoing testing is undertaken of systems and controls procedures used to report to the LME to ensure that the information provided to the LME is accurate and complete.
18. Members requiring further information on LME UDG or CPR should refer to the relevant specification documents, which can be found on the LME website at:

<https://www.lme.com/about/Regulation/Rules/Key-compliance-notice>

LMEsword Warrant Management

19. Whilst LMEsword does not purport to create a register of beneficial owners of metal to which Warrants relate it is necessary, in order that the LME can effectively monitor positions and issue Lending Rules, for Members to ensure Warrants are managed in line with this Policy.
20. Members must ensure that by no later than 17:00:00 each day all Warrants that are under its control are allocated to specific accounts within LMEsword. The account to which they are allocated to must reflect the party who holds the proprietary interest in the metal to which the Warrants relate (the “Effective Controller”).



21. Each Member's LMEsword account that holds Warrants must have a valid short code assigned to it in the Compliance Reference field. This short code must have been uploaded to the LME UDG in a Personally Identifiable Information ("PII") file no later than 17:00:00 on the day Warrants are first held in the LMEsword account, and the underlying Legal Entity Identifier ("LEI") or natural person information must correspond to the Effective Controller of that Warrant. Members should note that no 'point of entry' validation for the Compliance Reference field is in place and it is therefore a Member's responsibility to ensure the short code entered is in a valid format and has been uploaded to UDG. Further information around PII file submissions can be found on the LME website at:

<https://www.lme.com/about/Regulation/Rules/Key-compliance-notice>

22. For the avoidance of doubt, even in the event that a Warrant has been transferred to a third party, the entity which retains the proprietary interest in the metal to which the Warrant relates would be considered the Effective Controller.
23. There are a number of ways in which a party can achieve effective control of Warrants held by another. These include where:
- (a) the holder of Warrants has an obligation such that they will retain the Warrants while the obligation is outstanding;
 - (b) the person to whom the holder of the Warrants owes the obligation is aware that the Warrants are being held against the obligation; and
 - (c) the person to whom the obligation is owed has effective control over whether those Warrants can become available to the market.
24. Although not an exhaustive list, specific examples of where a proprietary interest may still be retained in a metal to which a Warrant relates, even though it has been transferred to a third party, would include when a Warrant has been placed into a financing arrangement or pledged to LME Clear as collateral.
25. In the event that a Member, or as the case may be, a Client has effective control over (rather than possession of) Warrants, the LME will aggregate those Warrants with other Warrants held by, or to the order of, the Member or, as the case may be, the Client. The result will be that the total number of Warrants will be counted towards the Member's or, as the case may be, the Client's Warrant holdings, Cash Today and Cash positions for the purposes of calculating lending under the Lending Rules. The Lending Rules will therefore apply to the total aggregated number of Warrants.

Failure to report in an accurate and timely manner

26. Members are advised that the failure to report CPR files and manage their Warrants in LMEsword in an accurate and timely manner may result in action being taken by the LME. As a general rule, the LME may take action against a Member where errors and/or late submissions are observed on 5 or more business days within a calendar month.
27. There are a variety of circumstances that may lead the LME to conclude that there is an error with a Member's position reporting or Warrant management. These are set out in a non-exhaustive list below:

CPR

- (a) **Late submission of files** - Members must submit CPR files before 08:30:00 each business day;
- (b) **Errors in accuracy of positions reported** - The positions reported in Members' CPR files must be free of errors;
- (c) **Duplicate submissions** - Unique positions for each position holder must only be reported once;

Warrant Management



- (a) **Late allocation of Warrants** – Members must ensure Warrants are allocated to specific LMEsword accounts no later than 17:00:00;
- (b) **Incorrect allocation of Warrants** – Members must ensure Warrants are allocated to specific LMEsword accounts which identify the Effective Controller of those Warrants. Leaving Warrants in collection accounts overnight would be captured under this type of error;
- (c) **Blank Compliance Reference fields** – Members must ensure that each LMEsword account that holds Warrants contains a valid short code in the Compliance Reference field. This short code, when mapped to data held by the LME, should reflect the Effective Controller of the Warrants; and
- (d) **Invalid short codes** – Each short code in the Compliance Reference field within LMEsword should have been uploaded to LME UDG prior to the LMEsword account having Warrants allocated to it. This is to ensure that the short code can be mapped to the relevant LEI or natural person information held by the LME and the Effective Controller of the Warrant can be identified.

Lending Rules

- 28. The LME has a regulatory obligation to ensure it has appropriate measures in place to reduce the extent to which the LME can be used for a purpose connected with market abuse, including but not limited to an abusive squeeze. In order to comply with this obligation, the LME issue Lending Rules to market participants holding dominant positions, instructing them to provide a certain amount of liquidity in certain nearby Contracts, to ensure they cannot exert an undue influence on the market price of a particular metal, and in extremis squeeze the market.
- 29. Within the Lending Rules the price used to calculate the premium each business day is the LME Cash Official Price published the previous business day (the “**Cash Price**”). The maximum premium percentage is expressed as a US dollar amount rounded down to the nearest cent.

Tom-Next Lending Rules

- 30. The LME’s Tom-Next Lending Rules require participants to trade between the tomorrow Prompt Date and the Cash Prompt Date (the “Tom-Next” spread). These rules rely upon the reporting by Members on a daily basis of all open LME positions as well as Warrant information held in LMEsword at 17:00:00 the previous business day. Using this information the LME will require Members or their Clients to adhere to the following obligations:
 - (a) If at any time a Member or Client holds 50% or more of the Warrants and/or Cash Today/Cash positions in relation to the open Warrant stocks as published at 09:00:00 each morning (“**Live Warrants**”), they must lend or offer to lend, at a premium of no more than 0.5% of the Cash Price for a day, to reduce the position below 50%.
 - (b) If at any time a Member or Client holds 80% or more of the Warrants and/or Cash Today/Cash positions in relation to the Live Warrants, they must lend or offer to lend, at a premium of no more than 0.25% of the cash price for a day, to reduce the position below 80%.
 - (c) If at any time a Member or Client holds 90% or more of the Warrants and/or Cash Today/Cash positions in relation to the Live Warrants, they must lend or offer to lend, at a premium of no more than level, to reduce the position below 90%.
 - (d) Trading out of sufficient Client Contract positions with that Client to reduce that Member's (or, if two or more Members are directed, those Members') net exposure to that Client in line with the action taken in compliance with the directions under (a) to (c) above.
- 31. The Tom-Next Lending Rules have the effect that a dominant position holder must, without delay, lend or offer to lend by entering an order on LMEselect and/or the Ring. This enables the dominant position holder to respond to demand in the market for borrowing at the premium set by the Tom-Next Lending Rules. The dominant position holder is not obliged to lend if the market demand for Tom-Next borrowing is at a backwardation premium below that specified by the Tom-Next Lending Rules.



32. Lending Tom-Next involves selling for the tomorrow (also referred to as “**tom**”) Prompt Date and buying for the Cash Prompt Date. Where a dominant position holder reduces its Warrant holding (“**W**”), net tom trading position (“**T**”) and net Cash trading position (“**C**”) (**W**, **T** and **C**, known collectively as the “**WTC Position**”), on one day by lending Tom-Next, it will be adding to its C position for the purposes of calculating its WTC Position the next morning. This explains how a person may abide by the Tom-Next Lending Rules but maintain a dominant position on successive days.
33. As with the publication of large position information, in determining the application of the Tom-Next Lending Rules, the LME shall aggregate the positions of an entity across all Members in calculating dominant positions. Likewise, the LME shall aggregate the positions of a Member or Client and such entity’s related group companies unless the entity can demonstrate that the positions were independent.

How to calculate a dominant position

34. The basis of a relevant position in any metal for the purposes of the Tom-Next Lending Rules is the total of a person’s WTC position expressed in Lots. That net WTC Position is divided by the number of Live Warrants, expressed in Lots, for that metal. The result of $(W + T + C) \div (\text{Live Warrants})$ is expressed as a percentage to two decimal places. For example, a Warrant position of 123 Warrants, a net tom position of 456 Lots and a net Cash position of 789 Lots will equal 1,368 Lots. If the total number of Live Warrants were 1,500, the WTC Position would be 91.20%.

$$\frac{(123 + 456 + 789)}{1,500} = 91.20\%$$

35. The denominator used is Live Warrants rather than total stock. Total LME Stock in each metal is the sum of Live Warrants and cancelled Warrants.
36. The resulting percentage forms the basis for calculating the number of Lots that a dominant position holder must be prepared to lend. The Tom-Next Lending Rules treat a WTC Position of 50% and above as dominant. This means that a position holder is subject to the Tom-Next Lending Rules until its WTC Position is reduced to 49.99%. For practical reasons, these percentages need to be expressed in Lots as whole numbers. In the above example, 50% of 1500 Lots equals 750 Lots. Therefore, 749 Lots equals less than 50%. The dominant WTC Position $(123 + 456 + 789)$ equals 1,368 Lots. The holder would have to be prepared to lend 619 Lots to reduce their WTC Position down to 749 Lots. Expressed as percentages, this means that the dominant position holder must be prepared to lend 41.21%, rounded up to the nearest lot.
37. The figures used in calculating a WTC Position are those reported by Members to the LME before 08:30:00 each business day as well as the Warrants managed by each Member, whether that be for their own account or that of a Client, at 17:00 the previous business day. The figures relate to the WTC Positions as at the close of business on the previous business day.
38. The LME automatically aggregates the WTC Positions held by an entity across two or more Members and will also aggregate positions of affiliated companies, such as, but not limited to, those who share a common beneficial owner. The LME may also aggregate the WTC Positions of unconnected parties if the LME believes that there is a common purpose.
39. The net WTC Positions are divided by the number of Live Warrants, which are the same as those included in the stock figures published by the LME at 09:00:00 each business day. The relevant stock figures for complying with the Tom-Next Lending Rules on any tom trading day are those published that morning.
40. As WTC Positions are calculated each morning on the basis of figures as at the close of business on the previous business day, the reported T trading position will have become a delivery obligation for that day and the reported C position will have become a tom position for that day. In order to reduce that reported WTC Position in line with the Tom-Next Lending Rules, the dominant position holder should be prepared to lend the Tom-Next spread.
41. Any increase in a tom position during a tom trading day that brings the combined Warrant, same-day Warrant delivery and tom position at or above 50% of Live Warrants will be a dominant position for the purposes of the Lending Rules and the dominant position holder should therefore be prepared to lend



in accordance with paragraph 30(a) above. Similarly, in the event that a tom position is increased during a tom trading day that brings the combined Warrant, same-day Warrant delivery and tom position at or above 80% or, as the case may be, at or above 90% of the Live Warrants, the dominant position holder should be prepared to lend in accordance with paragraph 30(b) or 30(c) above respectively. In the event a market participant has increased their tom position such that they would be considered a dominant position holder when they previously were not, or the increase in position meant their combined Warrant, same-day Warrant delivery and tom position was now in a higher lending band than previously, they must inform Market Surveillance as soon as possible.

How to comply with the Tom-Next Lending Rules

42. The Tom-Next Lending Rules are an obligation placed on those who hold a dominant long position for which the Tom-Next Lending Rules apply. The holder of the dominant position is ultimately responsible for its own compliance with the Tom-Next Lending Rules. This is the case both for Members and non-Members. In the case of a non-Member, compliance with the Tom-Next Lending Rules may require the non-Member to give appropriate instructions to one or more of its brokers.
43. Where the LME identifies a dominant position, the holder of that position will be contacted to advise of any steps to be taken with regard to the management of the position. These steps could include adjustments to a WTC Position to account for OTC business being brought onto the market that day. Many non-Members prefer to have these discussions directly with the LME rather than go through one or more of their brokers. Although, both Members and non-Members may discuss their WTC Positions with the LME, the holder of a dominant position is best placed to know the size of their own WTC Positions. Once the LME stock figures are published at 09:00:00 a position holder is able to calculate whether or not its net WTC Position triggers the Tom-Next Lending Rules.
44. Increases or decreases in the LME Live Warrant figures from the previous day's figures may affect whether a WTC Position is dominant and whether that dominance exceeds the 50%, 80% or 90% threshold. For this reason, a dominant position holder is entitled to wait until the LME stock figures are published before complying with the Tom-Next Lending Rules. Notwithstanding the above, a dominant position holder should not delay complying with the Tom-Next Lending Rules and must lend or offer to lend immediately following the publication of the LME stock figures. If there has been a material change in the Live Warrant figures, the dominant position holder and relevant counterparties may, upon the LME's instruction, have to adjust some of the trades executed prior to the LME stock figures being published in order to ensure that the lending has complied with the Tom-Next Lending Rules. In the event adjustments are required they will be processed in chronological order.
45. A dominant position holder must lend at the premium applicable to their highest WTC Position first. If a dominant WTC Position is above 90%, the position holder must lend at level a sufficient number of Lots to bring their position below 90% before they may lend at a premium of 0.25% of the Cash Price. Similarly, they must lend at a premium of no more than 0.25% of the Cash Price a sufficient number of Lots to bring their position below 80% before they may lend at a premium of 0.5% of the Cash Price. The position holder must have reduced their position below 50% before the position holder may lend at a premium greater than those specified by the Tom-Next Lending Rules.
46. Once a dominant position holder has received Lending instructions from Market Surveillance, they must enter orders into LMEselect at 09:00:00 without delay and the offer to lend to the market by the dominant holder must be active at all times during which the Tom-Next spread order book is available for trading until all required volume has been fulfilled. In the event the dominant position holder's obligation has not been met before the start of the first Ring session they must also be prepared to respond to bids in the Ring. The purpose of Tom-Next Lending Rules is to address the effect of a Member or non-Member's dominant position on short position holders. It would be an abuse of the Tom-Next Lending Rules for a dominant position holder to contrive to lend to another person at the specified premium with the intention that the borrower could then lend in the market at a higher premium.
47. Where the dominant holder is a Client the LME will, where possible, instruct them directly. If this Client has not responded to the LME within a reasonable timeframe as determined by the LME in its absolute discretion or fails to comply with the LME's instructions, the LME may instruct any/all of their Clearing Member(s) to carry out the instructions on their behalf, and in doing so, may disclose to the Clearing Member(s) concerned that the Client is a dominant holder. In these circumstances, the relevant Client will be deemed to have waived all confidentiality regarding their position as a dominant holder for the



purpose of the instructions. All parties are reminded that this information is market sensitive and should be treated as such.

Lending on LMEselect

48. A dominant position holder subject to the Lending Rules must without delay enter orders into the LMEselect order book that represent their Tom-Next Lending Rules obligations, once the LME stock figures have been disclosed at 09:00:00. The mechanisms for ensuring orderly trading on LMEselect mean that a lower offer entered into the system will trade with an existing higher bid. If there is a bid in LMEselect that is at a higher premium than that prescribed by the Tom-Next Lending Rules, a dominant position holder must trade with that bid to adjust the price back to the correct premium. This adjustment must be undertaken through LMEsmart.
49. If the dominant position holder does not have direct access to LMEselect, it must make arrangements with its broker(s) to take the necessary steps to enter orders into the LMEselect order book without delay on its behalf in an agency capacity and to make adjustments where necessary.

Lending in the Ring

50. A bid in the Ring is also a request to the market. The first Ring session for each metal is the last opportunity to lend or borrow Tom-Next by open outcry. A dominant position holder who has not reduced their WTC Position below 50% by the start of the first Ring session must respond to bids in the Ring where those bids reach the premium at which the dominant position holder must be prepared to lend.
51. The mechanisms for ensuring orderly trading in the Ring mean that once a bid to borrow has been made, a lender must either accept that bid or make a higher offer. It is a breach of Regulation 11 of Part 3 of the LME Rulebook to make an offer that is lower than a prevailing bid. If a dominant position holder's WTC Position remains at 50% or above by the start of the first Ring session, it must ensure that it responds to bids and that any lending is at a premium no higher than the premium prescribed by the Tom-Next Lending Rules. In order to ensure this and to abide by the LME Rulebook, it may be necessary for the dominant position holder to offer to lend.

Brokers instructed by Clients

52. Where a dominant position holder instructs lending to be carried out through a broker, this must be done in an agency capacity with no markup or commission built into price (i.e. the price of the lend order must be at a premium no more than at the required price level(s)).

Minimum Live Warrant Thresholds

53. The following minimum Live Warrant thresholds will be used in the calculation of a dominant position under the Tom-Next Lending Rules. In the event Live Warrants fall to (or below) these thresholds, the Minimum Threshold will replace the Live Warrant in the calculation of the Tom-Next Lending Rules.

Metal	Minimum Threshold
Aluminium	2,240 Lots
Copper	1,220 Lots
Lead	840 Lots
Nickel	560 Lots
Tin	70 Lots
Zinc	840 Lots



Front Month Lending Rules

54. The Front Month Lending Rules apply to a Member's or Client's "Cumulative Spot Futures Position", relative to "Total Available Stock", in deliverable Aluminium, Copper, Nickel, Lead, Tin, and Zinc Contracts.
55. A "**Cumulative Spot Futures Position**" is defined as the total of a Member's or Client's aggregated Futures Contracts (including, in relation to Metal Options Contracts, the delta adjusted equivalent futures positions) across each individual Prompt Date and expiry up to and including the next 3rd Wednesday Prompt Date which is not the next available Prompt Date ("**M1**"). As such, when a 3rd Wednesday Futures Contract becomes the tom Contract, then M1 (and thus the Cumulative Spot Futures Position) refers to the following 3rd Wednesday Futures Contract).
56. "**Total Available Stock**" is defined as the Total LME Stock¹ not held by the dominant holder. For the purposes of this definition, "held" includes any position for which the relevant Member or Client is the Effective Controller.
57. In determining the application of the Front Month Lending Rules, the LME will aggregate positions across all LME Clearing Members holding positions for the relevant legal entity and any related group companies (unless the relevant entity can demonstrate to the satisfaction of the LME that the positions are entirely independent and unrelated).
58. Where a Member holds an offsetting OTC Position, they may apply to the LME for an exemption for this position such that the number of lots held OTC can be discounted from their Cumulative Spot Futures Position for the purposes of the relevant calculations pursuant to the Front Month Lending Rules. The LME may grant this exemption at its absolute discretion, taking into account any factor it deems relevant including the counterparty to, size, and purpose of the relevant OTC positions. Any Member wishing to apply for this exemption should contact market.surveillance@lme.com prior to 18:00 on the Wednesday before the 3rd Wednesday prior to the position being taken into account in the Cumulative Spot Futures Position.
59. Positions are calculated using CPR data reported at 08:30 on the relevant Business Day. Stock data is as published at 09:00 on the relevant Business Day.
60. The basis of a relevant position in any metal for the purposes of the Front-Month Lending Rules is the total of a person's Cumulative Spot Futures Position expressed in Lots. That net position is divided by the number Total Available Stock, expressed in Lots, for that metal. The result of Cumulative Spot Futures Position ÷ Total Available Stock is expressed as a percentage to two decimal places.
61. The resulting percentage forms the basis for calculating the number of Lots that a dominant position holder must be prepared to lend. The Front Month Lending Rules treat a Cumulative Spot Futures Position of 50% and above as dominant. This means that a position holder is subject to the Front Month Lending Rules until its Cumulative Spot Futures Position is reduced to 49.99%. For practical reasons, these percentages need to be expressed in Lots as whole numbers.
62. The LME's Front Month Lending Rules rely upon the reporting by Members on a daily basis of all open LME positions as well as Warrant information held in LMEsword at 17:00:00 the previous business day. Using this information the LME will require Members or their Clients to adhere to the following obligations:
 - (a) If at any time a Member or Client holds 50% or more of the Cumulative Spot Futures Position in relation to the Total Available Stock, they should be prepared to lend, at a premium of no more than 3% of the previous day's closing price of M1, to reduce the position below 50%.
 - (b) If at any time a Member or Client holds 80% or more of the Cumulative Spot Futures Position in relation to the Total Available Stock, they should be prepared to lend, at a premium of no more than 1.5% of the previous day's closing price of M1, to reduce the position below 80%.

¹ "**Total LME Stock**" in each metal is defined as the sum of Live Warrants and cancelled Warrants.



(c) If at any time a Member or Client holds 90% or more of the Cumulative Spot Futures Position in relation to the Total Available Stock, they should be prepared to lend, at a premium of no more than at level of the previous day's closing price of M1, to reduce the position below 90%.

63. The price used to calculate the premium each business day is the LME M1 Closing Price published the previous business day. The maximum premium percentage is expressed as a US dollar amount rounded down to the nearest cent.
64. The dominant holder will be required to make liquidity available by offering to lend M1 to the following 3rd Wednesday Prompt Date ("M2") for their Cumulative Spot Futures Position that is in excess of the thresholds specified.
65. If, at 09:00 the bid for the M1-M2 carry is **no greater than** the Front Month Lending Rule obligation, then the dominant holder (whether an existing dominant holder or a dominant holder due to an update in Total Available Stock) should, without delay, offer to lend M1-M2 no greater than at the required price level(s) determined by the Front Month Lending Rules, and should continue to offer to lend at the required price level(s) until such a time that they do not have a Front Month Lending Rule obligation.
66. If, at 09:00 the bid for the M1-M2 carry is **greater than** the Front Month Lending Rule obligation, then the dominant holder should between 09:00 and 13:30 reduce their position in line with their obligation in an orderly manner, such that that by 13:30 at the latest they either no longer have a Front Month Lending Rule obligation, or they are offering to lend the M1-M2 carry at the required price level(s), after which they should continue to offer the M1-M2 carry at the required price level(s) until such a time that they do not have a Front Month Lending Rule obligation.
67. In line with the above, by 13:30, a dominant holder is required to have lent their Front Month Lending Rule obligation or to be offering to lend M1-M2 at the required price level(s) should they still have a Front Month Lending Rule obligation. After 13:30, should the dominant holder lend at a price greater than the required price level(s), then such transactions will be price adjusted to the appropriate price level(s).

How to Comply with the Front Month Lending Rules

68. The offer to lend to the market by the dominant holder must be active at all times during LMEselect opening hours. This means that the relevant order(s) must persist on the LME Select order book until all required volume has been fulfilled.
69. If the dominant holder lends this volume via broker(s), this lending must take place on LMEselect in an agency capacity with no markup or commission built into the price (i.e. the price of the lend order must be at a premium no more than at the required price level(s)).
70. No Member or Client shall, at any time, increase their Cumulative Spot Futures Position should this result in them taking a position in excess of 150% of Total Available Stock, or increasing an existing position which exceeds 150% of Total Available Stock.
71. It is the responsibility of the dominant holder to ensure that they are compliant with the Front Month Lending Rules at all times. Members shall take all reasonable steps to procure that their Clients comply with the Front Month Lending Rules.
72. Where the dominant holder is a Client, the LME will instruct them directly. If this Client has not responded to the LME within a reasonable timeframe as determined by the LME in its absolute discretion or fails to comply with the LME's instructions, the LME may instruct any/all of their Clearing Member(s) to carry out the instructions on their behalf, and in doing so, may disclose to the Clearing Member(s) concerned that the Client is a dominant holder. In these circumstances, the relevant Client will be deemed to have waived all confidentiality regarding their position as a dominant holder for the purpose of the instructions. All parties are reminded that this information is market sensitive and should be treated as such.

Minimum Total Stock Thresholds

73. The following minimum Total LME Stock thresholds will be used in the calculation of the Front Month Lending Rules calculation. In the event Total Stock falls to (or below) these thresholds, the Minimum Threshold will replace the Total Stock used in the calculation of the Front Month Lending Rules.



Metal	Minimum Threshold
Aluminium	6,400 Lots
Copper	3,200 Lots
Lead	2,400 Lots
Nickel	1,600 Lots
Tin	200 Lots
Zinc	2,400 Lots

Reporting of Financing Arrangements

74. Members are required to inform the LME of financing arrangements to which the Member is a party and whether they or their Clients do not hold but have effective control over Warrants. Members must notify the LME by completing the template form attached at Schedule 1 and sending it to Market Surveillance at market.surveillance@lme.com before or at the start of the financing arrangement. The Member must also notify Market Surveillance by email when the financing arrangement ends or when it has been amended.

Accountability Levels

75. As noted above, the LME continuously undertakes surveillance on all positions held on the market and where relevant the Lending Rules set out specific actions that would be taken in particular circumstances. However, the LME considers it appropriate to have arrangements in place for the provision of additional information, when requested by the LME, for positions that are above certain levels (which shall be referred to as the “**Accountability Levels**”), even where such positions do not trigger the application of the Lending Rules. The request to provide additional information will be made to the Member who is holding a position, either directly or on behalf of their Client(s), which is in excess of the relevant Accountability Level. In calculating whether a position is in excess of the relevant Accountability Level, the LME may take into account positions in over-the-counter contracts subject to reporting under Regulation 24 of Part 2 of the Rules (“**OTC positions**”). In this respect, the LME may, at its discretion, elect to consider OTC positions separately to on-Exchange positions, or net them together, for the purposes of determining if the position is in breach of the Accountability Level threshold.
76. For the avoidance of doubt, Members and their Client(s) may (unless directed otherwise) hold positions that are in excess of the Accountability Level.
77. The LME will publish Accountability Levels for positions held on single Prompt Dates and also positions held across all Prompt Dates (referred to as the “**Single Prompt Accountability Levels**” and the “**All Prompt Accountability Levels**” respectively).
78. If a position exceeds as described either the Single Prompt Accountability Level and/or the All Prompt Accountability Level then the LME may require further information as to the nature and purpose of the position of that account (or, if appropriate, linked accounts as determined by the LME or OTC positions taken into account), and may direct that Members cannot accept further orders that increase the position, or direct that the position be reduced to a level below the Accountability Level. The Member shall comply with such directions or procure that its Client comply with such directions.
79. The current Accountability Levels are set out at Schedule 2. The LME reserves the right to amend these levels, and the LME will advise of any updates in writing. In addition, Accountability Levels for other LME Contracts may be introduced from time to time, as advised by the LME in writing. The Single Prompt Accountability Levels shall be calculated for each Member or Client (as relevant) on a net basis in respect of each relevant Prompt Date. The All Prompt Accountability Level shall be calculated for each Member or Client (as relevant) on a net basis in respect of all relevant Prompt Dates.



80. The Accountability Levels shall apply to any Member and/or Client trading the Contracts set out in Schedule 2 and will apply to positions held at the end of day. Members shall be responsible for compliance with the Accountability Levels and for ensuring compliance by their Client(s) with the Accountability Levels.
81. Upon request, Members are required to provide all relevant information relating to the position to the LME. Where appropriate, Members may encourage their Clients to provide all relevant information directly to the LME, and in such cases the Member will have been deemed to have responded to the LME's original request for additional information. The LME is aware that the information provided may include commercially sensitive information and therefore will be held in confidence in accordance with the provisions of Part 2 of the LME Rulebook.
82. As with the publication of position information and the Lending Rules, in calculating the total positions of two or more entities acting in concert for the purposes of the Accountability Levels, the LME shall aggregate the positions of a client across all Members. Likewise, the LME shall aggregate the positions of a Member or client and such entity's related group companies unless the entity can demonstrate that the positions were independent. The LME will also aggregate the positions of unconnected parties if the LME believes that there is a common purpose between such parties. In such cases the LME will inform the parties either directly or through the Members with whom they trade.

Position Limits

83. The Lending Rules apply to all products on which Warrants are issued and where stock figures are published by the LME. However, the LME makes available for trading other products where no stock figures are available. In these instances, the LME may operate a Position Limit regime.
84. The Position Limits published by the LME apply to all Prompt Dates and are triggered when the net position held exceeds the relevant Position Limit. Where a position exceeds the relevant Position Limit, the LME may request further information regarding the position of that account or linked accounts, and the LME may also give directions to the Member in respect of the position of that account or linked accounts.
85. The current Position Limits are set out at Schedule 3. The LME reserves the right to amend these Position Limits, and the LME will advise of any updates in writing. In addition, Position Limits for other Contracts may be introduced from time to time, as advised by the LME in writing.
86. When requested by the LME, Members must provide the LME with certain information relating to a position. Members may encourage their Clients to provide all relevant information directly to the LME, and in such cases the Member will be deemed to have responded to the LME's original request for information. The LME may also contact the position holder directly to obtain further information. The LME is aware that the information provided may include commercially sensitive information. Such information will be held in confidence in accordance with the provisions of Part 2 of the LME Rulebook.

Enforcement of Position Management Arrangements

87. Regulation 17 of Part 3 (Emergencies) of the LME Rulebook sets out the powers of the Special Committee in the event that it has cause to suspect the existence of or to anticipate the development or likely development of an undesirable situation or undesirable or improper trading practice which in its opinion has affected or is likely to affect the market.
88. For the avoidance of doubt, the Special Committee may, in its absolute discretion, take such steps as it deems appropriate to contain or rectify the situation. This may include, without limitation, a direction to reduce a position to below the relevant Accountability Level and/or Position Limit. Further, a direction to reduce a position may be issued even where the position is already below the relevant Accountability Level and/or Position Limit.
89. Any Member contravening or failing to comply with any direction or instruction issued by the Special Committee will be considered to be in breach of the LME Rulebook.
90. Members with queries regarding this policy should contact Market Surveillance at market-surveillance@lme.com.



Amendment and Change History

Version	Author	Revisions
January 2025	Market Surveillance	Update to Accountability Levels.
May 2025	Market Surveillance	Update to Accountability Levels
June 2025	Market Surveillance	Introduction of the Front Month Lending Rules
October 2025	Market Surveillance	Consultation
February 2025	Market Surveillance	Decision Notice

Schedule 1

Reporting of Warrant Financing Arrangements (in Excel or CSV format)

Column No.	Column Name	Description	Mandatory (M) Optional (O) Conditional (C)	Data Type	Sample Data
1	Member Mnemonic	The 3 letter code assigned to the Member submitting the financing arrangement	M	CHAR-3	'XXX' 'YYY'
2	Warrant Holder	The entity in possession of the Warrants under the financing arrangement. Note this does not necessarily have to be the Member, or the Effective Controller, it could be a client of the Member who is financing Warrants for a third party.	M	ALPHANUM-256	'ABC TRADING LTD' 'JOHN SMITH'
3	Effective Controller	The entity, or natural person, that maintains effective control of the Warrants under the financing arrangement. See paragraphs 22 and 23 for further details.	M	ALPHANUM-256	'ABC TRADING LTD' 'JOHN SMITH'
4	MiFID short code	The MiFID short code that corresponds to the Effective Controller.	M	INTEGER	'123456789'
5	Start Date	The date at which the financing arrangement began.	M	ISO 8601 extended format YYYY-MM-DD	2019-03-01
6	End Date	The date at which the financing arrangement is expected to end.	O	ISO 8601 extended format YYYY-MM-DD	2019-03-01
7	Metal	2 letter code identifying the metal	M	CHAR-2	'AH' – Aluminium 'CA' – Copper
8	Number of Warrants	Number of Warrants held under the financing arrangement	M	INTEGER	'150'
9	Additional Comments	Any additional details the Member deems relevant to the LME with respect to the financing arrangement in place.	O	ALPHANUM-256	



Schedule 2

Accountability Levels

Contract Code	Single Prompt Accountability Level (Lots)	All Prompt Accountability Level (Lots)
AH	16,000	16,000
CA	8,000	8,000
NI	6,000	6,000
PB	4,000	4,000
SN	500	500
ZS	6,000	6,000



Schedule 3

Position Limits (Lots)

Contract Code	Position Limits (Lots)
AN (US Midwest)	2,500
AS (South-East Asia)	2,500
AE (East Asia)	2,500
AW (West Europe)	2,500